# Building and Civil Engineering Holidays Scheme Management Limited

Annual report and financial statements
for the year ended 31 March 2013

COMPANY NUMBER: 377361

## Our Purpose:

At B&CE we are dedicated to improving the financial wellbeing of our members Founded in construction, we are a not-for-profit organisation which operates for the benefit of our members – **"we work for people not for profit"**.

## Our Vision:

Our vision for the next 5 years is to build on our continuing success and credibility, and become a leading provider of workplace pensions in the UK

## Our Values:

Creating Simplicity

- We strip out complications and remove obstacles, to help people make good decisions.
- We make things better and simpler by doing the right thing and answering real needs.

Showing Compassion

- We put ourselves in other people's shoes.
- We give people time, listen to what they have to say and care about how they feel.
- We do things the way that works best for our members, not just the way everyone else does them.

Keeping Promises

- We always do what we say we'll do, and we don't stop until it's as good as we can make it.
- We build our business by providing good quality products, and by meeting the needs of our members and their employees.

# Contents

# 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 8 November 2013 at 12 15 p m

for the purpose of receiving the annual report and audited financial statements and transacting the ordinary business of the company

Dated 16 October 2013
By order of the board

C E Milton
**Group Company Secretary**

**Agenda**

1 Apologies for absence

2 Minutes of the seventieth annual general meeting held on 9 November 2012

3 Chairman's address

4 To receive and adopt the annual report and audited financial statements for the year ended 31 March 2013, together with the independent auditors' report

5 To reappoint PricewaterhouseCoopers LLP as auditors of the company in accordance with section 485 of the Companies Act 2006 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 Group Company Secretary at Manor Royal, Crawley, West Sussex, RH10 9QP

# Chairman's statement

Our roots are in the construction industry and we have been providing benefits for construction workers for 70 years We play an integral role in the industry and this will continue to be our core purpose

However, following the launch of The People's Pension, we will also provide a pension scheme for employers in any sector and of any size We envisage that the offering will be particularly appealing to those with similar characteristics to construction

At a time when the construction industry is still in a downturn, B&CE has the challenge of making The People's Pension a major UK pension offering and support both existing and new customers through the challenge of auto-enrolment During this period of expansion we will continue to provide simple low cost products supported by excellent personal customer service

Our recent awards for 'Auto-enrolment Provider of the Year' and 'DC Master Trust/Bundled Services Provider' were splendid tributes to everyone at B&CE, who have done so much to bring The People's Pension into being

All of us on the board take pride in what has been achieved to date, and for my part, I am so pleased with this recognition for our staff

The Rt Hon Sir John Chilcot
**Independent Chairman**
2 August 2013

# 2012/13 Highlights

**Employers started to automatically enrol employees into The People's Pension from 1 October 2012.**

**As at 31 March 2013 the scheme had over 10,750 members and by 30 June 2013 this had grown to over 60,000.**

**A total of £94m was paid out from B&CE's pension schemes during the year.**

**B&CE entered reinsured its existing book of annuity business during the year as part of a risk reduction exercise.**

**B&CE donated £475,000 to the Building and Civil Engineering Charitable trust during the year.**

**B&CE retained the financial strength rating of B (Strong) from AKG.**

**B&CE also retained the Investors in People (IIP) Bronze Award receiving a better overall rating than in the last assessment in 2010.**

**B&CE was awarded 'Auto-Enrolment Provider of the Year' at the UK Pensions Awards 2013 and The People's Pension was won the award for 'DC Master Trust / Bundled Services Provider' at the annual Pension and Investment Provider Awards.**

**The People's Pension also received the Pensions Quality Mark ("PQM") Ready standard.**

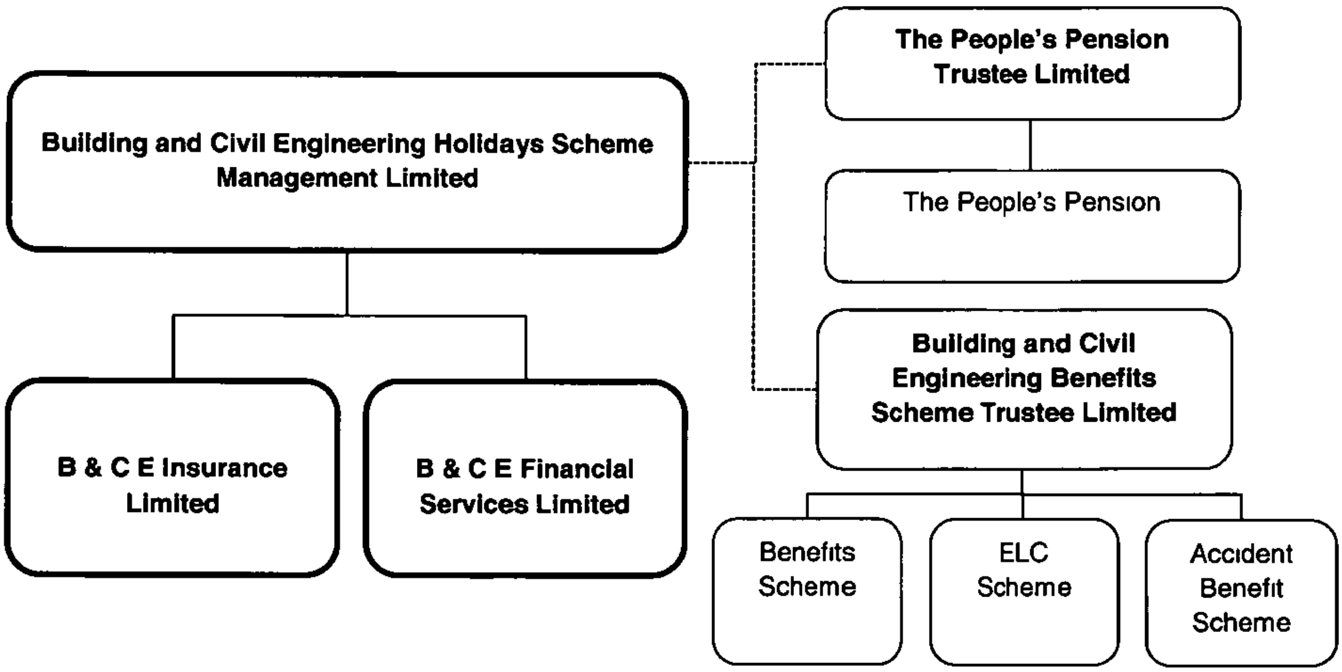
# B&CE group structure

Building and Civil Engineering Holidays Scheme Management Limited ("the Company") is a company limited by guarantee It administers the Building and Civil Engineering Holidays-with-Pay Scheme ("the Holiday Pay Scheme") as well as the Building and Civil Engineering Benefits Scheme ("the Benefits Scheme") and the Building and Civil Engineering Accident Benefit Scheme ("the Accident Benefit Scheme") It is also the appointed administrator of The Building and Civil Engineering Charitable Trust ("the Charitable Trust")

The Company has two wholly owned subsidiaries, B & C E Insurance Limited and B & C E Financial Services Limited Collectively the Company and its subsidiaries are referred to as the "Group" or "B&CE" throughout this document

B & C E Insurance Limited was established in 1995 with the objective being to offer appropriate insurance based products to all who work in the construction industry

B & C E Financial Services Limited is the administrator for a number of the pension schemes operated by B&CE It is also the promotional and marketing arm of the Group, distributing any 're-badged' products that B&CE offers in partnership with other financial services providers



# Product portfolio

## Holiday Pay Scheme

The Holiday Pay Scheme has been in operation since 1943 By depositing their employees' holiday pay with B&CE, employers could gain exemption from paying National Insurance ("NI") contributions on this pay, with savings going towards the costs of other employee benefits products In October 2012, the Government withdrew the NI concession Employers can continue to operate the scheme but will no longer receive the benefit of the NI exemption.

The scheme is administered by Building and Civil Engineering Holidays Scheme Management Limited

## EasyBuild

In April 2001, B&CE launched EasyBuild, a stakeholder pension scheme for all those who work in the construction industry

Contributions to EasyBuild can be paid by both employers and employees Employers working within the Construction Industry Joint Council ("CIJC") working rule agreement are expected to contribute a minimum of £5 per week for employees (excluding new starters who do not make their own contributions) and match employee's contributions up to £10 per week Members of EasyBuild are charged an annual management charge ("AMC") which is tiered depending on the member's fund size and ranges between 0 60% – 0 95%p a

EasyBuild is administered by B & C E Insurance Limited

## The People's Pension

Workplace pension law changed in October 2012 and employers are now required to automatically enrol certain workers into a qualifying workplace pension scheme ("Automatic Enrolment") The new legislation is being phased in between 2012 and 2018 By 2018 the legislation will require those enrolled to pay 5% of their qualifying earnings into the scheme (unless they choose to opt-out) with a further 3% coming from their employer

B&CE launched The People's Pension in November 2011 and is B&CE's default Automatic Enrolment solution The People's Pension is a multi-employer master trust pension scheme and became operational from October 2012. The scheme is a defined contribution scheme with a simple choice of funds and flat rate AMC of 0 5% p a and is available to employers from any sector

The People's Pension Trustee Limited acts as corporate trustee for the scheme and B & C E Financial Services Limited is the appointed administrator of the scheme

## Death Benefit

The Death Benefit cover provides a discretionary tax-free lump sum (up to £23,000) to an employee's financial dependents if they die whilst covered under the scheme

The scheme was closed to new contributions in September 2010 but claims will continue to be paid until October 2015 This cover has been replaced by Employee Life Cover from B&CE

Building and Civil Engineering Benefits Scheme Trustee Limited acts as corporate trustee for the scheme and it is administered by Building and Civil Engineering Holiday Scheme Management Limited

## Accident Benefit

The Accident Benefit cover provides a tax-free lump sum (up to £17,500) to an employee if they are injured as a result of a qualifying accident whilst at work or travelling to or from work.

