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Building and Civil Engineering Holidays Scheme Management Limited

Limited by Guarantee

Annual Report and Financial Statements For the year ended 31 March 2010

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, 5 November 2010 at 12 15 p m

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

Dated 15 October 2010
By order of the Board

C E Milton
Company Secretary

Agenda

1 Apologies for absence

2 Minutes of the sixty seventh Annual General Meeting held on 23 October 2009

3 Chairman's address

4 To receive and adopt the Directors' Report and audited Financial Statements for the year ended 31 March 2010, together with the Independent Auditors' Report

5 To reappoint PricewaterhouseCoopers LLP as auditors of the Company in accordance with Section 384 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 Company Secretary at Manor Royal, Crawley, West Sussex, RH10 9QP

Chairman's Statement

From an aspirational concept in 1942 to the UK's most popular stakeholder pension scheme, B&CE has been providing benefits for construction workers for over 67 years

Established in war-torn London, the original Holidays-with-Pay Scheme, upon which the organisation as we know it today was built, seemed like an impossible challenge at the time This innovative scheme was devised for construction workers who changed jobs frequently Today, we play an integral role in the industry, meeting the needs of employers and their employees through our employee benefits package, and the financial needs of individuals with products such as our EasyBuild stakeholder pension, and accident and life cover

The construction industry, and in turn B&CE as a business, is facing some difficult challenges in the current economic climate However, I have every confidence these challenges will be met by our management team who remain faithful to the promise to provide financial welfare to those working in the construction industry and their dependents

Our management team will no doubt be supported by our loyal and dedicated staff, who have helped gain B&CE a reputation of excellent customer service and in particular for treating our customers fairly

The Rt Hon Sir John Chilcot
Independent Chairman

6 August 2010

B&CE Group Profile

B&CE is the UK's largest provider of financial benefits to the construction industry's employers and individuals Since our launch in 1942, all our efforts have gone towards achieving one goal improving the personal and financial wellbeing of employees in the construction industry

As industry specialists, we have created a range of financial products that meet the needs of everyone working in construction, including a stakeholder pension scheme, annuities, accident cover, life cover, holiday pay, personal injury insurance and employee healthcare schemes

We are a not for profit organisation so our primary concern is for employers and employees in the construction industry rather than shareholders As an organisation committed to construction, our aims are

1 To give construction employees financial protection while in employment and financial security in retirement

2 To provide a wide range of attractive benefits that help construction employers recruit and retain high quality, committed people at low cost

With over £1 7 billion under management, 132 staff across the UK, 6,437 employer customers and a stakeholder pension scheme with over 500,000 policyholders, employers and employees trust us to continue meeting their financial needs

2009/10 Highlights

6,437 employers currently provide benefits to their staff using B&CE's Employee Benefits package. A total of 213,871 individuals are receiving these benefits.

Employers deposited a total of £459.1m with B&CE during the year for their employees' holiday pay. As a result of this they will have saved themselves approximately £45m by taking advantage of the National Insurance concession.

A total of £29.7m was paid out from the Retirement Benefit Scheme (2009 – £27.4m).

Over £9.6m was paid out in claims for the Death Benefit Scheme (2009 – £10.0m).

A total of £24.5m was paid out in claims to EasyBuild policyholders (2009 – £16.9m).

A total of £21.6m was paid out in claims to BCECOPS members (2009 – £5.5m).

EasyBuild premiums received totalled £66.5m (2009 – £76.0m).

97% of customers feel that we are easy to do business with and that we treat our customers fairly [1].

During the year we were accredited as an 'Investor in People' at the bronze level of the standard.

[1] ABI Customer Impact Survey 2009

Group Structure and Product Portfolio

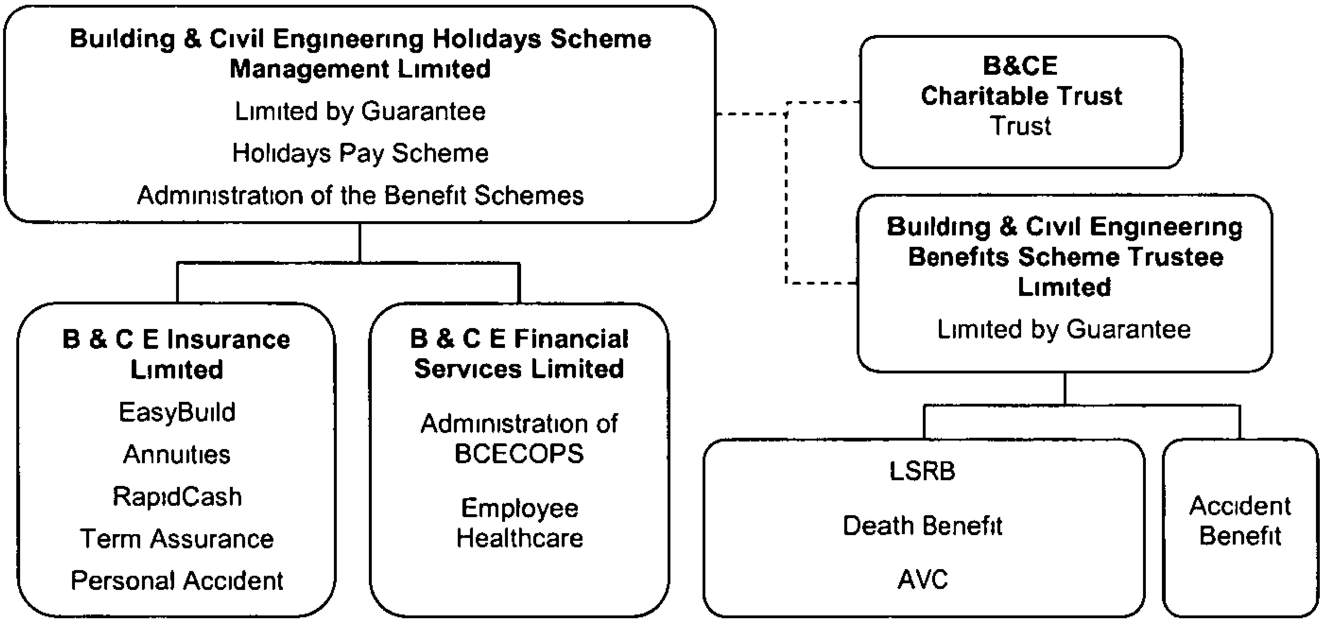
The principal activity of the B&CE Group continues to be the administration of benefit schemes for operatives in the construction industry

Building and Civil Engineering Holidays Scheme Management Limited ("the Company") administers the Building and Civil Engineering Holidays-with-Pay Scheme as well as the Death Benefit, Accident Benefit and Lump Sum Retirement Benefit schemes ("the Benefit Schemes") It is also the appointed administrator of the Building and Civil Engineering Charitable Trust

The Company has two wholly owned subsidiaries, B & C E Insurance Limited ("the Insurance Company") and B & C E Financial Services Limited ("the Financial Services Company") Collectively the Company and its subsidiaries are known as the B&CE Group ("the Group"/"B&CE")

The Insurance Company was established in 1995 with the objective being to offer appropriate insurance based products to all who work in the construction industry

The Financial Services Company is the manager of a unit trust based personal pension scheme 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



B&CE Group Product Portfolio

Holidays-with-Pay Scheme

The Holiday Pay scheme is offered to employers as part of B&CE's Employee Benefits Package, which also includes Accident Benefit, Death Benefit and EasyBuild

The scheme has been in operation since 1943 By depositing their employees' holiday pay with B&CE, employers gain exemption from paying National Insurance ("NI") contributions on this pay, with savings going towards the costs of the Benefits Package Employers set aside variable amounts to cover their liability for their employees' holiday pay under the industry wide Construction Industry Joint Council ("CIJC") Working Rule Agreement