The scheme was closed to new contributions in September 2010 but claims will continue to be paid until October 2013 This cover has been replaced by Employee Accident Cover from B&CE

Building and Civil Engineering Benefits Scheme Trustee Limited acts as corporate trustee for the scheme and it is administered by Building and Civil Engineering Holiday Scheme Management Limited

# Product portfolio (continued)

**Lump Sum Retirement Benefit**

Lump Sum Retirement Benefit ("LSRB") is an approved occupational pension scheme, paying a one off tax free lump sum at the age of 65

LSRB was introduced in 1982 As a result of the launch of EasyBuild, the existing scheme ceased to receive retirement benefit contributions, accrue further service, and was closed to new members Accrued entitlements to the benefit will continue to be paid when due

Building and Civil Engineering Benefits Scheme Trustee Limited acts as corporate trustee for the scheme and it is administered by Building and Civil Engineering Holiday Scheme Management Limited

**Additional Voluntary Contributions**

Additional Voluntary Contributions ("AVC") was launched in 1986 as a top up arrangement for the LSRB scheme It was designed to give members the opportunity to boost their retirement benefit by making their own regular contributions The AVC arrangement closed to new contributions when EasyBuild was introduced

Building and Civil Engineering Benefit Scheme Trustee Limited acts as corporate trustee for the scheme and it is administered by Building and Civil Engineering Holidays Scheme Management Limited

**Employee Accident Cover from B&CE**

In October 2010, B&CE launched Employee Accident Cover from B&CE ("EAC") Employers pay weekly premiums to provide cover for their staff Employees are covered for a range of injuries (providing up to £25,000) for accidents at work, or travelling to or from work

EAC is insured and administered by B & C E Insurance Limited

**Employee Life Cover from B&CE**

In October 2010 B&CE launched Employee Life Cover from B&CE ("ELC") The ELC Scheme is a death benefit only occupational pension scheme Employers pay weekly premiums to provide cover for their staff The cover provides a discretionary tax-free lump sum (currently up to £25,000) if an employee dies whilst covered under the scheme The product includes cover whilst the employee is incapacitated or unemployed, and the payment is doubled if the death is the result of an accident at work

Building and Civil Engineering Benefit Scheme Trustee Limited acts as corporate trustee to the scheme and B & C E Financial Services Limited acts as administrator

**TUTMAN B&CE Contracted-out Pension Scheme**

TUTMAN B&CE Contracted-out Pension Scheme ("BCECOPS") was launched in 1988 and offered to employed construction workers The Government stopped contracting out in defined contribution schemes from 6 April 2012 This is a unit-linked personal pension plan that helps construction workers build up their funds to provide an income on retirement by contracting out of the state second pension Under the scheme a member elects to arrange for part of their and their employer's NI contributions to be paid into their own pension arrangement

Thesis Unit Trust Management Limited ("TUTMAN") is the Scheme Manager and B & C E Financial Services Limited is the scheme administrator and scheme registrar

**B&CE Annuity**

In April 1997, B&CE launched B&CE Annuity to provide annuities to those retiring from the construction industry The majority of the business came from individuals retiring with EasyBuild and BCECOPS policies B&CE ceased writing new annuity business in 2011

B&CE Annuities are currently insured by B & C E Insurance Limited, and reinsured by Partnership Life Assurance Company Limited ("Partnership") The administration of B&CE Annuities transferred to Partnership on 3 June 2013

# Product portfolio (continued)

### Partnership Annuities

Since December 2010, those retiring with B&CE pensions have been referred to Partnership for annuities Or alternatively customers can use the Open Market Option

B&CE started referring new annuity business to Partnership, a specialist provider to those with health and medical conditions, in order for customers to benefit from annuity rates that are unique to B&CE customers Customers have access to enhanced rates by completing a one page medical questionnaire

B & C E Financial Services Limited receives commission in respect of this business

### Employee Healthcare from B&CE

B&CE launched Employee Healthcare from B&CE ("Employee Healthcare") in February 2009 The product is operated in partnership with Westfield Health Limited ("Westfield"), a respected market leader in this type of business for 90 years The product provides cash benefits that enable employers to provide their employees protection against some everyday health costs such as dental treatment, eyecare, physiotherapy and osteopathy

B & C E Financial Services Limited receives commission in respect of this business

### RapidCash

RapidCash was launched in 1997 It is a low cost injury insurance product designed specifically for the construction industry Should an employee suffer a qualifying injury resulting in them not being able to work, they can receive payouts of up to £300 per week RapidCash is not currently promoted but enquiries are still received from existing customers and employers

### The Building and Civil Engineering Charitable Trust

The Charitable Trust launched in 1991 offers financial assistance to construction workers and their families who are suffering hardship The principal aim of the Charitable Trust is to ease the financial distress that illness or changes in domestic circumstances can cause

The objectives of the trust are

1 Education, training 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 to beneficiaries who are in need by virtue of their poverty, sickness or distress

# Chief Executive Officer's review

During the year the Government's pension reform strategy was introduced which will compel employers to automatically enrol employees into a qualifying workplace pension This long-awaited reform was announced several years ago and has shaped our strategy during that time – culminating in the launch of The People's Pension in November 2011

Automatic Enrolment is one of the biggest reforms to pensions in decades This reform is expected to bring millions of new people into workplace pensions It is a big step on the road to encouraging a culture of saving to try to ensure that people have sufficient income in their old age – a culture that B&CE has been promoting for many years

**The People's Pension**

The focus for the business over the past 18 months has been to develop and improve The People's Pension proposition leading up to the implementation of the new Automatic Enrolment regime We have achieved a great deal during this time, with the most important being accepting our first members into the scheme in October 2012.

We have since enrolled well over 60,000 employees into the scheme (as at 30 June 2013) from both large and small employers from a variety of sectors – including some well-established household names The year ahead promises to be an important year for The People's Pension with membership anticipated to escalate rapidly. We are currently working with over 300 new employer customers and by the end of the year we expect to have enrolled approximately 350,000 employees

The accolade of B&CE being named the 'Auto-Enrolment Provider of the Year' at the UK Pension Awards, and The People's Pension being awarded for 'DC Master Trust / Bundled Services Provider' at the Pensions and Investment Provider Awards, capped a great year for us I was thrilled to collect the awards on behalf of B&CE and it is fantastic that the efforts of all of our staff have been recognised by our industry peers

It was also pleasing that The People's Pension received the Pensions Quality Mark ("PQM") Ready standard which will help employers using our scheme to demonstrate the value of the scheme they are operating to their staff

**Construction**

As well as the new employers that we are working with on their Automatic Enrolment needs, we are of course continuing to work with over 4,300 existing construction employers who we are already providing pension arrangements Construction remains our core purpose and we will be working with these employers closely to assist them through Automatic Enrolment in the coming years

We will also continue to operate accident and life cover for the industry and were pleased that we were able to increase the headline benefit rates on both of these products from £23,000 to £25,000 during the year We will also provide support to the industry through The Charitable Trust which we provided donations to during the year totalling £475,000

**The year ahead**

Our activities going forward will be focussed around five strategic objectives

- Continue to support the welfare needs of the construction industry
- Engage and influence the pensions industry
- Maintain and develop competitive advantage
- Improve and expand distribution and marketing
- Evolve and enhance operations

**Financial stability**

The financial stability of the Group has improved again during the year Profit for the year totalled £5 5m and I am pleased to report that we continue to hold strong reserves with considerable headroom above the regulator's solvency levels

An important step that we have taken during the year is to reinsure our existing book of annuity business We took this step in order to remove the Group's exposure to longevity risk and give further protection to our surplus assets

**Exceptional service**

As always, it remains our intention to deliver exceptional personal and caring customer service at all times whilst ensuring that we take the hassle away and allow employers to concentrate on building their businesses.

We could not do this without the dedication of our staff Everyone at B&CE has worked extremely hard over the past 18 months to bring The People's Pension to market It is testament to their hard work that our Automatic Enrolment solution has been so well received and such a great success

Patrick Heath-Lay
**Chief Executive Officer**
2 August 2013

# 2012/13 Performance review

## Markets

The markets that B&CE operate in have continued to be rather volatile over the past 12 months Growth in the UK economy has remained sluggish, the year started with the economy in decline and ended narrowly avoiding a triple dip recession

The construction industry is one of the sectors that has been hardest hit and output in the sector is reported to be at its lowest point since 1999 The 2013 budget did include some stimulus for the sector – the Chancellor announced new plans to help people to buy their own homes in the form of the Help to Buy scheme This enables all purchasers to put down a 5% deposit on a newly built home, and borrow up to 20% from the Government on an interest free basis The success of these schemes remain to be seen but it is hoped that it will increase the availability of affordable mortgages to get on or move up the housing ladder and boost house and infrastructure construction

In terms of investment markets, Eurozone issues dominated the news flow over the year The uncertainty in markets eased considerably when European Central Bank vowed "to do whatever it takes" to support the Eurozone Investors were also nervous in the build-up to the US fiscal cliff deadline, which was averted at the last minute

Despite the fragility of the world economy, global equity returns were strong over the 12 months to 31 March 2013 The UK equity market (FTSE All Share) moved up by 17% over the 12 months, helped by quantitative easing Risk aversion caused safe haven flows into gilts during the turmoil, which climbed 5% over the 12 month period Yields reached all-time lows over the summer before moving higher over the rest of the calendar year.

## Products

**The People's Pension**

The People's Pension went live in October 2012 and 12 employers had enrolled their employees into the scheme before the end of the financial year In total the scheme had 10,750 members after approximately 10% of members enrolled had opted out of the scheme. The total funds under management totalled £0 5m at the end of the period

The size of The People's Pension is projected to increase rapidly in the coming years as employers reach their Automatic Enrolment staging date and enrol the employees into the scheme

The costs of operating The People's Pension are largely borne by B & C E Financial Services Limited which is the appointed administrator of the scheme An administration fee is paid in respect of this service – although the fee will be significantly lower than the costs incurred for a number of years until the fund is sufficiently large enough for the fees to cover the expenses

**Other pension schemes**

EasyBuild membership fell very slightly during the year to 498,885 (2012 – 502,048) following a similar trend seen in recent years Premiums fell with a total of £54 9m received during the year (2012 – £56 8m), as did the number of active members which fell to 89,261 (2012 – 100,352) which followed a similar trend to recent years This fall was anticipated given a change made to the CIJC agreement in 2008 which meant that new employees would not generally receive a pension contribution from their employer unless the employee made a contribution themselves This change was introduced in order to try to stop the creation of small pension pots in EasyBuild

Despite the reduction in contributions, the EasyBuild assets under management grew significantly during the period, boosted by strong investment growth The fund was valued at £827m at the end of the period (2012 – £715m)

The trend of falling membership is one that is set to continue – and is expected to be accelerated through the phased introduction of Automatic Enrolment as employers switch their pension arrangements to schemes geared up for Automatic Enrolment such as The People's Pension

Membership in BCECOPS fell to 9,132 at the end of the period (2012 – 9,901) which is a trend that will continue given that new policies are no longer set up The size of the fund grew to £249m at the end of the period (2012 – £229m) which was driven by strong investment performance

# 2012/13 Performance review (continued)

The LSRB scheme is also closed to new members but again increased in value over the period to £746m (2012 – £736m) due to investment gains made over the past 12 months The scheme paid out a total of £41 2m in retirement benefit claims during the year (2012 – £36 4m) which is a significant increase cause by a large member tracing exercise carried out during the year

**Holiday Pay**

It was announced in 2008 that the longstanding National Insurance ("NI") concession on holiday pay was to be removed A "sunset period" was given to the construction industry but this was finally withdrawn in October 2012 B&CE continues to offer the Holiday Pay facility to employers but without the concession

As anticipated, the size of the Holiday Pay fund has decreased rapidly since the withdrawal of the concession to £13 8m at the end of the period (2012 – £62 0m) Employers wishing to continue operating the facility are asked to complete a signed declaration The number of declarations received to date has been relatively small and the fund is therefore expected to fall further going forward

**Accident and life cover**

The loss of the NI concession effectively increased costs for employers – given that the concession was used to subsidise other employee benefits provided by B&CE The number of employers choosing to provide accident and life cover for their staff has subsequently fallen which was expected

The number of individuals covered by the ELC and EAC schemes has reduced to 166,587 (2012 – 195,915)

**Annuities**

The Partnership annuity offering has continued to prove popular with premiums totalling £18 6m transferred during the year (2012 – £18 2m)

B&CE continues to insure its existing annuity policies although it is the intention that these will be transferred to Partnership by carrying out a Part VII transfer on 30 September 2013 The administration of the policies was transferred to Partnership from 3 June 2013 and a reassurance agreement has been in place since 1 August 2012

The reassurance is a 100% quota share agreement with Partnership which will fall away once the planned Part VII transfer has happened

## Financial review

The consolidated Group financial statements are shown on pages 22 – 25 The consolidated profit for the year was £5 5m (2012 – £10 2m) The main variances compared to last year are as follows

- Turnover for the year totalled £14 9m (2012 – £22 9m)
  - Investment income of £5 1m (2012 – £7 7m) is now shown in the profit and loss account under income from other investment assets The reduction in income is due to the Group transferring a large proportion of the investments held for long-term insurance business to Partnership Corporate bonds, gilts and cash were transferred in August 2012 in consideration for the annuity reassurance transaction
  - Turnover from insurance business increased to £7 8m (2012 – £7 3m) The increase has been driven by an increase in the value of the EasyBuild funds under management which have therefore generated larger fees
  - Management fees totalled £6 4m for the year (2012 – £6 6m) with the slight reduction due to a fall in ELC administration fees following the fall in membership

# 2012/13 Performance review (continued)

- The net movement in investment activities totalled £11 1m for the year (2012 – £8 7m)
  - There were realised profits on investments of £14 9m (2012 – £2 0m) which were realised when assets were transferred to Partnership in consideration for the annuity reassurance transaction
  - This was somewhat offset by unrealised investment losses which totalled £3 8m for the year (2012 – £6 7m gain)
- Net operating expenses increased to £24 3m (2012 - £19 6m)
  - Net operating expenses (excluding movements in long-term insurance provisions) have decreased to £16 3m (2012 – £17 9m) The decrease is as a result of claims (net of reinsurance) reducing following the introduction of the reinsurance agreement with Partnership

    Costs, excluding insurance claims, increased during the year in order to bring The People's Pension to market The additional cost incurred which is anticipated to remain going forward, is considered by management to be an investment in the Group's future The income that the Group is expected to receive from the operation of The People's Pension is expected to be sufficient to repay this additional expenditure in the long term
  - Insurance business provisions increased by £8 0m (2012 - £1 7m increase) The increase was largely due to increases to the annuity reserve prior to the business being reassured, and the introduction of a new £2 9m reserve for the risk of Partnership's default
- The tax charge for the year was £1 9m (2012 - £2 3m).

The profits made during the year have helped to improve the Group's capital position with total available capital resources increasing to £97 8m (2012 – £88 3m) as shown on page 46

During the year B&CE commissioned a financial strength report by the actuarial consultancy firm AKG Their report was published in March 2013 and the Group retained the rating of B (strong)

## Key performance indicators

The Group's strategy is underpinned by focusing on a number of key performance indicators ("KPI's") The Senior Management Team and representatives of the board review KPIs on a regular basis The main focus for the Group in the coming years is to increase membership in B&CE pension schemes primarily through enrolment of active employees into The People's Pension

There were 99,881 active members in EasyBuild and The People's Pension (combined) at 31 March 2013 (2012 – 100,352) This figure has fallen over the past 5 years, but it is anticipated to increase with the new Automatic Enrolment legislation

## Principal risks and uncertainties

The Group's success is dependent on the proper identification, assessment 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 the board of directors' approval and ongoing review by management, the internal audit and risk management function, and regulators. In addition, certain key procedures receive peer review and oversight from the regulatory and compliance function

A corporate governance framework, including control environment and risk policies has been established by the Group, responsibility for the effective management of risk and oversight of risk philosophy, risk selection and risk management rests with each Group company's board of directors Senior members of management and the Internal Audit and Risk Management function 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

# 2012/13 Performance review (continued)

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

**Credit risk**

B & C E Insurance Limited has three reinsurance arrangements in place These arrangements expose B & C E Insurance Limited to the risk that the reinsurers will be unable to pay amounts in full when due The Company actively monitors 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 and trading with customers expose it to the risk that the counterpart may not repay the amounts owed In relation to sterling cash deposits, the Group only deals with a list of highly rated United Kingdom counterparties to reduce the risk that the counterparty will not repay the deposit With regards to the risk of a counterparty defaulting, 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 terms of the policies written ensure B & C E Insurance Limited is not committed to making payments to unit policyholders 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 receivable interest for its income

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

**Price risk**

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available for sale or at fair value through profit and loss The Group is not exposed to commodity price risk To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio Diversification of the portfolio is done in accordance with the limits set by the Group

**Foreign exchange risk**

Given the nature of the Group's operations, no significant exposure to foreign exchange risk exists

# Directors

The following served as directors of Building and Civil Engineering Holidays Scheme Management Limited during the year, and up to the date of signing,

**The Rt. Hon. Sir John Chilcot** GCB, MA

Independent Chairman

**John Allott**

Industrial Employee Representative

National Officer for Construction Unite the Union

**Bob Blackman** MBE, MIOSH

Industrial Employee Representative

Representing Unite the Union

**James O'Callaghan** BE, MSc, C Eng, FICE, FCIWEM, FIHT

Employer Representative

Nominated by Civil Engineering Contractors Association (CECA)

**Phil Davies**

Industrial Employee Representative

National Secretary GMB

**Harry Frew**

Industrial Employee Representative

Scotland Regional Secretary UCATT

**Geoff Lister** CBE FCIOB

Employer Representative

Nominated by Federation of Master Builders (FMB)

**Stephen Murphy**

Industrial Employee Representative

General Secretary UCATT

**Peter Rogerson** OBE

Employer Representative

Nominated by National Specialist Contractors Council (NSCC)

**Brian Rye**

Industrial Employee Representative

Regional Secretary for the Eastern Region UCATT)

**David Smith** MCIPD

Employer Representative

Nominated by Scottish Building Federation (SB)

**John Spanswick** CBE, FCIOB

Employer Representative

Nominated by UK Contractors Group (UKCG)

**Stephen Terrell** MCIOB

Employer Representative

Nominated by National Federation of Builders (NFB)

# Senior Management Team and advisors

## Senior Management Team

The day to day operation of B&CE is the responsibility of the Senior Management Team The following are the current members of that team

**Patrick Heath-Lay** FCCA
Chief Executive Officer

**Jamie Fiveash** FCCA
Director of Customer Solutions

**Paul Murphy**
Director of Customer Development

**Richard Cole**
Director of IT and Group Services

**Sam Stedman** MMath, ACCA
Director of Finance

**Matthew Phillips** BA, MIRM
Acting Director of Regulatory Governance and Risk

## Company secretary and registered office

C E Milton
B&CE Benefit Schemes,
Manor Royal,
Crawley,
West Sussex,
RH10 9QP

## Independent auditors

PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors,
First Point,
Buckingham Gate,
Gatwick,
West Sussex,
RH6 0NT

## Bankers

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

## Solicitors

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

# Directors' report

The directors present their 71st annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2013 The activities of the 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 Building and Civil Engineering Benefits Scheme, Building and Civil Engineering Accident Benefit Scheme, Employee Life Cover Plan from B&CE, and The People's Pension

## Results

The consolidated profit and loss account for the year is set out on page 22

## Directors

The directors during the year and up to the 2 August 2013 are listed on page 14 There were six board meetings during the year and the average attendance by directors was 82%

| Name | Main board |
|---|---|
| The Rt Hon Sir John Chilcot GCB | 6/6 |
| John Allott | 6/6 |
| Bob Blackman MBE | 6/6 |
| James O'Callaghan | 4/6 |
| Phil Davies | 3/6 |
| Harry Frew | 6/6 |
| Geoff Lister | 6/6 |
| Stephen Murphy | 4/6 |
| Peter Rogerson OBE | 2/6 |
| Brian Rye | 5/6 |
| David Smith | 6/6 |
| John Spanswick CBE | 4/6 |
| Stephen Terrell | 6/6 |

Bob Blackman and John Allott are due to retire at the annual general meeting and are due for reappointment by Unite

## Directors' and officers' liability insurance

The directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006 The indemnity was in force during the year and also at the date of approval of the financial statements

## Corporate governance

Corporate governance is of great importance to B&CE which aims to satisfy the principles of 'good governance' and, where practical, comply with the requirements of the Companies Act and the UK Corporate Governance Code, by ensuring that it has a transparent and effective decision making process in place Regular reviews of the effectiveness of the board as whole and the directors are conducted, based on detailed questionnaires and individual interviews, with agreed actions for best practice being implemented

The Company board met on six occasions during the year and board members were given appropriate documentation in advance of each meeting, which included minutes of sub-committees and reports on current business and industry issues The Chairman and the Chief Executive Officer also held informal meetings with directors to discuss issues affecting the board.