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

Group Structure and Product Portfolio (continued)

Death Benefit

Death Benefit cover provides a discretionary tax-free lump sum (currently up to £23,000) to an employee's financial dependents if they die whilst covered under the scheme The product includes cover whilst the employee is incapacitated or unemployed, and can be doubled if the death is the result of an accident at work

Death in service cover was the first of the benefit arrangements to be introduced and has now been in operation for 35 years

Accident Benefit

Accident Benefit cover provides a tax-free lump sum (currently 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 Accidents which result in disablement from employment for one year or more are also covered

The B&CE Accident Benefit Scheme came into operation in 1987

Both Accident Benefit and Death Benefit are due to be replaced in 2010 by new industry wide accident and life schemes

Lump Sum Retirement Benefit

Lump Sum Retirement Benefit ("LSRB") is an approved Occupational Pension Scheme, paying a one off tax free lump sum at age 65 The benefit is based on the individual's weeks of service with employers operating our Scheme, which is multiplied by the retirement benefit rate (currently £7 55 per week of service)

LSRB was introduced in 1982 As a result of the launch of EasyBuild (see below), 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

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 construction workers the opportunity to boost their retirement benefit by making their own regular contributions It was available to all workers who, through their employer's contributions, were members of the LSRB scheme

The LSRB and AVC arrangements closed to new contributions when EasyBuild was introduced

EasyBuild

In April 2001, the Insurance Company launched EasyBuild, a stakeholder pension scheme for all those who work in the construction industry This replaced the existing LSRB scheme

Contributions to EasyBuild can be paid by both employers and employees and the scheme can be used to contract out of the State Second Pension ("S2P") Employers working within the 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 a 0 8% annual management charge ("AMC") for policies with a fund value greater than £5,000 and 0 95% otherwise

Building & Civil Engineering Contracted Out Pension Scheme

Building & Civil Engineering Contracted Out Pension Scheme ("BCECOPS") was offered to employed construction workers as an alternative to the S2P 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 S2P

BCECOPS was launched in 1988 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

Group Structure and Product Portfolio (continued)

B&CE Annuity

In April 1997, the Insurance Company launched B&CE Compulsory Purchase Annuity ("CPA") This enables B&CE to provide an annuity to those retiring from the construction industry The majority of CPA business comes from individuals retiring with EasyBuild policies

A Protected Rights Annuity product ("PRA") was later launched in December 2008, which enables those retiring with BCECOPS funds to purchase an annuity with B&CE

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

Employee Healthcare provides cash benefits that enable employers to provide their employees protection against some everyday health costs such as dental treatment, eyesight tests, prescription glasses and physiotherapy

RapidCash

The product is sold to individuals with different levels of cover available 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 was launched in 1997 RapidCash is not currently promoted but enquiries are still received from existing customers and employers

Term Assurance

Term Assurance is a term life policy where the period and sum assured is selected by the policyholder The policy will terminate on the termination date or when the policyholder dies or when contributions cease to be paid

The product is no longer sold by the Insurance Company but there are a small number of policies remaining

Personal Accident

The product covers an applicant and family (if covered) for a range of qualifying injuries The maximum benefit payable for a qualifying injury is £50,000 for accidental death

The product is no longer sold by the Insurance Company but there are a small number of policies remaining

B&CE Charitable Trust

The Charitable Trust launched in 1991 offers financial assistance to construction workers and their families who are suffering hardship The Trust's principal aim 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

In last year's report I commented that "we have embarked upon a journey to transform B&CE in order to achieve our strategic goal of being the benefits provider of choice for the construction industry". During 2009/10 progress on this journey was against the background of the UK's deepest recession since the 1930's, the worst downturn in the construction industry for decades and the demise of the industry's leading employer federation

In addition, the removal of the National Insurance concession and the introduction of the Government's National Employment Savings Trust (NEST) strategy, bring further challenges for the construction industry as a whole and forms the major strategic focus for the Group's activities over the next few years

I am confident that we will address these issues and face these challenges, in order to achieve our strategic goal of being the benefits provider of choice for the construction industry

Financial Stability

During 2009/10 the Group has improved income levels, restructured investment portfolios and continued work to seek operational efficiency and experienced significant improvement in the value of the Group's investments All of these actions have helped to put B&CE on the right financial footing to face the challenges ahead

The Group made a consolidated profit of £31 3m this year compared to a loss of £11 4m in the previous year This was largely as a result of the sustained improvements in investment markets during the year

I am pleased to report B&CE continues to hold strong reserves and headroom above the regulator's solvency levels

Product Performance

The B&CE Benefits Package remains popular with employers, particularly in the current financial market where the Holiday Pay scheme provides returns far in excess of bank interest rates

Contributions into EasyBuild have fallen during the year with fewer policies being set up due to changes made to the CIJC rules back in 2008 The majority of policies set up are now for employees who are prepared to make their own pension contributions, this is more financially viable business for B&CE and will lead to much more substantial pension pots for these individuals when they come to retire

Other Developments

Another key development this year was B&CE's achievement of 'Investors in People' status Not only did we achieve this status, we achieved over and above the minimum requirements and were accredited with the bronze level of the award This is evidence of our commitment to the learning and development of all our employees

We have the full support of our new Group Board which gives us a wider coverage of employers and employees in the industry, from the multinationals to the smaller local builders Our partnership with the employer federations and unions places us at the heart of the industry and gives us a greater understanding of the needs of our customers

Exceptional Service

Of course, some things will not change and it is still our intention to deliver exceptional personal and caring customer service at all times whilst ensuring that we take the hassle away and allow the industry to concentrate on building its future

On behalf of the management team I would like to take this opportunity to thank our loyal and dedicated staff for their ongoing support

Brian Griffiths
Chief Executive Officer

6 August 2010

Business Review

Strategic Overview

There are two major events scheduled to occur during 2012, which will have a significant impact on the traditional role of B&CE and drive the Group's strategy

- The Government's National Employment Savings Trust ("NEST") strategy will be introduced and will become a state backed alternative to EasyBuild
- The long standing NI Concession on holiday pay for the construction industry will be finally withdrawn increasing costs for employers

NEST

B&CE aim to ensure that when the NEST strategy comes into force, EasyBuild will be a qualifying workplace pension scheme The legislation proposes that employers and employees must contribute a percentage of an employee's salary into a suitable pension scheme It is anticipated that this will lead to improved levels of contributions into the stakeholder pension product which will help replace income lost from the Holiday Pay scheme

In recent months further details about the plans for the implementation of NEST have been announced The main development is that only the UK's largest employers will be required to enrol their staff in the scheme from October 2012 with smaller companies phased in over the next three years Another key development is that employer contributions will be 1% of an employee's salary from 2012, increasing to 2% in 2016 and 3% in 2017 This is significantly diluted from previous proposals and B&CE's strategy has been amended somewhat in response to this

2009/10 Strategy

The business plan for 2009/10 laid out the Group's directional strategy for the year This included the following five year key aims

- To ensure that EasyBuild is the natural choice of the construction industry when NEST is introduced
- To significantly grow market share of operatives and clerical/professionals to strengthen our base in the industry
- To offer a wider range of financial welfare products and services to all those working in the industry and their dependents
- To continue to provide cost effective benefits under the CIJC agreement
- To develop cost effective distribution networks to deliver appropriate products to individuals
- To drive down costs and become more efficient in order to be able to offer competitive rates, without compromising our values

2010/11 Strategy

The focus of the business plan for 2010/11 will move increasingly to our existing customers from the previous drive for new employers B&CE had always intended to shift the focus as the appeal of the NI concession reduced over the five year sunset period However, given the current economic environment and delays to the introduction of the Government's NEST strategy, it is appropriate that this focus is moved sooner rather than later