All directors have access to the services of the Group Company Secretary who aims to ensure that corporate governance processes and best practice are followed, that there are good flows of information within and to the board and its sub-committees and assists with induction and development of the board as required

# Directors' report (continued)

## Health and 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 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

## Taxation status

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

## Future developments

The immediate focus of the Group's activities will be to continue to support employers through their Automatic Enrolment duties and membership in The People's Pension is expected to escalate rapidly It is anticipated that the vast majority of employer customers currently operating EasyBuild will switch to The People's Pension This will reduce the number of active EasyBuild members over the next 5 years as employers reach their Automatic Enrolment staging dates

Another key development in the coming months is the proposed transfer of B&CE's annuity policies to Partnership The annuity business was reassured with Partnership from 1 August 2012 and the administration of the policies was then transferred from 3 June 2013 The two parties now intend to progress to a Part VII transfer on 30 September 2013, subject to court approval Policyholders have been informed of the proposal and have the right to object to the transfer if they feel that it will have a material adverse effect on their policy

The volume of change within the business is likely to remain very high for the foreseeable future The number of staff employed by the Group has increased in the past twelve months, and is likely to increase further in the year ahead It will be key to ensure B&CE has adequate resources to fulfil its plans and as such costs are anticipated to increase further as a result

## 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

## Charitable donations

During the financial year the Company contributed Nil (2012 – £200,000) to the Charitable Trust. Donations by the Company have not been required given that B&CE Financial Services Limited donated £475,000 (2012 – £225,000) to the Charitable Trust

Donations by the Company for other charitable purposes totalled £714 (2012 – £1,205)

## Political donations

There were no donations to political parties during the year (2012 – Nil)

# Directors' report (continued)

## Employees

At the year end the Company had 155 employees (2012 – 143) and the Group had 164 employees (2012 – 142)

B&CE recognises that it is the organisation's people who make the difference between good service and great service B&CE retained its Investors in People Bronze award following a recent assessment and achieved a better overall score than in the previous 2010 assessment

**Organisation development:** This year the organisation has launched a new set of organisational values following the introduction of The People's Pension The focus has been to embed these values as well as to increase knowledge, skills and capabilities of staff and to expand the employee base which has been essential for business growth Engagement with management teams and employees has continued to remain high on the people agenda as B&CE enters what will be an unprecedented year for the Group

**Communication:** B&CE continues to request employees views and opinions to help understand how people feel within the organisation, through surveys, team briefs, staff presentations, the intranet and a dedicated 'ask the CEO' mailbox These activities provide two-way communication tools, providing the opportunity for the management team to give prompt feedback and initiate any actions required

**Learning and development:** B&CE's commitment to the learning and development of all of its employees continues to be high on its people agenda Management development, increasing employee engagement activities and maintaining our professional and regulatory standards have remained a key focus as the organisation prepares for the future This work will continue to build on the key skills required to ensure that B&CE's managers and employees remain aligned to business objectives and motivated to achieve their delivery

**Business ethics and values:** The Company keeps standards of business conduct at the front of its mind in its day-to-day work in part by encouraging employees to live the B&CE brand values

**Diversity and equality:** B&CE is an equal opportunities employer and, as such, opposes all forms of unlawful and unfair discrimination The Company believes that everybody has the right to be treated fairly with dignity and respect and is fully committed to a policy of treating all its employees and job applicants equally.

## Customers

The Group has supported and embedded the FCA's Treating Customers Fairly ("TCF") initiative that a firm must pay due regard to the interests of its customers and treat them fairly Specifically TCF within B&CE will

- Help our customers fully understand the features, benefits, risks and costs of products they buy
- Minimise the sale of unsuitable products by encouraging best practice before, during and after sales

There are six outcomes that the FCA wishes to see as a result of the TCF initiative These are

- Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture,
- Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly,
- Consumers are provided with clear information and kept appropriately informed before, during and after the point of sale,
- Where consumers receive advice, the advice is suitable and takes account of their circumstances,
- Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect,
- Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint

# Directors' report (continued)

## Statement of internal control

Over the past twelve months the organisation has continued to develop procedures to improve areas including staff training, sales and marketing material, management information, sales processes and product understanding

B&CE's core values help the organisation to achieve its vision in an ethical and consistent way and demonstrate that B&CE can be confident that it is treating customers fairly

The 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 has reviewed the Company's 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 Officer 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 currently consists of three non-executive directors and two independent non-executive directors The minutes of the Group Audit and Risk Committee meetings are circulated to all directors and risk management is included as an agenda item at board meetings Committee meetings were held on 10 May, 25 July and 8 November 2012 and 14 February 2013

The board, through the Group 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 2013, and no significant weaknesses have been reported

## 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

## Independent 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

# Directors' report (continued)

## Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom 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 will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

By order of the board,

C E Milton
**Group Company Secretary**
2 August 2013
Company registration number 00377361

# 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 2013 which comprise the Consolidated Profit and Loss Account, the Statement of Group Total Recognised Gains and Losses, the Note of Group Historical Cost Profits and Losses, the Group and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 19 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2013 and of the Group's profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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

Michael Jones (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Gatwick

2 August 2013

# Consolidated profit and loss account for the year ended 31 March 2013

| | Notes | 2013 £000 | 2012 £000 |
|---|---|---|---|
| Turnover | 3 | **14,923** | 22,899 |
| Net movement in investment activities | 3 | **11,121** | 8,663 |
| Net operating expenses | 4 | **(24,291)** | (19,563) |
| Income from other fixed asset investments | 3 | **5,090** | - |
| Profit before interest and taxation | 5 | **6,843** | 11,999 |
| Other interest receivable and similar income | | **612** | 511 |
| Profit on ordinary activities before taxation | | **7,455** | 12,510 |
| Tax on profit on ordinary activities | 8 | **(1,922)** | (2,342) |
| Profit for the financial year | 17 | **5,533** | 10,168 |

Notes:

All of the Group's financial activities are continuing

The Company takes the section 408 exemption in the Companies Act 2006 and does not present the Company profit and loss account

# Statement of Group total recognised gains and losses for the year ended 31 March 2013

| | Notes | 2013 £000 | 2012 £000 |
|---|---|---|---|
| Profit for the year | | **5,533** | 10,168 |
| Revaluation of fixed asset investments | | **1,842** | (1,376) |
| Actuarial gain/(loss) on pension scheme | 19 | **2,474** | (5,205) |
| Movement on deferred tax relating to pension asset/liability | 15 | **(110)** | 116 |
| Total recognised gain since last annual report | | **9,739** | 3,703 |

# Note of Group historical cost profits and losses for the year ended 31 March 2013

| | Notes | 2013 £000 | 2012 £000 |
|---|---|---|---|
| Reported profit on ordinary activities before taxation | 3 | **7,455** | 12,510 |
| Unrealised gain/(loss) on current asset investments | | **3,792** | (6,673) |
| Historical cost profit on ordinary activities before taxation | | **11,247** | 5,837 |
| Historical cost profit for the year retained after taxation | | **9,325** | 3,495 |

# Balance sheets as at 31 March 2013

| | Notes | Group 2013 £000 | Group 2012 £000 | Company 2013 £000 | Company 2012 £000 |
|---|---|---|---|---|---|
| **Benefit Schemes administration** | | | | | |
| **Fixed assets** | | | | | |
| Tangible assets | 10 | **3,218** | 3,231 | **3,218** | 3,231 |
| Investments | 11 | **24,334** | 5,644 | **19,660** | - |
| Investments in subsidiary undertakings | 12 | **-** | - | **63,550** | 60,050 |
| | | **27,552** | 8,875 | **86,428** | 63,281 |
| **Current assets** | | | | | |
| Investments | 11 | **-** | 86,713 | **-** | 84,843 |
| Debtors | 13 | **1,396** | 1,800 | **1,535** | 3,019 |
| Cash at bank and in hand | | **22,227** | 421 | **18,685** | 395 |
| | | **23,623** | 88,934 | **20,220** | 88,257 |
| **General and long-term insurance** | | | | | |
| Tangible assets | 10 | **24** | 7 | | |
| Investments | 11 | **72,066** | 148,276 | | |
| Assets held to cover linked liabilities | | **397** | 495 | | |
| Reinsurers share of technical provisions | | **912,061** | 715,380 | | |
| Debtors and prepayments | 13 | **3,350** | 4,501 | | |
| Cash at bank and in hand | | **-** | - | | |
| | | **987,898** | 868,659 | | |
| **Total assets** | | **1,039,073** | 966,468 | **106,648** | 151,538 |
| **Benefit Schemes administration** | | | | | |
| Creditors amounts falling due within one year | 14 | **16,415** | 63,676 | **16,386** | 63,599 |
| **General and long-term insurance** | | | | | |
| Long-term business provision | 16 | **94,915** | 92,659 | | |
| Technical provision for linked liabilities | | **827,077** | 715,860 | | |
| Provision for other risks | 15 | **269** | 288 | | |
| Creditors amounts falling due within one year | 14 | **2,226** | 1,705 | | |
| **Total liabilities** | | **940,902** | 874,188 | **16,386** | 63,599 |
| **Net assets excluding pension asset/(liability)** | | **98,171** | 92,280 | **90,262** | 87,939 |
| **Pension asset/(liability)** | 19 | **2,814** | (1,034) | **2,814** | (1,034) |
| **Net assets including pension asset/(liability)** | | **100,985** | 91,246 | **93,076** | 86,905 |

# Balance sheets as at 31 March 2013

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2013 £000** | 2012 £000 | **2013 £000** | 2012 £000 |
| **Reserves** | | | | | |
| Profit and loss reserve | 17 | **99,060** | 91,163 | **91,481** | 86,905 |
| Revaluation reserve | 17 | **1,925** | 83 | **1,595** | - |
| **Total funds** | | **100,985** | 91,246 | **93,076** | 86,905 |

The financial statements on pages 22 to 48 were approved by the board of directors on 2 August 2013 and were signed on its behalf by

D Smith Director
DAVID SMITH

J Allott Director
JOHN ALLOTT

Registered number 00377361

# Consolidated cash flow statement for the year ended 31 March 2013

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Net cash outflow from operating activities** | | **(45,971)** | | (2,884) |
| **Return on investments and servicing of finance** | | | | |
| Interest received | **288** | | - | |
| Net cash inflows from returns on investments and servicing of finance | | **288** | | - |
| **Taxation** | | **(1,756)** | | (875) |
| **Capital expenditure and financial investment** (Note A) | | **(12,657)** | | (795) |
| | | **(60,096)** | | (4,554) |
| **Management of liquid resources** (Note A) | | **21,172** | | 8 |
| **Decrease in net cash** | | **(38,924)** | | (4,546) |
| **Reconciliation to net cash** | | | | |
| Net cash at 1 April (Note B) | | **87,978** | | 91,687 |
| **Decrease in net cash** | | **(38,924)** | | (4,546) |
| Movement in liquid resources | | **(21,172)** | | (8) |
| Realised profit on sale of current asset investments | - | | 491 | |
| Decrease in unrealised loss on current asset investments | - | | 354 | |
| | | - | | 845 |
| **Net cash at 31 March** | | **27,882** | | 87,978 |
| **Reconciliation of profit before interest and taxation to net cash flow from operating activities** | | | | |
| Profit before interest and taxation (see note below) | | **3,617** | | 6,296 |
| Depreciation charges | | **342** | | 307 |
| Gain on sale of fixed asset investments | | **(521)** | | (1,301) |
| Realised and unrealised (increase)/decrease in unrealised gain on insurance business investment assets | | **(2,377)** | | 798 |
| Loss/(gain) on sale of tangible assets | | **4** | | (1) |
| Profit on sale of current asset investments | | - | | (491) |
| Decrease in unrealised loss on current asset investments | | - | | (354) |
| Difference between pension charge and cash contributions | | **(1,168)** | | (1,426) |
| Decrease in debtors | | **597** | | 1,839 |
| Decrease in creditors | | **(46,465)** | | (8,551) |
| **Net cash outflow from operating activities** | | **(45,971)** | | (2,884) |

Note
In accordance with FRS1 (revised) the profit before interest and taxation above excludes the long-term insurance profit before interest and taxation of £3 255m (2012 – £5 732m)

# Notes to the consolidated cash flow statement for the year ended 31 March 2013

## Note A - Gross cash flows

| | 2013 £000 | 2012 £000 |
|---|---|---|
| **Capital expenditure and financial investment** | | |
| Purchase of fixed asset investments | **(21,181)** | (4,385) |
| Purchase of insurance business investment assets | **(369)** | (3,737) |
| Purchase of tangible fixed assets | **(349)** | (276) |
| Sale of fixed asset investments | **4,854** | 4,621 |
| Sale of insurance business investment assets | **4,372** | 2,979 |
| Sale of tangible fixed assets | **16** | 3 |
| | **(12,657)** | (795) |
| **Management of liquid resources** | | |
| Purchase of gilts and euro bonds | **(230)** | (3,347) |
| Sale of gilts and euro bonds | **21,402** | 3,355 |
| | **21,172** | 8 |

## Note B - Analysis of net cash

| | 1 April 2012 £000 | Cash flows £000 | 31 March 2013 £000 |
|---|---|---|---|
| Cash in hand and at bank | 421 | **21,806** | **22,227** |
| Liquid resources | 87,557 | **(91,902)** | **5,655** |
| Total | 87,978 | **(60,096)** | **27,882** |

Liquid resources comprise short-term deposits with banks which mature within 12 months of the date of inception and current asset investments that are traded in an active market

**Insurance business liquid resources analysed in balance sheet**

| | 1 April 2012 £000 | 31 March 2013 £000 |
|---|---|---|
| Insurance business – bank deposits | 4,143 | **9,228** |
| Less long-term insurance business – bank deposit | (3,290) | **(3,573)** |
| | 853 | **5,655** |

# Notes to the financial statements for the year ended 31 March 2013

## 1. Principal accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of fixed asset investments at their bid market values, and in accordance with the Companies Act 2006 and applicable accounting standards in the UK The principal accounting policies, which have been applied consistently throughout the year, are set out below

The Group prepares its financial statements in accordance with Schedule 6 to SI 2008/410 However, as permitted by the Act the financial statements formats have been adapted, as necessary, to give a true and fair view of the state of affairs and the profit 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 on the adopted acquisition accounting basis of the Company and the two trading subsidiaries, B & C E Insurance Limited and B & C E Financial Services Limited Uniform accounting policies have been applied across the Group Intercompany transactions are eliminated on consolidation

**Investments**

Investment assets, 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

The realised profit or loss on all investment disposals is recognised in the consolidated profit and loss account under net movement in investment activities The unrealised profit or loss on current asset investments and B & C E Insurance Limited investment assets are recognised in the consolidated profit and loss account under net movement in investment activities

Unrealised profits on fixed asset investments are recognised in the statement of consolidated total recognised gains and losses, and create an investment revaluation reserve on the balance sheet Unrealised losses on fixed asset investments are recognised in the consolidated profit and loss account under net movement in investment activities unless previously recognised unrealised gains are held in the investment revaluation reserve in which case the unrealised loss reduces or eliminates the unrealised gains and is recognised in the statement of consolidated total recognised gains and losses

Investments held as current assets are stated at market value

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

**Accrued income**

Accrued income comprises interest due from the last interest payment date to the year end date in respect of fixed interest investment gilts and bonds and bank deposits, and dividends due on equity holdings where the ex date is prior to year end

**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 year 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

# 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 16

**Long-term business reassurance contracts**
Long-term business is ceded to reassurers 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 21)

**Operating leases**
Operating lease rentals are charged on a straight line basis to the profit and loss account, over the lease term.

**Tangible fixed assets and depreciation**
Tangible fixed assets are held at their historical cost less accumulated depreciation where applicable

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

| | % | | % |
|---|---|---|---|
| Land | - | Premises - Building | 3 |
| Office furniture | 10 | Premises plant and machinery | 10 |
| Motor vehicles | 20 | Office machinery - Computer equipment | 33 3 |
| | | Office machinery - Office equipment | 20 |

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

**Turnover**
Turnover represents fees (excluding value added tax) and premium income (excluding insurance premium tax) receivable Sales between Group companies are excluded.

**Net movement on investment activities**
Net movement on investment activities represents realised profits and losses on Group investment disposals and unrealised gains/losses on Insurance Company investments

**Defined benefit scheme**
The Group operates a defined benefit pension scheme for the benefit of the majority of its employees, the assets of which are held separately from those of the Group in independently administered funds

Pension scheme assets are measured using market value Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax

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

# Notes to the financial statements (continued)

## 1. Principal accounting policies (continued)

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

### Current taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date Management periodically evaluates positions taken in tax returns with respect to situations on which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### 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 see note 14

### Debtors and creditors

Debtors and creditors are held at cost, subject to impairment in value if it is considered permanent

### Net operating expenses

The majority of the overhead costs in relation to the 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

# Notes to the financial statements (continued)

## 3. Segmental information – all business is conducted within the UK

| | Turnover | | Profit before tax | | Net assets | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| **Business Analysis** | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| Benefit Schemes administration | **6,841** | 9,049 | **378** | 6,350 | **37,574** | 33,099 |
| Insurance business | **8,082** | 13,850 | **7,077** | 6,160 | **63,411** | 58,147 |
| | **14,923** | 22,899 | **7,455** | 12,510 | **100,985** | 91,246 |

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **Benefit Schemes administration** | **Insurance business** | **Group total** | Benefit Schemes administration | Insurance business | Group total |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| **Turnover** | | | | | | |
| Investment Income - Income from listed investments | **-** | **-** | **-** | 1,354 | 6,346 | 7,700 |
| Interest on short-term deposits | **-** | **-** | **-** | 509 | (8) | 501 |
| Miscellaneous net income | **424** | **269** | **693** | 540 | 168 | 708 |
| Management fees | **6,417** | **-** | **6,417** | 6,646 | - | 6,646 |
| Insurance business – general | **-** | **1,681** | **1,681** | - | 1,900 | 1,900 |
| Insurance business – long-term | **-** | **6,132** | **6,132** | - | 5,444 | 5,444 |
| | **6,841** | **8,082** | **14,923** | 9,049 | 13,850 | 22,899 |
| **Net movement in investment activities** | | | | | | |
| Profit on investments - Realised profit/(loss) | **522** | **14,391** | **14,913** | 1,792 | 198 | 1,990 |
| Movement on current asset and insurance business investments | **-** | **(3,792)** | **(3,792)** | 354 | 6,319 | 6,673 |
| | **522** | **10,599** | **11,121** | 2,146 | 6,517 | 8,663 |
| **Income from other fixed asset investments** | | | | | | |
| Income from listed investments | **1,365** | **3,725** | **5,090** | - | - | - |
| | **1,365** | **3,725** | **5,090** | | | |
| **Other interest receivable and similar income:-** | | | | | | |
| Interest | **279** | **17** | **296** | - | - | - |
| Other financial income | **316** | **-** | **316** | 511 | - | 511 |
| | **595** | **17** | **612** | 511 | - | 511 |
| **Insurance expenses within net operating expenses:-** | | | | | | |
| Acquisition costs long-term | | **(1,467)** | | | (2,752) | |
| general | | **(219)** | | | (320) | |
| Administration costs long-term | | **(2,609)** | | | (2,703) | |
| general | | **(137)** | | | (141) | |
| Claims long-term | | **(2,420)** | | | (5,941) | |
| general | | **(362)** | | | (565) | |
| Provision long-term | | **(8,006)** | | | (1,668) | |
| General expenses | | **(125)** | | | (117) | |
| | | **(15,345)** | | | (14,207) | |

# Notes to the financial statements (continued)

## 4. Net operating expenses

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **£000** | £000 |
| Benefit schemes administration - other | **8,945** | 5,357 |
| Insurance business - other | **7,340** | 12,538 |
| | **16,285** | 17,895 |
| Insurance business - provision | **8,006** | 1,668 |
| | **24,291** | 19,563 |

## 5. Profit before interest and taxation

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£000** | £000 | **£000** | £000 |
| Profit before interest and taxation | | | | |
| is stated after charging | | | | |
| Staff costs (Note 6) | **7,685** | 6,453 | **7,386** | 6,158 |
| Directors' remuneration (Note 7) | **334** | 304 | **99** | 104 |
| Operating lease charges (Note 23) | | | | |
| - motor vehicles | **118** | 119 | **118** | 119 |
| - office machinery | **185** | 73 | **185** | 73 |
| Depreciation (Note 10) | **347** | 311 | **342** | 307 |

**Services provided by the company's auditors and its associates**
During the year the Group obtained the following services from the company's auditor and its associates

| | | | | |
|---|---|---|---|---|
| Fees payable to the company's auditors for the audit of the parent company and consolidated financial statements | **39** | 38 | **39** | 38 |
| Fees payable to the company's auditors and its associates for other services | | | | |
| The audit of company's subsidiaries | **46** | 38 | | |
| Audit-related assurance services | **43** | 45 | - | - |
| Tax compliance services | **14** | 12 | - | - |
| Tax advisory services | **65** | 12 | - | |

Notes

(a) Regulatory reporting included the PRA/FCA/FSA returns, Stakeholder Declaration and APSS 106 return
(b) All audit fees are exclusive of value added tax

# Notes to the financial statements (continued)

## 6. Employee information

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£000** | £000 | **£000** | £000 |
| Staff costs during the year amounted to | | | | |
| Wages and salaries | **5,318** | 4,318 | **5,098** | 4,116 |
| Social security costs | **653** | 510 | **631** | 523 |
| Other pension costs (Note 19) | **464** | 375 | **438** | 334 |
| | **6,435** | 5,203 | **6,167** | 4,939 |