Another key focus for the year will be the launch of new industry wide accident and life schemes These have been designed by the industry for the industry and will improve the current levels of benefits in a number of areas

Business Review (continued)

Key Performance Indicators

The Group's strategy is underpinned by focusing on a number of Key Performance Indicators (KPIs) The Senior Management Team and representatives of the Board review KPIs on a regular basis These key measures are used to assess the performance at Group level and are outlined below

Active Members using B&CE Benefits Package

The number of individuals actively using the Benefit Package has decreased during the year The year end total was 213,871 (2009 – 218,065), which was a 2% annual reduction

This reflects the downturn in the construction industry and the wider economy in general

See page 11 for more details

Individuals gained from New Business Activities

The number of individuals gained from new business activities totalled 22,803 this year (2009 – 20,517) This is a significant number but is well below the target of 50,000

Had it not been for these additions, the decrease in membership would have been 10% rather than 2%

See page 11 for more details

Number of Individuals making their own EasyBuild Contributions

The number of individuals making their own contributions to EasyBuild has decreased to 24,817 (2009 – 27,713)

This is a decrease of 10% against a backdrop of deep recession within the construction industry

See page 11 for more details

Business Review (continued)

Percentage of active EasyBuild policies making their own contributions

The percentage of active policies where the individual makes their own contributions has increased significantly this year to 19% (2009 – 17%)

The number of active policies has decreased from 159,671 to 129,865 during 2008/09, mainly as a result of the changes made to the CIJC Working Rule Agreement Meanwhile the number of individuals making their own contributions has fallen at a slower rate

See page 11 for more details

Net Group Operating Expenses

Net operating expenses totalled £15 6m for the year (2009 – £16 3m) which is a 4% decrease It should be noted that the Accident Benefit Scheme loan repayment and movements in Long Term Insurance provisions have been excluded from these figures Some of the key variances compared to last year include

- Sales and Marketing costs reduced by £0 6m as some campaigns were suspended due to the current economic climate

- Premises costs reduced to £0 8m (2009 – £1 0m) due to a number of fixtures and fittings now being fully depreciated

Consolidated Profit/(Loss) for the year

The Group profit for the year was £31 3m (2009 – £11 4m loss) The main variances compared to the previous year are as follows

- Unrealised investment gains totalled £34 7m for the Group during the year (2009 – £6 3 loss)

- Realised investment losses of £0 1m were made (2009 – £15 0m loss)

- The gains in investments were somewhat offset by taxation totalling £8 0m for the year (2009 – £1 9m credit)

See page 13 for more details

Business Review (continued)

2009/10 Performance Review

Following the unprecedented economic conditions seen in 2008/09 brought about by the impact of the credit crunch, 2009/10 has been somewhat more stable Having said that, the UK economy has remained in recession for much of the year and only returned to growth following six consecutive quarters of declining GDP In particular, there has been widespread concern regarding the UK's public finances and the level of national debt The construction industry has also continued to suffer and the industry is not expected to expand during 2010 and indeed some areas of the industry could see further significant contractions

The impact of the downturn has presented a number of challenges for the Group All of this comes at a time when B&CE are already undertaking significant strategic change The removal of the NI concession for the construction industry and the introduction of the Government's NEST strategy, both in 2012, provide a challenge and is the major strategic focus for the Group's activities over the next few years

B&CE Benefits Package

The core product offering continues to be the 4 in 1 Benefits Package comprising Holiday Pay, EasyBuild, Accident Benefit and Death Benefit although recent new business accounts have focused on a 3 in 1 package excluding EasyBuild

The Holiday Pay scheme continues to be popular with employers particularly in the current financial market where the product provides a real saving and returns far in excess of the current bank interest rates

The number of individuals using the Benefits Package decreased by 2% during the year to a total of 213,871 The loss among existing employers was in excess of 10% as the construction industry continued to shed jobs during the year However, this trend was somewhat countered by new business activities which continued to add significant numbers of individuals to the scheme in 2009/10 Over the 12 months 22,803 individuals were gained from new business activities which is much in line with the 2008/09 total of 20,517 but significantly below the 50,000 target

The announcement of the withdrawal of the NI concession for the industry in 2012 has provided a clear focus for strategic direction One of the principal activities for the organisation has been to utilise the competitive advantage that the operation of the Holiday Pay product brings to significantly increase the number of individuals in B&CE's schemes The focus on bringing on new business has been reasonably successful over the past two years and significant numbers of new employers and individuals have been brought into the schemes

EasyBuild

A major focus of the long term strategy is the industry wide stakeholder pension, EasyBuild After nine years in existence, it has become a key part of the Group's activities and is the largest stakeholder pension scheme in the UK Although the recent focus of the Sales Team has generally been on selling the 3 in 1 Benefits Package which excludes EasyBuild, it was planned to convert a large proportion of this new business to EasyBuild before the implementation of NEST

The Government's NEST strategy has been delayed and somewhat diluted over the past 12 months and this has led to changes in B&CE's strategy as discussed on page 8

The CIJC Working Rule Agreement gives guidance to employers on what EasyBuild contributions they should be making for their employees These rules changed in June 2008, employers should now contribute a minimum of £5 per week rather than £3 and they should only contribute for new starters if the employee makes their own contribution This has had a significant effect on contribution behaviour It is anticipated that, over the long term, these changes should improve the reserving requirements and ease pressure on reserves

Total EasyBuild policies decreased in the year with a large fall in new policies being set up There are now a total 503,071 EasyBuild policies (2009 – 504,739), of which 129,865 are still receiving contributions (2009 – 159,671) The fall in new policies, and the fall in active policies, is largely due to the CIJC rule change in 2008 Employers are no longer expected to make contributions for their new starters (unless they contribute themselves) so, as expected, less policies have been set up This has been the key factor in the 19% reduction in active policies

Business Review (continued)

EasyBuild (continued)

The number of individuals making their own contributions to EasyBuild also decreased during the year A total of 24,817 are now making contributions themselves (2009 – 27,713) which is a 10% decrease over the year The fall has been due to the overall fall in individuals in B&CE's Schemes against a backdrop of a deep recession within the industry The fact that employers will now only make pension contributions if the individual does so themselves has encouraged more new starters to make EasyBuild contributions but not as many as had been anticipated

As a result of the fall in active policies, total contributions into EasyBuild have fallen to £66 5m in 2009/10 (2009 – £76 0m) Increasing the number of individuals making their own contributions will be a major focus in the Group's future strategy in order to reverse this trend

B&CE Annuity

The Compulsory Purchase Annuity product continues to be very popular with those retiring from the construction industry Premium receipts totalled £11 1m during the year (2009 – £7 4m) from a total of 3,972 policies (2009 – 2,350)

Protected Rights Annuities were introduced during December 2008 so that those retiring with BCECOPS funds can purchase an annuity with B&CE During the year ended 31 March 2010, over 925 policies had been set up with premiums totalling £13 5m (2009 – £1 4m) This is an average premium of over £14,500 which is far in excess of the average premium for Non-Protected Rights Annuity business

There has been a significant increase in business compared to the previous year This is mainly due to the introduction of Protected Rights Annuities late in 2008/09 but also due to the increase in minimum retirement age from 50 to 55 in April 2010 The increased retirement age meant that a number of customers with pension policies chose to purchase an annuity earlier than anticipated in order to avoid having to wait until age 55

RapidCash

The number of RapidCash policies continues to decline with the product not being actively promoted There were 85 policies added during the year (2009 - 138) but these were exceeded by the number of policies that were cancelled There are now 4,026 policies (2009 – 4,821) which is a 16% decrease over the year and both premiums and claims have declined as a result