Other Pension costs above are the actuarial FRS17 'Retirement benefits' cost, the actual contributions amounted to £0 413m (2012 – £0 573m)

Staff Pension Scheme deficit repair contributions amounted to £1 25m (£1 25m – 2012) for the Group, and £1 22m (£1 22m – 2012) for the Company

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **Number** | Number | **Number** | Number |
| The average monthly number of staff employed by the Group during the year was | **144** | 142 | **135** | 133 |
| Management | **5** | 5 | **5** | 5 |
| Clerical | **135** | 133 | **126** | 124 |
| Manual/Services | **4** | 4 | **4** | 4 |
| | **144** | 142 | **135** | 133 |

The figures disclosed in this note include executive directors but exclude non-executive directors

## 7. Directors' remuneration

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£000** | £000 | **£000** | £000 |
| Aggregate emoluments | **334** | 304 | **99** | 104 |

The Group figures above comprise non-executive directors' emoluments and the portion of executive directors' emoluments allocated to the subsidiary companies in respect of their services

There were no pension contributions paid in respect of non-executive directors who received emoluments above However there were effectively apportioned pension contributions in respect of allocated emoluments of the three executive directors' for their services to the subsidiary companies

## 7. Directors' remuneration (continued)

The aggregate remuneration for the highest paid director was

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£000** | £000 | **£000** | £000 |
| Aggregate emoluments | **84** | 63 | **-** | - |
| Accrued pension at year end | **21** | 15 | **-** | - |

## 8. Taxation on profit on ordinary activities

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **£000** | £000 |
| a) Analysis of tax charge for the year | | |
| Current tax | | |
| UK corporation tax at 24% | **1,162** | 1,092 |
| UK corporation tax on long-term insurance business | **779** | 1,407 |
| Adjustment in respect of previous periods | **-** | (211) |
| Total current tax | **1,941** | 2,288 |
| Deferred tax (including credit attributable to long-term insurance business) | **(19)** | 54 |
| Total tax charge | **1,922** | 2,342 |

b) Factors affecting tax charge for the year
The tax assessed for the year is higher (2012 – lower) than the standard rate of corporation tax in the UK of 24%
The differences are explained below:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **£000** | £000 |
| **Profit on ordinary activities before tax** | **7,455** | 12,510 |
| Profit on ordinary activities multiplied by standard rate in the UK 24% (2012 – 26%) | **1,789** | 3,253 |
| Effects of | | |
| Income and expenses not taxable | **225** | (382) |
| Adjustment in respect of previous periods | **-** | (211) |
| Other timing differences | **(92)** | (318) |
| Difference in respect of long term business taxation | **19** | (54) |
| Total current tax | **1,941** | 2,288 |

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**

There are no recognised deferred tax assets or liabilities in respect of the B & C E Insurance Limited long-term fund There are no deferred tax assets or liabilities in relation to the insurance business shareholder's fund (non-technical account) There are no potential or actual deferred tax assets or liabilities in respect of B & C E Financial Services Limited at the year end (2012 – no potential or actual assets or liabilities)

# Notes to the financial statements (continued)

## 8. Taxation on profit on ordinary activities (continued)

### Factors affecting future tax changes

The main rate of UK corporation tax was reduced to 24% with effect from 1 April 2012, with the Finance Act 2012 further reducing the main rate to 23% with effect from 1 April 2013 In addition to these changes in the main rate of corporation tax, further changes to the UK corporation tax rate were announced in the 2012 Autumn Statement and the March 2013 Budget These include further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015 These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

## 9. Profit for the financial year

As prescribed by section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements The Company's profit for the financial year was £2,212,035 (2012 – £4,263,403)

## 10. Tangible fixed assets

| | Freehold land and premises £000 | Office furniture £000 | Office machinery £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|---|---|
| **Group and Company cost** | | | | | |
| At 1 April 2012 | 5,986 | 610 | 1,683 | 62 | 8,341 |
| Additions | - | 22 | 328 | - | 350 |
| Disposals | - | - | - | (25) | (25) |
| **At 31 March 2013** | **5,986** | **632** | **2,011** | **37** | **8,666** |
| **Accumulated depreciation** | | | | | |
| At 1 April 2012 | 3,172 | 510 | 1,395 | 33 | 5,110 |
| Charge for the year | 128 | 14 | 196 | 4 | 342 |
| Disposals | - | - | - | (4) | (4) |
| **At 31 March 2013** | **3,300** | **524** | **1,591** | **33** | **5,448** |
| **Net book value** | | | | | |
| **At 31 March 2013** | **2,686** | **108** | **420** | **4** | **3,218** |
| At 31 March 2012 | 2,814 | 100 | 288 | 29 | 3,231 |

| | Office machinery | Total |
|---|---|---|
| **General and long-term insurance business cost** | **£000** | **£000** |
| At 1 April 2012 | 285 | 285 |
| Additions | 22 | 22 |
| **At 31 March 2013** | **307** | **307** |
| **Accumulated depreciation** | | |
| At 1 April 2012 | 278 | 278 |
| Charge for the year | 5 | 5 |
| **At 31 March 2013** | **283** | **283** |
| **Net book value** | | |
| **At 31 March 2013** | **24** | **24** |
| At 31 March 2012 | 7 | 7 |

# Notes to the financial statements (continued)

## 11. Investments

**Fixed assets**

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 £000** | 2012 £000 | **2013 £000** | 2012 £000 |
| **Listed investments** | | | | |
| At 1 April | **5,644** | 5,955 | - | - |
| Additions | **21,181** | 4,385 | **21,181** | - |
| Disposals | **(4,333)** | (4,806) | **(3,116)** | - |
| Revaluation surplus transfer to revaluation reserve (Note 17) | **1,842** | 83 | **1,595** | - |
| Impairment reversal | - | 27 | - | - |
| **Market value at 31 March** | **24,334** | 5,644 | **19,660** | - |
| **Listed investments include the following:** | | | | |
| Eurobonds | **16,142** | 5,644 | **11,468** | - |
| Listed equity – United Kingdom | **8,192** | - | **8,192** | - |
| **Market value at 31 March** | **24,334** | 5,644 | **19,660** | - |

**Current assets**

| | Group 2013 £000 | Group 2012 £000 | Company 2013 £000 | Company 2012 £000 |
|---|---|---|---|---|
| Listed investments | - | 21,181 | - | 21,181 |
| Bank deposits | - | 65,532 | - | 63,662 |
| **Market value at 31 March** | - | 86,713 | - | 84,843 |
| Listed investments | - | 22,628 | - | 22,628 |
| Bank deposits | - | 65,532 | - | 63,662 |
| **Cost at 31 March** | - | 88,160 | - | 86,290 |

# Notes to the financial statements (continued)

## 11. Investments (continued)

| General and long-term insurance business | 2013 £000 | 2012 £000 |
|---|---|---|
| Open Ended Investment Companies | 19,587 | 25,603 |
| UK Government Gilts and Eurobonds | 43,251 | 118,530 |
| Bank deposits | 9,228 | 4,143 |
| **Market value at 31 March** | **72,066** | 148,276 |
| Open Ended Investment Companies | 15,537 | 22,767 |
| UK Government Gilts and Eurobonds | 40,104 | 110,376 |
| Bank deposits | 9,228 | 4,143 |
| **Cost at 31 March** | **64,869** | 137,286 |

There is no difference between the cost and carrying value of assets held to cover linked liabilities which are entirely cash or cash equivalent balances

## 12. Investments in subsidiary undertakings

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 £000 | 2012 £000 | 2013 £000 | 2012 £000 |
| Shares in Group undertakings at cost | - | - | 63,550 | 60,050 |

The Company owns 100% of the issued ordinary share capital of B & C E Financial Services Limited, and B & C E Insurance Limited, both of which are incorporated and registered in England

The directors believe the carrying value of the investments is supported by the underlying assets

## 13. Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 £000 | 2012 £000 | 2013 £000 | 2012 £000 |
| Debtor for investment sales | - | 222 | - | 222 |
| Amounts owed by Group undertakings | - | - | 650 | 1,697 |
| Corporation tax | 135 | - | 69 | - |
| Other debtors | 531 | 801 | 193 | 448 |
| Accrued income | 333 | 380 | 233 | 255 |
| Prepayments | 397 | 397 | 390 | 397 |
| | 1,396 | 1,800 | 1,535 | 3,019 |

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

# Notes to the financial statements (continued)

## 13 Debtors (continued)

### Debtors – general and long-term insurance business

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Corporation tax | 171 | - |
| Other debtors | 2,367 | 2,150 |
| Accrued income | 801 | 2,320 |
| Prepayments | 11 | 31 |
| | 3,350 | 4,501 |

## 14. Creditors – amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 £000 | 2012 £000 | 2013 £000 | 2012 £000 |
| Unredeemed balances of holiday pay | 13,753 | 60,753 | 13,753 | 60,753 |
| Corporation tax | - | 432 | - | 430 |
| Taxation and social security | 323 | 317 | 319 | 304 |
| Other creditors | 1,959 | 1,826 | 1,955 | 1,824 |
| Accruals | 380 | 348 | 359 | 288 |
| | 16,415 | 63,676 | 16,386 | 63,599 |

### Creditors - general and long-term insurance business

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Corporation tax | - | 884 |
| Taxation and social security | 120 | 145 |
| Other creditors | 1,918 | 575 |
| Accruals | 188 | 101 |
| | 2,226 | 1,705 |

## 15 Provision for liabilities

### Deferred tax (liability)/asset relating to pension deficit

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 £000 | 2012 £000 | 2013 £000 | 2012 £000 |
| 1 April | 19 | (97) | 19 | (97) |
| Deferred tax charged to the statement of total recognised gains and losses on actuarial loss/(gain) | (110) | 116 | (110) | 116 |
| 31 March | (91) | 19 | (91) | 19 |

# Notes to the financial statements (continued)

## 15. Provision for liabilities (continued)

### General and long-term insurance business

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Deferred tax provision | | |
| 1 April | 288 | 234 |
| Debited/(credited) to consolidated profitand loss account | (19) | 54 |
| 31 March | 269 | 288 |

## 16. 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

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Linked business sterling reserve | 6,404 | 8,316 |
| Annuities | 88,344 | 84,151 |
| Term Assurance gross provisions | 167 | 192 |
| | 94,915 | 92,659 |
| Annuities reinsurers share | (85,368) | - |
| Term Assurance reinsurer's share | (15) | (15) |
| | (85,383) | (15) |
| | 9,532 | 92,644 |