BCECOPS

The number of BCECOPS policies continued to decline during the last 12 months to a year end total of 11,391 (2009 – 12,563) During 2009/10 the number of policies fell by 9% compared to 3% in the previous financial year The increase in the level of policies claiming their BCECOPS fund is due to the change in legislation which increased the minimum age of retirement from 50 to 55

During 2009/10 receipts into BCECOPS funds decreased to £9 6m (2009 – £10 1m) The amount of claims paid increased significantly to a total of £21 6m during the year (2009 – £5 6m) for the reasons mentioned above The overall BCECOPS fund value increased by 35% during the last 12 months, to a year end total of £229m This was due to the recovery in equity markets of which the fund has significant exposure This in turn increased the Company's income since the AMC is based on market value

Employee Healthcare

In February 2009, the Company launched Employee Healthcare which is the first of what is expected to be a range of re-badged, best of breed products, which will be sold by the B&CE but designed and run by a third party organisation This will help the Group to achieve its strategic aim of providing those working in the industry and their dependents with a wider range of welfare products

To date, 34 policies have been sold to employers which cover 1,668 individuals This was below target as a result of the decision to postpone the official launch plans in response to the downturn in the economy Promotional activity will commence in 2010/11 and the coverage is anticipated to increase as a result

Business Review (continued)

Financial Review

Following the volatility in equity markets witnessed during the credit crunch, 2009/10 has seen a fairly sustained level of growth in investments The FTSE 100 has grown by 45% during the year [2] as optimism surrounding global economies started to return Commentators have mixed feelings in terms of likely equity growth over the next 12 months and the outlook remains uncertain The improvements in the last 12 months have led to significant gains in investment values and increased income generated from EasyBuild

The Bank of England cut interest rates to a historic low of 0 5% in March 2009 and embarked on a policy of quantitative easing to inject liquid funds into the financial system throughout the year Interest rates have remained at this level during 2009/10 and economists are predicting that they will remain at a record low until 2011[3] Low interest rates have had an adverse impact on income levels from cash investments for the Group

B&CE's priorities coming into 2009/10 were to continue the financial strategy changes started in the previous year to help place the organisation on a strong financial footing in order to face the challenges ahead In response the following actions have been taken during the year

- Introduced a new employer administration charge to supplement the lower returns from Holiday Pay New employers will now be subject to a monthly charge of £1 per employee This is estimated to generate a further £0 1m in 2010/11
- Introduced tiered charging for EasyBuild An AMC of 0 95% now applies to policies with a fund value of less than £5,000, while other policies will continue to have an AMC of 0 8% This is expected to generate an additional £0 5m per annum in EasyBuild income
- Sold £18 8m of equity exposure on the Company and reviewed counterparty exposure across the Group
- Lowered the Group cost base to £10 7m in 2009/10 (2009 – £12 5m), excluding reorganisation costs and subsidies
- Commenced various efficiency projects including getting employer customers online and software enhancements to speed up the delivery of products and services

The overriding principles behind all of these changes were to prevent the Group from having to use free capital investments to support ongoing activities, giving investment asset classes time to recover These changes have ensured the Group is in a sound position to move forward The priorities for the coming year are to build upon the changes made in 2009/10 and look for new opportunities to improve product income streams across the Group

The total gain for the year before interest, taxation, and investments gains and losses was £4 8m (2009 – £7 6m gain) Some of the key variances are as follows

- During 2008/09 the Company received a loan repayment of £1 8m from the Accident Benefit Scheme No loan repayments were received in the current financial year
- Income from short term deposits totalled £0 2m (2009 – £1 1m) as interest rates remained at a record low throughout the year
- Annuity premium receipts totalled £24 6m for the year (2009 – £8 8m) as discussed on page 12 This was offset by the Long Term Business provisions increasing by £24 8m during the year (2009 – £5 9m) which now stands at a total of £83 0m The annuity reserve increased by £27 0m almost entirely as a result of the increased levels of new business The EasyBuild reserving reduced by £2 4m due to changes made to actuarial assumptions and economic conditions at the valuation date
- Net operating expenses (excluding movements in Long Term Insurance provisions and loan repayments) have decreased to £15 6m (2009 – £16 3m) Some of the reasons for this variance are outlined on page 10
- Enhanced LSRB payments were discontinued during the year as they were no longer considered to be financially viable These payments had been made to top up the retirement benefits taken from EasyBuild for all qualifying individuals who were aged between 55 and 65 when EasyBuild was introduced They were originally suspended in October 2008 and payments in the previous year totalled £1 2m

[2] The FTSE 100 opened at 3926 1 on 1 April 2009 and opened at 5679 6 on 1 April 2010
[3] A Reuters poll of economists (2 June) predicted a rise to 0 75% by March 2011 and then to 1 00% by June 2011

Business Review (continued)

Financial Review (continued)

- Management fees totalled £6 2m for the year (2009 – £5 7m) This is as a result of £0 9m being received for the administration of the Death Benefit and Accident Benefit Schemes (2009 - £0 4m) This charge was introduced mid way through 2008/09 which is why it was significantly lower in the previous year

Once taxation and realised and unrealised investment gains/losses are included, the total profit for the financial year is £31 3m (2009 – £11 4m loss) Some of the key variances are as follows

- Investments have responded well to the economic recovery during 2009/10 This is reflected in unrealised gains totalling £34 7m for the year (2009 – £6 3m loss) and realised losses of £0 1m (2009 – £15 0m)
- The investment gains are somewhat offset by a taxation charge for the year totalling £8 0m (2009 – £1 9m credit)

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 Board of Directors approval and ongoing review by management, Internal Audit and Risk, and regulators In addition, certain key procedures receive peer review and oversight from the Legal Team

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 Company's Board of Directors (see Directors' Report for further details) Senior members of Management and Internal Audit and Risk Management 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

Please note that KPIs and principle risks and uncertainties are disclosed earlier in the Business Review section

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

Credit Risk

The Insurance Company has two reinsurance arrangements in place These arrangements expose the Insurance Company to the risk that the reinsurers will be unable to pay amounts in full when due The Company actively 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 expose it to the risk that the counterparty will not repay the deposit, to minimise this, the Group only deals with a list of highly rated UK counterparties There is also a risk that a counterparty will be unable to pay amounts in full when due The Company manages this risk on behalf of the Group by active credit control

Liquidity Risk

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

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

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

Interest Rate Risk

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

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

Board of Directors

The following served as Directors of Building and Civil Engineering Holidays Scheme Management Limited during the year,

The Rt. Hon Sir John Chilcot GCB, MA

Independent Director

Independent Chairman

Gerry Lean FCIPD

Employer Representative

Nominated by UK Contractors Group (UKCG)

Harry Frew

Industrial Employee Representative

Appointed 23 October 2009

Representative - Scotland Regional Secretary UCATT

Peter Rogerson OBE

Employer Representative

Appointed 25 March 2010

Nominated by National Specialist Contractors Council (NSCC)

Stephen Murphy

Industrial Employee Representative

Midlands Regional Secretary UCATT

Alan Ritchie

Industrial Employee Representative

General Secretary UCATT

Geoff Lister FCIOB

Employer Representative

Appointed 25 March 2010

Nominated by Federation of Master Builders (FMB)

Scott Brown BA (Hons) CA

Employer Representative

Resigned 25 March 2010

Nominated by Fereration of Master Builders (FMB)

Managing Director I&H Brown Ltd

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

Employer Representative

Nominated by Civil Engineering Contractors Association (CECA)

Director J Murphy & Sons Limited

Stephen Terrell MCIOB

Employer Representative

Appointed 31 July 2009

Nominated by National Federation of Builders (NFB)

David Smith MCIPD

Employer Representative

Nominated by Scottish Building Federation (SB)

George Wilmshurst

Industrial Employee Representative

Bob Blackman MBE MIOSH

Industrial Employee Representative

National Secretary for Construction Unite - T&G Section (until 30 April 2010)

Phil Davies

Industrial Employee Representative

National Secretary GMB

John Southworth BA (Econ), FCA

Employer Representative

Resigned 25 March 2010

Nominated by UK Contractors Group (UKCG)

Sharon Copland-Jones MCIPD

Employer Representative

Resigned 3 June 2009

HR Director Shepherd Construction Ltd

Senior Management Team and Advisers

Brian Griffiths FCA
Chief Executive Officer

David Joel
Director of Sales and Marketing
(interim appointment)

Patrick Heath-Lay FCCA
Director of Finance and Decision Support

Jamie Fiveash FCCA
Director of Customer and Legal Services

Christine Webb
Director of Human Resources and Business Services

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 0PP

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 68th Annual Report and the audited Financial Statements of the group for the year ended 31 March 2010 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 and Building and Civil Engineering Accident Benefit Scheme

Results

The consolidated profit and loss account for the year is set out on page 24

Directors

The Directors during the year and up to the 6 August 2010 are listed on page 15 There were six Board meetings during the year and the average attendance by Non-Executive Directors was 85% The Chairman attended all the meetings

Sharon Copland-Jones resigned from her role as Director on 3 June 2009 and was replaced by Stephen Terrell on 31 July 2009 Harry Frew was appointed as a Director on 23 October 2009 filling a Director vacancy

At the Board meeting 7 December 2009 it was announced that on 8 December 2009 the Construction Confederation would cease to participate in the Schemes due to their impending dissolution The Board agreed that the following employer federations would replace the Construction Confederation and each of them will be responsible for nominating an employer Director representative, the UK Contractors Group, the Civil Engineering Contractors Association, the Scottish Building Federation, the National Federation of Builders, the National Specialist Contractors Council and the Federation of Master Builders The six employer Directors nominated by the Construction Confederation were nominated as continuing Directors by the following employer federations on 7 December 2009, UK Contractors Group – John Southworth, the Civil Engineering Contractors Association – James O'Callaghan, the Scottish Building Federation – David Smith, the National Federation of Builders – Stephen Terrell, the National Specialist Contractors Council – Gerry Lean and the Federation of Master Builders – Scott Brown

On 25 March 2010 the following Director changes took place, Scott Brown resigned and was replaced by Geoff Lister, John Southworth resigned and was replaced by Gerry Lean as the UK Contractors Group nominee, Peter Rogerson replaced Gerry Lean as the Federation of Master Builders nominee

The Directors due to retire at the Annual General Meeting are David Smith, Harry Frew, Phil Davies and Bob Blackman All have been nominated for re-appointment by their respective organisations

Directors' and Officers' Liability Insurance

The Company maintains an appropriate level of Directors' and Officers' liability insurance (covering the Group Companies, Building and Civil Engineering Benefits Scheme Trustee Limited and the Building and Civil Engineering Charitable Trust) and is reviewed annually

Corporate Governance

The Group aims to satisfy the principles of 'good governance' and comply with the requirements of the Companies Act by ensuring that it has a transparent and effective decision making process in place The major Corporate Governance review, instigated in July 2007, was continuing with appropriate benchmarks being used to assess both the Chairman's and the Board's performance (as a whole) on a regular basis and the agreed Corporate Governance programme would continue to be implemented in stages

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 is needed The Group has policies and procedures in place to ensure that it complies, so far as is reasonably practicable, with the requirements set out in the Health and Safety at Work Act 1974 and all other associated legislation, and has appointed internal and external competent persons to act on its' behalf in this respect

Directors' Report (continued)

Taxation Status

The Company's tax status has been reviewed during the year and an element of its activities is now considered to be trading in nature

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

Details of the Company's future developments are contained in the Strategic Overview on page 8 and Chief Executive Officer's Review on page 7

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

Customers

The Group has supported and embedded the FSA'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 FSA 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

Over the past twelve months the organisation has actively attempted to identify potential gaps in its TCF practice and developed procedures to plug these in areas including staff training, sales and marketing material, management information, sales processes and product understanding

B&CE's seven 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

Directors' Report (continued)

Charitable Donations

During the financial year the Company contributed £200,000 (2009 – £120,000) to the Building and Civil Engineering Charitable Trust Donations for other charitable purposes totalled £1,435 (2009 – £10,349)

Political Donations

There were no donations to political parties during the year (2009 – Nil)

Employees

At the year end the Company had 123 employees (2009 – 147) B&CE recognises that it is the organisation's people who make the difference between good service and great service and B&CE as a Company have an excellent reputation for exceptional service

Organisation Development

This year, the business continued its work to fine-tune the structures of the administration departments These were merged to form one Customer Services function that going forward, would better position us to focus on our customer strategy and build on our excellent reputation for customer service The Technical Support team has also been restructured into a new Legal and Compliance function which is better able to support the group to meet is legal and regulatory obligations

Communication

B&CE continues to monitor employees views and opinions to help understand what the organisation means to them as an employer, through surveys, team briefs, staff presentation, intranet and a dedicated 'ask the CEO' mailbox These activities provide a two-way communication tool which provides the opportunity for the management team to give prompt feedback and initiate any actions required

Learning and Development

This year's achievement of the Investors in People Bronze Award is evidence of B&CE's commitment to the learning and development of all of its employees To build on this further, attention will be turned to the next phase of the management development programme, increasing employee engagement activities and maintaining our professional and regulatory standards 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 of being uncomplicated, compassionate, bold, honest, innovative, dependable and intelligent

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 with dignity and respect and is fully committed to a policy of treating all its employees and job applicants equally The Company takes all reasonable steps to employ, train and promote employees on the basis of their experience, abilities and qualifications and to provide a work environment that is free of harassment and in which all employees are treated with respect and dignity

Directors' Report (continued)

Statement of Internal Control

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

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

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

The Group Audit and Risk Committee consists of four Non-Executive Directors The Minutes of the Group Audit and Risk Committee meetings are circulated to the Directors and Risk Management is included as an agenda item at all Board meetings Committee meetings were held on 30 July and 4 November 2009 and 4 February 2010

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 2010, and no significant weaknesses have been reported

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 elected to prepare the group and parent 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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

Directors' Report (continued)

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

By Order of the Board,

C E Milton
Company Secretary

6 August 2010

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 2010 which comprise the Consolidated Profit and Loss Account, the Group and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Note of Consolidated Historical Cost Profits and Losses, 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 Directors' Responsibilities Statement 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 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

The maintenance and integrity of the B&CE website is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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

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 2010 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

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

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

Christopher Maidment (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

6 August 2010

Consolidated Profit and Loss Account for the year ended 31 March 2010

	Notes	2010 £000	2009 £000
Turnover	3	**45,662**	28,960
Net movement in investment activities	3	**34,660**	(21,272)
Enhanced retirement benefits		**(1)**	(1,172)
Net operating expenses	4	**(40,854)**	(20,203)
Profit/(loss) before interest and taxation	5	**39,467**	(13,687)
Other finance income	19	**(106)**	342
Profit/(loss) before taxation		**39,361**	(13,345)
Tax (charge)/credit	8	**(8,034)**	1,920
Profit/(loss) for the financial year	17	**31,327**	(11,425)

Notes

All of the Group's financial activities are continuing

The Parent Company takes the Section 408 exemption in the Companies Act 2006 and does not present the Parent Company Profit & Loss Account

Statement of Consolidated Total Recognised Gains and Losses for the financial year ended 31 March 2010