This is shown on the balance sheet as·

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Long-term business provision | 94,915 | 92,659 |
| Reinsurers share of provision | (85,383) | (15) |
| | 9,532 | 92,644 |

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

| | Class of business | 2013 | 2012 |
|---|---|---|---|
| **Mortality** | Immediate pensions annuities [1] | 122 5% PNM/FA00U=2013 | 122 5% PNM/FA00U=2012 |
| | Unit linked Stakeholder pensions | 80% AM/F92(2) ultimate | 80% AM/F92(2) ultimate |
| **Valuation interest rates (% p.a.) [2]** | Immediate pensions annuities | 2 60 | 3 00 |
| | Unit linked Stakeholder pensions | 2 40 | 2 70 |
| **Unit growth rate (% p.a.)** | Unit linked Stakeholder pensions | 2 40 | 2 80 |

# Notes to the financial statements (continued)

## 16. Long-term business provision (continued)

*Notes*

*(1) Allowance is made for future mortality improvements for the annuity business in accordance with the long cohort improvement factors from the Continuous Mortality Investigation Bureau In both the 2013 and 2012 valuations, future male and female improvement factors are subject to a minimum improvement factor of 1 5% p a*
*(2) In the 2013 valuation, a deduction of 0 50% p a is made from the valuation interest rate for the unit-linked stakeholder pension product to allow for investment-related expenses, with no deduction for the immediate pension annuities product In the 2012 valuation, a deduction of 0 40% p a was made from the valuation interest rates for both products The rates shown above are net of these deductions*

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

Assumptions are set by reference to current experience, where appropriate, 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 valuation 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

Where future premiums are reasonably predictable, stakeholder pension policies are valued as regular premium As in 2012, a prudent assumption has been made that all regular premiums for policies will cease given the introduction of The People's Pension It is likely that the majority of active policyholders will become members of The People's Pension and it is therefore likely that EasyBuild contributions will cease

INSPRU 1 2 54A allows firms to separate expenses into attributable and non-attributable expenses The attributable expenses only are used to derive the per policy expense assumption for the unit-linked stakeholder pension product For the 2013 valuation, the per policy expense for stakeholder pension policies is £2 40 p.a (£2 70 p a in 2012), 25% lower for currently dormant policies (unchanged from 2012) For the 2013 valuation, the per policy expense for immediate pension annuities is £19 70 p a (£19 00 p a. in 2012)

Non-unit fund related investment expenses are allowed for through a reduction to the valuation interest rates For 2013 the reduction is 0 50% p a for the unit-linked stakeholder pension product, with no reduction for the immediate pension annuities product In 2012, the reduction was 0.40% p.a for both products For the 2013 valuation, expenses are assumed to inflate at 3 60% p a for the unit-linked stakeholder pension product, and 3 70% p a for the immediate pension annuities product (3 70% p a for both products in 2012) If expenses were assumed to be higher, the long-term business provision would increase

The reinsurer's share of annuity reserves is set equal to 100% of the gross reserves for all annuities captured under the reinsurance treaty This reflects the fact that the annuity benefit is 100% reinsured and that the administration expenses are met by the reinsurer The net annuity reserve is comprised of a reserve for reinsurer default and a provision for policies not captured under the treaty

The reserve for reinsurer default reflects the risk that the reinsurer might be unable to meet its obligations under the terms of the reinsurance treaty The calculation of the reserve allows for the probability of reinsurer default over the expected lifetime of the annuity business, and the amount of reserves that could be recovered in the event of reinsurer default

# Notes to the financial statements (continued)

## 17 Reserves

| | Group £000 | Company £000 |
|---|---|---|
| **Profit and loss reserve** | | |
| At 1 April 2012 | 91,163 | 86,905 |
| Profit for the financial year | 5,533 | 2,212 |
| Actuarial gain on pension scheme | 2,474 | 2,474 |
| Movement on deferred tax relating to pension scheme | (110) | (110) |
| **At 31 March 2013** | 99,060 | 91,481 |
| **Revaluation reserve** | | |
| At 1 April 2012 | 83 | - |
| Movement for the year | 1,842 | 1,595 |
| **At 31 March 2013** | 1,925 | 1,595 |

## 18. Related party transactions

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

| | **Charge for Year** | | **Balance outstanding** | |
|---|---|---|---|---|
| **Industrial organisation** | **2013 £000** | 2012 £000 | **2013 £000** | 2012 £000 |
| UCATT | 132 | 132 | - | 33 |
| Unite the Union T & G Section | 108 | 108 | 27 | 27 |
| GMB | 30 | 30 | 15 | 8 |
| UK Contractors Group* | 18 | 18 | - | - |
| Civil Engineering Contractors Association* | 18 | 18 | 10 | 7 |
| Scottish Building Federation* | 18 | 18 | - | - |
| National Federation of Builders* | 18 | 18 | 5 | 5 |
| National Specialist Contractors Council* | 18 | 18 | - | - |
| Federation of Master Builders* | 18 | 18 | 5 | 5 |

**There were also combined payments totalling £8,000 made to these parties in relation to one off sponsorships throughout the year*

# Notes to the financial statements (continued)

**18. Related party transactions (continued)**

At their board meeting on 27 May 2010 the directors agreed service level agreements effective from 1 January 2010 for each of the employer federations responsible for appointing a director which included a fee of £15,000 per annum plus value added tax On 23 February 2011 the union representatives signed service level agreements which included, UCATT appointing three directors and receiving a fee of £110,000 per annum plus value added tax, Unite the Union appointing two directors and receiving a fee of £90,000 per annum plus value added tax, and the GMB appointing one director and receiving a fee of £25,000 per annum plus value added tax effective from 1 January 2010

The balance outstanding at the year ends are included in creditors due within one year in other creditors (see note 14)

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

The Group has taken advantage of the exemption available under FRS8 not to disclose transactions and balances between Group entities that have been eliminated on consolidation

**19. Pension commitments**

The Company operates an occupational defined benefit pension scheme known as the B&CE Staff Pension Scheme ("the 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

The trustees of the Pension Scheme seek contributions from the participating employers at such rates as the trustees determine, on the advice of the pension scheme actuary, to be sufficient to meet the expected cost of the benefits payable from the Pension Scheme To assess the expected cost of the benefits payable from the Pension Scheme, the trustees obtain regular actuarial valuations of the Pension Scheme from the Pension Scheme actuary The trustees choose an appropriate funding method for the actuarial valuation, together with an appropriate set of actuarial assumptions The trustees seek the advice of the Pension Scheme actuary before determining the methods and assumptions

If the actuarial valuation shows that the Pension Scheme's assets are insufficient to meet the expected cost of members' past service benefits, the trustees will put in place a recovery plan which will require additional contributions from the participating employers

The trustees seek the agreement of the Company when deciding on the method and assumptions to be used in the actuarial valuation and before determining the level of participating employer contributions payable to the Pension Scheme

With effect from 1 January 2012, the participating employer contribution rate reduced from 19 6% to 14 05% of pensionable salary for all members plus top-up contributions of 12 3% increased from 11 96% of eligible senior executive members' pensionable salary Members contribute 6 3% of pensionable salary

The latest triennial actuarial valuation of the Pension Scheme, using the projected unit method, performed by the professionally qualified appointed pension scheme actuary took place on 31 December 2010 The results show a reduction in the deficit position from £4 4m at 31 December 2007 to £2 5m at 31 December 2010, a funding level of 94% of liabilities (2007 – 89%)

The participating employers will pay additional contributions into the Pension Scheme at a rate of £1 25m per annum paid monthly until after the results of the 31 December 2013 valuations are known

The estimated solvency level or cost of securing members' benefits should the Pension Scheme be wound up on the valuation date calculated by the Pension Scheme actuary was 79% or a shortfall of £11 1m (2007 – 84%, or a shortfall of £6 9m)

The Company estimates the employer contributions into the Pension Scheme for the year ended 31 March 2014 to be £1 7m

# Notes to the financial statements (continued)

## 19 Pension commitments (continued)

The principal assumptions used by the professionally qualified pension scheme actuary in agreement with the Company after updating the latest valuation of the Pension Scheme for FRS17 purpose were

| | **31 March 2013 % p.a.** | 31 March 2012 % p a | 31 March 2011 % p a |
|---|---|---|---|
| Discount rate | **4 6** | 4 6 | 5 5 |
| Rate of increase in salaries | **3 7** | 3 3 | 3 6 |
| Price inflation | **3 7** | 3 3 | 3 6 |
| Pension increases | | | |
| - on pension accrued before 1 January 1995 | **3.0** | 3 0 | 3 0 |
| - on pension accrued between 1 January 1995 and 31 March 2006 | **3.7** | 3 3 | 3 6 |
| - on pension accrued since 1 April 2006 | **2 3** | 2 5 | 2 5 |
| Returns on assets | **5 0** | 5 3 | 6 3 |

A reduction in the net discount rate (i e the difference between the discount rate and the assumed rate of inflation) will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future A rise in the net discount rate will have an opposite effect of similar magnitude The overall effect of a change in the net discount rate for the pension scheme of 0 5% would be an increase/decrease to the liabilities of around 10 7% or £5 4m

There is also uncertainty around life expectancy of the UK population The value of current and future pension benefits will depend on how long they are assumed to be in payment

The effect of changing the assumption regarding life expectancy by one year longer than the disclosed table, would be to increase the assessed value of liabilities by around 3 0% or £1 5m

| **Change in assumptions compared with 31 March 2013 actuarial assumptions** | **Actuarial value of liabilities on 31 March 2013 £000** |
|---|---|
| - 0 5% decrease in discount rate | **55,494** |
| - 1 year increase in member life expectation | **51,641** |

| | Male | Female |
|---|---|---|
| Average future life expectancy in years for a pensioner currently aged 60 | 28 1 | 29 9 |
| Average future life expectancy in years at age 60 for a non-pensioner currently aged 45 | 29 8 | 31 1 |