	Note	2010 £000	2009 £000
Profit/(loss) for the year		**31,327**	(11,425)
Unrealised gain/(loss) on fixed asset investments		**1,243**	(20,188)
Actuarial loss on pension scheme	19	**(5,875)**	(6,898)
Prior year deferred tax on pension deficit	15	**39**	-
Movement on deferred tax relating to pension deficit	15	**255**	-
Total gain/(loss) recognised since last annual report		**26,989**	(38,511)

Note of Consolidated Historical Cost Profits and Losses for the year ended 31 March 2010

	Notes	2010 £000	2009 £000
Reported profit/(loss) before taxation		**39,361**	(13,345)
Unrealised (gain)/loss on current asset investments	3	**(34,750)**	6,315
Historical cost profit/(loss) before taxation		**4,611**	(7,030)
Historical cost loss for the year after taxation		**(3,423)**	(5,110)

Registered in England No 377361

Balance Sheets at 31 March 2010

	Notes	GROUP 2010 £000	GROUP 2009 £000	COMPANY 2010 £000	COMPANY 2009 £000
Benefit Schemes administration					
Fixed assets					
Tangible assets	10	**3,338**	3,493	**3,338**	3,493
Investments	11	**10,713**	20,810	**6,002**	17,407
Investment in subsidiary undertakings	12	-	-	**60,050**	60,050
		14,051	24,303	**69,390**	80,950
Current assets					
Debtors	13	**1,597**	2,180	**1,505**	1,607
Investments	11	**84,747**	65,423	**83,567**	65,021
Cash at bank and in hand		**825**	1,114	**501**	761
		87,169	68,717	**85,573**	67,389
General and Long Term Insurance					
Tangible assets	10	-	7		
Investments	11	**130,462**	85,484		
Assets held to cover linked liabilities	11	**1,063**	634		
Reinsurers share of technical provisions		**617,214**	420,676		
Debtors and prepayments	13	**4,105**	3,234		
Cash at bank and in hand		**102**	27		
		752,946	510,062		
Total assets		**854,166**	603,082	**154,963**	148,339
Benefit Schemes administration					
Creditors - Amounts falling due within one year	14	**72,937**	80,044	**72,284**	81,135
General and Long Term Insurance					
Long Term Business provision	16	**83,031**	58,256		
Technical provision for linked liabilities		**618,262**	421,294		
Provision for other risks	15	**644**	852		
Creditors:- Amounts falling due **within one year**	14	**5,958**	533		
Total liabilities		**780,832**	560,979	**72,284**	81,135
Net assets excluding pension deficit		**73,334**	42,103	**82,679**	67,204
Pension deficit	19	**(4,644)**	(402)	**(4,644)**	(402)
Net assets including pension deficit		**68,690**	41,701	**78,035**	66,802

Registered in England No 377361

Balance Sheets at 31 March 2010

	Notes	GROUP 2010 £000	GROUP 2009 £000	COMPANY 2010 £000	COMPANY 2009 £000
Reserves					
Revenue reserves	17	**67,098**	41,352	**77,412**	66,460
Investment revaluation reserve	17	**1,592**	349	**623**	342
Total funds		**68,690**	41,701	**78,035**	66,802

The financial statements on pages 24 to 49 were approved by the board of directors on 6 August 2010 and were signed on its behalf by -

) Directors

STEPHEN MURPHY
DAVID SMITH

Registered in England No 377361

Consolidated Cash Flow Statement for the year ended 31 March 2010

	2010		2009	
	£000	£000	£000	£000
Net cash outflow from operating activities		(5,499)		(335)
Taxation		(1,463)		(1,102)
Capital expenditure and financial investment (Note A)		17,546		24,455
		10,584		23,018
Management of liquid resources (Note A)		(3,790)		(11,888)
Increase in cash		6,794		11,130

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

	2010		2009	
	£000	£000	£000	£000
Increase in cash in the period		6,794		11,130
Net increase in liquid resources		3,790		11,888
Realised profit/(loss) on sale of current asset investments	338		(18)	
(Increase)/decrease in unrealised gain on current asset investments	9,917		(6,961)	
		10,255		(6,979)
Change in net funds		20,839		16,039
Net funds at the start of the year		67,907		51,868
Net funds at the end of the year		88,746		67,907

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

	2010	2009
Profit/(loss) before interest and taxation (see note below)	27,468	(9,564)
Depreciation charges	265	413
Gain on sale of fixed asset investments	(7,310)	(389)
Realised and unrealised (increase)/decrease in unrealised gain on Insurance Business investment assets	(6,297)	7,316
Loss on sale of tangible assets	11	5
Profit/(loss) on sale of current asset investments	(338)	18
(Increase)/decrease in unrealised gain on current asset investments	(9,917)	6,961
Difference between pension charge and cash contributions	(1,445)	(1,556)
Decrease/(increase) in debtors	595	(366)
Decrease in creditors	(8,531)	(3,173)
Net cash outflow from operating activities	(5,499)	(335)

Note

In accordance with FRS1 (revised) the gain before taxation above excludes the Long Term Insurance loss before taxation of £11 999m (2009 – loss £4 123m)

Notes to the Consolidated Cash Flow Statement

Note A - Gross cash flows

	2010 £000	2009 £000
Capital expenditure and financial investment		
Payments to acquire fixed asset investments	(103)	(4,044)
Payments to acquire Insurance Business investment assets	(983)	(2,469)
Payments to acquire tangible fixed assets	(121)	(205)
Receipts from sales of fixed asset investments	18,753	29,523
Receipts from sales of Insurance Business investment assets	-	1,629
Receipts from tangible fixed assets	-	21
	17,546	24,455
Management of liquid resources		
Purchase of gilts and euro bonds	(9,933)	(15,333)
Sale of gilts and euro bonds	6,143	3,445
	(3,790)	(11,888)

Note B - Analysis of changes in net cash

	1 April 2009 £000	Cash flows £000	Other £000	31 March 2010 £000
Cash in hand and at bank				
- Benefits Scheme Administration	1,114	(289)	-	825
Insurance Business	26	77	-	103
Bank deposits repayable on demand				
- Benefits Scheme Administration	27,202	5,279	-	32,481
Insurance Business	1,344	1,727	-	3,071
	29,686	6,794	-	36,480
Liquid resources				
Current asset investments	38,221	3,790	10,255	52,266
Total	67,907	10,584	10,255	88,746

Other changes of £10 255m comprises the realised gain and the unrealised movement in market values between the year end dates on current asset investments

Liquid reserves comprise index linked gilts and bonds, fixed interest gilts and bonds and fixed interest preference shares

Analysed in balance sheet

	1 April 2009	31 March 2010
Insurance Business – Bank deposits	3,948	6,445
Less Long Term Insurance Business – Bank deposit	(2,604)	(3,374)
	1,344	3,071

Notes to the Financial Statements

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 United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

The Group prepares its accounts in accordance with Schedule 4 of the Companies Act 2006 However, as permitted by the Act the accounts formats have been adapted, as necessary, to give a true and fair view of the state of affairs and the loss of the Group In particular, financial information on the Group's insurance business activities is presented in a manner having regard to the provisions of that Act applicable to insurance companies and with the Statement of Recommended Practice on Accounting for Insurance Business published by the Association of British Insurers in December 2005 (as amended in December 2006) ("the ABI SORP")

Basis of consolidation

The Group financial statements consolidate the results on the adopted acquisition accounting basis of the Company and the two trading subsidiaries Uniform accounting policies have been applied across the Group Inter company 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 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&CE 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 accounts, 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

Notes to the Financial Statements (continued)

1 Principal accounting policies (continued)

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

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	0	Premises	- Building	3
Office Furniture	10		- Plant and machinery	10
Motor Vehicles	20	Office Machinery	- Computer Equipment	33 3
			- Office Equipment	20

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

Turnover

Turnover represents fees (excluding value added tax), dividends, interest, and premium income (excluding insurance premium tax) receivable Dividend income is recognised on a net basis Sales between Group companies are excluded

Notes to the Financial Statements (continued)

1. Principal accounting policies (continued)

Net movement on investment activities

Net movement on Investment activities represents realised and unrealised gains/losses on 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

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

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

Financial instruments

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

Operating expenses

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

2 Status of company

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

Notes to the Financial Statements (continued)

3. Segmental information – all business is conducted within the United Kingdom.

	Turnover		Gain/(loss) before tax		Net assets	
	2010	2009	**2010**	2009	**2010**	2009
Type of business	**£000**	£000	**£000**	£000	**£000**	£000
Benefit Schemes Administration	**9,913**	10,867	**20,041**	(3,097)	**23,627**	12,574
Insurance Business	**35,749**	18,093	**19,320**	(10,248)	**45,063**	29,127
	45,662	28,960	**39,361**	(13,345)	**68,690**	41,701

	2010			2009		
	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	**3,441**	**5,050**	**8,491**	4,093	4,286	8,379
Interest on short-term deposits	**142**	**22**	**164**	972	175	1,147
Miscellaneous net income	**85**	**142**	**227**	64	64	128
Management fees	**6,245**	**-**	**6,245**	5,738	-	5,738
Insurance business - general	**-**	**1,165**	**1,165**	-	1,431	1,431
Insurance business - Long Term	**-**	**29,370**	**29,370**	-	12,137	12,137
	9,913	**35,749**	**45,662**	10,867	18,093	28,960
Net movement on investment activities						
Profit/(loss) on investments -						
Realised profit/(loss)	**537**	**(627)**	**(90)**	(14,200)	(757)	(14,957)
Increase/(decrease) in unrealised gain on current asset and Insurance Business investments	**17,052**	**17,698**	**34,750**	7,616	(13,931)	(6,315)
	17,589	**17,071**	**34,660**	(6,584)	(14,688)	(21,272)

Operating expenses -		**2010**	2009
Acquisition costs	Long Term	**(1,242)**	(1,108)
	General	**(53)**	(58)
Administration	- Long term	**(2,190)**	(2,585)
	- General	**(12)**	(13)
Claims	- Long Term	**(4,388)**	(3,588)
	- General	**(280)**	(422)
Provision	- Long Term	**(25,205)**	(5,731)
General expenses		**(130)**	(148)
		(33,500)	(13,653)
Profit/(loss)		**19,320**	(10,248)

Notes to the Financial Statements (continued)

4. Net operating expenses

	GROUP 2010 £000	GROUP 2009 £000
Benefits schemes administration – other	**7,354**	8,400
ABS loan repayment	**-**	(1,850)
Insurance business – other	**8,295**	7,922
	15,649	14,472
Insurance business - provision	**25,205**	5,731
	40,854	20,203

During the period 1 April 1990 to 31 March 1994 the Directors of the Company agreed and made loans amounting to £1 85m to the Accident Benefit Scheme These loans were written off during this period in the accounts of the Company and treated as income in the accounts of the Accident Benefit Scheme At their meeting on 24 October 2008 the Directors of the Accident Benefit Scheme decided to repay the £1 85m loans back to the Company because of the good solvency position of the fund

5 Loss before interest and taxation

	GROUP 2010 £000	GROUP 2009 £000	COMPANY 2010 £000	COMPANY 2009 £000
Loss before interest and taxation is stated after charging				
Employee costs (Note 6)	**6,224**	7,320	**5,728**	6,703
Directors' remuneration (Note 7)	**132**	143	**76**	79
Operating lease charges - other (Note 23)	**133**	117	**133**	117
Depreciation (Note 10)	**272**	424	**265**	413
Loss on sale of tangible fixed assets	**-**	5	**-**	5
Auditors services				
Fees payable to the Group's auditors for the audit of the Group	**53**	71	**31**	41
Non-audit services				
Fees payable to the Group's auditors and its associates for other services				
Other services pursuant to legislation, Including the audit of the regulatory return (see note (a) below)	**42**	48	**1**	1
Tax services	**40**	48	**28**	30
Advisory services	**-**	23	**-**	23

Notes (a) Regulatory reporting included the FSA returns, Stakeholder declaration and APSS 106 return
(b) All audit fees are exclusive of VAT

Notes to the Financial Statements (continued)

6 Employee information

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Staff costs during the year amounted to -				
Salaries and wages	**3,897**	4,611	**3,567**	4,190
Social security	**361**	418	**325**	380
Staff Pension Scheme costs (Note 19)	**489**	535	**390**	412
Mortgage subsidies	**-**	32	**-**	28
Payments on leaving employment	**227**	474	**227**	474
Staff Pension Scheme deficit repair contribution	**1,250**	1,250	**1,219**	1,219
	6,224	7,320	**5,728**	6,703

Staff Pension Scheme costs above are the actuarial FRS17 'Retirement benefits' cost, the actual contributions amounted to £0 684m (2009 – £0 841m)

	Number	Number	**Number**	Number
The average monthly number of staff employed by the Group during the year was -	**138**	159	**128**	138
Management	**5**	5	**4**	4
Clerical	**128**	146	**119**	126
Manual/Services	**5**	8	**5**	8
	138	159	**128**	138

The figures disclosed in this note include executive Directors but exclude Non Executive Directors

7 Directors' remuneration

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Aggregate emoluments	**132**	143	**76**	79

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

There were no pension contributions paid in respect of Non Executive Directors who received emoluments above However there were effectively pension contributions in respect of two Executive Directors' apportioned emoluments for their services to the subsidiary companies

Notes to the Financial Statements (continued)

8 Taxation

	GROUP 2010 £000	2009 £000
UK corporation tax on gains for the year	**4,893**	537
UK corporation tax on Long Term Insurance Business	**3,491**	(172)
Provision for loan bad debt	**(140)**	-
Adjustment in respect of previous periods	**(2)**	(608)
Total current tax charge/(credit)	**8,242**	(243)
Deferred tax (including credit attributable to Long Term Insurance Business)	**(208)**	(1,677)
Total tax charge/(credit)	**8,034**	(1,920)

The tax assessed for the year is lower (2009 – lower) than the standard rate of corporation tax in the UK of 28% The differences are explained below

	2010 £000	2009 £000
Profit/(loss) on ordinary activities before tax	**39,361**	(13,345)
Profit/(loss) on ordinary activities multiplied by standard rate in the UK 28% (2009 – 28%)	**11,021**	(3,737)
Effect of		
Non allowable expenses	**422**	1,208
Net franked investment income	**(366)**	(1,020)
Net difference between taxable capital gains and book gains on equity investments	**(2,054)**	3,156
Adjustment in respect of previous periods	**(2)**	(608)
Differences in respect of Long Term Business taxation	**208**	1,025
Other differences	**(987)**	(267)
Current tax charge/(credit) for the period	**8,242**	(243)

In accordance with the ABI SORP, the above reconciliation excludes the tax attributable to the policy holders of the Long Term Insurance Business

Deferred taxation

A deferred tax liability of £644,000 (2009 – £490,000) has been recognised in respect of differences between the tax base and the accounting base of reserves in the Long Term Fund

A deferred tax liability of £Nil (2009 – liability £1 0m) has been recognised in respect of investments of the Insurance Company Long Term Fund and a deferred tax asset of £Nil (2009 - £657,000) in respect of Long Term Business losses Deferred tax assets in respect of Long Term Insurance Business management expenses of £158,000 (2009 – £154,000) have not been recognised as it is uncertain whether these losses can be utilised in the future There are no deferred tax assets or liabilities in relation to the Insurance Business shareholder's fund (non-technical account) A deferred tax asset of £259,014 (2009 – £101,788) on timing differences on market value of investments held by B & C E Financial Services Limited has not been recognised as these will not be sold in the foreseeable future