# Notes to the financial statements (continued)

## 19. Pension commitments (continued)

On the FRS17 basis, the assets valued at bid price where appropriate and liabilities of the Pension Scheme and the expected rates of return were

| | **Long term rate of return expected at 31/03/13** | **Value at 31/03/13** | Long term rate of return expected at 31/03/12 | Value at 31/03/12 | Long term rate of return expected at 31/03/11 | Value at 31/03/11 |
|---|---|---|---|---|---|---|
| | **% p.a.** | **£000** | % p a | £000 | % p a | £000 |
| Equities | **6.0** | **28,529** | 6 3 | 24,805 | 7 3 | 23,657 |
| Corporate bonds | **4.1** | **15,559** | 4 6 | 13,641 | 5 5 | 11,004 |
| Property | **5.0** | **912** | 5 3 | 932 | 6 3 | 913 |
| Government bonds | **3.0** | **7,815** | 3 3 | 6,728 | 4 3 | 6,922 |
| Other | **3.0** | **-** | 3 3 | - | 4 3 | - |
| Cash | **3.0** | **227** | 3 3 | 107 | 4 3 | 56 |
| Total market value assets | | **53,042** | | 46,213 | | 42,552 |
| Present value of scheme liabilities | | **(50,137)** | | (47,266) | | (40,337) |
| Surplus/(deficit) in the scheme | | **2,905** | | (1,053) | | 2,215 |
| Related deferred tax (liability)/asset | | **(91)** | | 19 | | (97) |
| Net scheme asset/(liability) | | **2,814** | | (1,034) | | 2,118 |

### Basis of expected return on equities and other asset classes

In previous years the Company has set the expected return on equities with regard to prevailing gilt yields As at 31 March 2012 the assumed return of 6 3% p a was 3 0% p a above the 15 year index gilt yield of 3 3% p a Long dated gilt yields have since decreased by 30 basis points to 3 0% referencing the over 15 year index The Company has therefore set an expected return on equity assumption of 6 0% p.a. and set the expected return on assets assumptions for other asset classes at 31 March 2013 using the same market indicators as before Therefore the expected return on assets assumptions as at 31 March 2013 are as follows

Equities fixed interest gilts (over 15 year index yield) +3 0% p a
= 6 0% p a (6 3% p a at 31 March 2012)

Property fixed interest gilts (over 15 year index yield) +2 3% p.a
= 5 0% p a (5 3% p a at 31 March 2012)

Corporate bonds: The FRS17 discount rate derived as above
= 4 1% p a (4 6% p a at 31 March 2012)

Gilts fixed interest gilts (over 15 year index yield)
= 3 0% p a. (3.3% p a at 31 March 2012)

Cash Over the long term, assumed to be in line with fixed interest gilts
= 3 0% p a (3 3% p a at 31 March 2012)

# Notes to the financial statements (continued)

## 19. Pension commitments (continued)

| | 2013 £000 | 2012 £000 |
|---|---|---|
| **Analysis of amounts recognised in profit and loss account:** | | |
| **Analysis of the amount charged to net operating expenses** | | |
| Current service cost | (495) | (397) |
| Past service cost | - | - |
| **Total operating charge** | (495) | (397) |
| **Analysis of the amounts credited to other interest receivable on similar income** | | |
| Expected return on the scheme assets | 2,455 | 2,697 |
| Interest on pension scheme liabilities | (2,139) | (2,186) |
| **Net return** | 316 | 511 |
| **Net profit and loss charge/(credit)** | 179 | (114) |
| **Analysis of amounts recognised in STRGL:** | | |
| Actual return less expected return on scheme assets | 4,714 | 732 |
| Actuarial (loss) on scheme liabilities | (2,240) | (5,937) |
| **Actuarial gain/(loss) recognised in STRGL** | 2,474 | (5,205) |
| **Cumulative actuarial loss recognised in STRGL** | (4,660) | (7,134) |
| **Reconciliation of present value of scheme liabilities:** | | |
| 1 April | 47,266 | 40,337 |
| Current service cost | 495 | 397 |
| Interest cost | 2,139 | 2,186 |
| Contributions paid by members | 182 | 195 |
| Actuarial loss | 2,240 | 5,937 |
| Benefits paid | (2,185) | (1,786) |
| **31 March** | 50,137 | 47,266 |
| **Reconciliation of fair value of scheme assets** | | |
| 1 April | 46,213 | 42,552 |
| Expected return on scheme assets | 2,455 | 2,697 |
| Contributions paid by members | 182 | 195 |
| Contributions paid by employer | 1,663 | 1,823 |
| Actuarial gains | 4,714 | 732 |
| Benefits paid | (2,185) | (1,786) |
| **31 March** | 53,042 | 46,213 |

# Notes to the financial statements (continued)

## 19 Pension commitments (continued)

| | 2013 £000 | 2012 £000 | 2011 £000 | 2010 £000 | 2009 £000 |
|---|---|---|---|---|---|
| **History of experience gains and losses:** | | | | | |
| Fair value of scheme assets | **53,042** | 46,213 | 42,552 | 39,150 | 29,701 |
| Present value of scheme liabilities | **(50,137)** | (47,266) | (40,337) | (44,088) | (30,103) |
| Surplus/(deficit) | **2,905** | (1,053) | 2,215 | (4,938) | (402) |
| Actuarial return less expected return on scheme assets | | | | | |
| Amount | **4,714** | 732 | 268 | 6,968 | (7,646) |
| Percentage of scheme assets | **8.9%** | 1 6% | 0 6% | 17 8% | (9 8)% |
| Experience gain on scheme liabilities | | | | | |
| Amount | - | - | 2,391 | - | - |
| Percentage of scheme liabilities | **0 0%** | 0 0% | 5 9% | 0 0% | 0 0% |
| Actuarial (loss)/gain on scheme liabilities | | | | | |
| Amount | **(2,240)** | (5,937) | 3,641 | (12,843) | 748 |
| Percentage of scheme liabilities | **(4 5)%** | (12 6)% | 9 0% | (29 1)% | 2 5% |

The 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 scheme s long term ability to provide the required benefits

## 20 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 2013 (2012 – £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 2013 (2012 – £Nil)

### The Building and Civil Engineering Charitable Trust

The board of directors agreed to donate up to £1 5m to The Building and Civil Engineering Charitable Trust to fund the charity's activities On 5 November 2010 the board of directors gave an undertaking to the trust that financial support will be provided to meet future grants On 29 March 2012, the Company's board agreed to fund a further £200,000 per annum until 31 March 2014 At the year end £1,639,102 in total had been transferred to the trust

## 21 Reinsurance arrangements

Reinsurance arrangements are in force as follows

| | |
|---|---|
| B&CE Annuity | – 100% quota share reinsurance |
| Term Assurance | – 90% quota share with a 11 4% overriding commission receivable |
| Linked business | – 100% reinsurance of unit liabilities |

# Notes to the financial statements (continued)

## 22. 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 & C E Insurance Limited and B & C E Financial Services Limited is subject to certain restrictions as to its availability to meet capital requirements In particular for B & C E 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 £26 4m (2012 – £23 4m) of B & C E 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 £97 8m (2012 – £88 3m) of which £63 1m (2012 – £57 2m) is held by B & C E Insurance Limited and £6 2m (2012 – £6 4m) is held by B & C E Financial Services Limited The capital held by these companies 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 |
|---|---|---|---|---|---|---|
| | **2013** | **2013** | **2013** | 2012 | 2012 | 2012 |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Total reserves | **37,223** | **63,762** | **100,985** | 34,749 | 56,497 | 91,246 |
| Adjustments onto regulatory basis | | | | | | |
| Other adjustments | **(431)** | **(2,705)** | **(3,136)** | (912) | (2,023) | (2,935) |
| **Total available capital resources** | **36,792** | **61,057** | **97,849** | 33,837 | 54,474 | 88,311 |

| **Liability analysis** | **Total Life business** | |
|---|---|---|
| | **2013** | 2012 |
| | **£000** | £000 |
| Unit-linked | **6,404** | 8,316 |
| Annuities | **88,344** | 84,151 |
| Term Assurance gross provision | **167** | 192 |
| | **94,915** | 92,659 |
| Annuities reinsurer's share | **(85,368)** | - |
| Term Assurance reinsurer's share | **(15)** | (15) |
| **Technical provisions in balance sheet** | **9,532** | 92,644 |

# Notes to the financial statements (continued)

## 22. FRS27 'Life Assurance' (continued)

### Capital management

In reporting financial strength, capital and solvency are measured using the regulations prescribed by the Prudential Regulation Authority ("PRA") 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
- to satisfy the requirements of its policyholders and the PRA

B&CE Insurance Limited is required to hold sufficient capital to meet the PRA's capital requirements Management intends to maintain surplus capital in excess of the minimum solvency requirement, determined in accordance with PRA regulations, to absorb changes in both capital and capital requirements At 31 March 2013, the available capital within the long-term fund was 340% (2012 – 297%) of the capital requirement of £10 8m (2012 – £11 4m)

| **Movement in capital resources** | **2013** **£m** | 2012 £m |
|---|---|---|
| Balance as at 1 April | **33.8** | 29 8 |
| Impact of data and model changes | - | (0 1) |
| Effect of investment variations | **3.9**[1] | 9 8 |
| Change in annuity reserves ( assumption changes) | - | (5 4) |
| EasyBuild charges received | **6.2** | 5 8 |
| Effect of expenses (administration, claims, acquisition and investment) | **(4.5)** | (5 0) |
| Change in EasyBuild non-unit reserve (assumption changes) | **1.5** | 0 7 |
| Change in uninvested unit-linked funds | - | (0 6) |
| Movement in 'other insurance and non-insurance liabilities' | **(0.5)** | 1 0 |
| New annuity reserves (reassure default and frozen policies) | **(3.0)** | |
| Corporation tax | **(0.8)** | (1 5) |
| Other | **0.2** | (0 7) |
| **Balance at 31 March** | **36.8** | 33 8 |

*Notes*

*1 Includes impact of the premium paid to Partnership Life Assurance Company Limited under the terms of the annuity reinsurance treaty*

### 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

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,
- Market risk in relation to unit-linked pensions business that would arise if the rate of return on unit funds was less than expected, leading to a reduction in anticipated annual management charges, and
- Persistency risk in relation to unit-linked pensions business that would arise if the rate of lapses was higher than expected, leading to a reduction in anticipated annual management charges.

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

# Notes to the financial statements (continued)

## 23. Financial commitments

At 31 March 2013 the Group had annual commitments under non-cancellable operating leases for motor vehicle and office machinery assets expiring as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£000** | £000 | **£000** | £000 |
| Within one year | **267** | 257 | **267** | 257 |
| Within two to five years | **123** | 231 | **123** | 231 |
| After five years | - | - | - | - |
| | **390** | 488 | **390** | 488 |

## 24. Ultimate parent undertaking and controlling party

The immediate parent undertaking, the ultimate parent undertaking and the controlling party is Building and Civil Engineering Holidays Scheme Management Limited, a company incorporated in the United Kingdom

Building and Civil Engineering Holidays Scheme Management Limited is the parent undertaking of the smallest and the largest group of undertakings to consolidate these financial statements