9 Loss for the financial year

As prescribed by Section 230 of the Companies Act 2006, the Parent Company's profit and loss account has not been included in these financial statements The Parent Company's profit for the financial year was £16,533,278 (2009 – £4,367,806 loss)

Notes to the Financial Statements (continued)

10 Tangible fixed assets	Freehold Land and Premises	Office Furniture	Office Machinery	Motor Vehicles	Total
	£000	£000	£000	£000	**£000**
Group and Company					
Cost					
At 1 April 2009	5,986	515	1,605	85	8,191
Additions	-	4	117	-	121
Disposals	-	-	(187)	(19)	(206)
At 31 March 2010	**5,986**	**519**	**1,535**	**66**	**8,106**
Accumulated depreciation					
At 1 April 2009	2,789	484	1,357	68	4,698
Charge for the year	128	8	121	8	265
Disposals	-	-	(177)	(18)	(195)
At 31 March 2010	**2,917**	**492**	**1,301**	**58**	**4,768**
Net Book Value					
At 31 March 2010	**3,069**	**27**	**234**	**8**	**3,338**
At 31 March 2009	3,197	31	248	17	3,493
General and Long Term Insurance Business					
Cost					
At 1 April 2009			273		273
Additions			-		-
At 31 March 2010			**273**		**273**
Accumulated depreciation					
At 1 April 2009			266		266
Charge for the year			7		7
At 31 March 2010			**273**		**273**
Net Book Value					
At 31 March 2010			**Nil**		**Nil**
At 31 March 2009			7		7

Notes to the Financial Statements (continued)

11. Investments

Fixed assets

	GROUP		COMPANY	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Listed investments				
At 1 April	**20,810**	66,088	**17,407**	61,314
Additions	**103**	4,044	**103**	305
Disposals	**(18,753)**	(29,523)	**(18,753)**	(24,935)
Realised profit/(loss) on disposals	**5,449**	(6,221)	**5,449**	(6,068)
Realised movement in revaluation reserve	**(5,274)**	13,424	**(5,274)**	13,424
Revaluation loss transfer to revaluation reserve (Note 17)	**1,243**	(20,188)	**281**	(20,177)
Impairment of investments to profit and loss account	**7,135**	(6,814)	**6,789**	(6,456)
Market value at 31 March	**10,713**	20,810	**6,002**	17,407

Listed investments include the following

Eurobonds	**504**	528	-	-
Listed equities – UK	**490**	547	**490**	547
Listed equity open ended investment companies – UK	**9,719**	19,735	**5,512**	16,860
Market value at 31 March	**10,713**	20,810	**6,002**	17,407

If the revalued assets were stated on the historical cost basis, the amounts would be

Listed investments

Eurobonds	**521**	521	-	-
Listed equities – UK	**569**	623	**569**	623
Listed equity open ended investment companies – UK	**8,562**	26,983	**5,324**	23,745
Cost at 31 March	**9,652**	28,127	**5,893**	24,368

Current assets

Listed investments	**52,266**	38,221	**52,266**	38,221
Bank deposits	**32,481**	27,202	**31,301**	26,800
Market value at 31 March	**84,747**	65,423	**83,567**	65,021
Listed investments	**53,134**	49,006	**53,134**	49,006
Bank deposits	**32,481**	27,202	**31,301**	26,800
Cost at 31 March	**85,615**	76,208	**84,435**	75,806

Notes to the Financial Statements (continued)

11 Investments (continued)

General and Long Term Insurance Business

	2010 £000	2009 £000
Open Ended Investment Companies	28,215	18,876
UK Government Gilts and Eurobonds	95,802	62,696
Bank deposits	6,445	3,912
Market value at 31 March	**130,462**	85,484
Open Ended Investment Companies	26,147	26,147
UK Government Gilts and Eurobonds	96,008	71,262
Bank deposits	6,445	3,912
Cost at 31 March	**128,600**	101,321

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 Investment in subsidiary undertakings

	GROUP		COMPANY	
	2010 £000	2009 £000	2010 £000	2009 £000
Shares in Group undertakings at cost	-	-	60,050	60,050

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

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

13. Debtors

	GROUP		COMPANY	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts owed by Group undertakings	-	-	124	75
Loan debtors	-	500	-	-
Other debtors	286	298	81	160
Accrued income	906	976	895	966
Prepayments	405	406	405	406
	1,597	2,180	1,505	1,607

Loan debtor of £500,000 (2009 – £500,000) is due after more than one year This amount owed by Constructing Better Health (CBH) to B & C E Financial Services Limited is unsecured, interest free and has two repayment dates £150,000 on 31 July 2011 and the balance on 31 July 2012 At their meeting on 30 January 2009 the board of Directors of B & C E Financial Services Limited agreed to a request from CBH to alter the terms of the loan to allow an extension of the repayment dates for up to three years but with an introduction of a commercial interest rate charge on amounts past the agreed repayment dates The Directors of B & C E Financial Services Limited consider that the loan is unlikely to be repaid and therefore a provision of £500,000 has been charged to the profit and loss account

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

	2010 £000	2009 £000
Accrued income	**2,157**	1,555
Prepayments	**20**	44
Other debtors	**1,928**	1,635
	4,105	3,234

14. Creditors – amounts falling due within one year

	GROUP		COMPANY	
	2010 £000	2009 £000	2010 £000	2009 £000
Client money	**315**	325	-	-
Unredeemed balances of holiday pay	**69,022**	77,173	**69,022**	77,173
EasyBuild creditor	**-**	120	**-**	120
Corporation Tax	**1,270**	21	**1,153**	-
Other taxation and social security contributions	**309**	329	**288**	321
Other creditors	**1,504**	1,633	**1,477**	1,586
Accruals	**517**	443	**331**	295
Amounts owed to Group undertakings	**-**	-	**13**	1,640
	72,937	80,044	**72,284**	81,135

The Company owed £13k to B & C E Insurance Limited at the year end in respect of prepaid overhead recharges (2009 – £1 640m Group Loss Relief net of outstanding overhead recharges outstanding)

Creditors - General and Long Term Insurance Business

	2010 £000	2009 £000
Corporation tax	**5,461**	-
Other taxation and social security contributions	**101**	89
Other creditors	**172**	219
Accruals	**224**	225
	5,958	533

15 Provision for liabilities

Deferred tax asset relating to pension deficit

	GROUP		COMPANY	
	2010 £000	2009 £000	2010 £000	2009 £000
1 April	**-**	-	**-**	-
Deferred tax charged to the statement of total recognised gains and losses				
on prior year actuarial loss	**39**	-	**39**	-
on actuarial loss	**255**	-	**255**	-
	294	-	**294**	-

Notes to the Financial Statements (continued)

15 Provision for liabilities (continued)

General and Long Term Insurance Business

	2010 £000	2009 £000
Deferred tax provision		
1 April	**852**	2,529
Credited to consolidated profit and loss account	**(208)**	(1,677)
31 March	**644**	852

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

	2010 £000	2009 £000
Linked business sterling reserve	**9,787**	12,220
Annuities	**73,027**	46,019
Term Assurance gross provisions	**217**	17
	83,031	58,256
Term Assurance reinsurer's share	**(15)**	(16)
	83,016	58,240

The principal assumptions underlying the calculation of the Long Term Business provision in respect of non-profit business are as follows

Class of business	2010	2009
	Mortality	
Immediate pensions annuities	105%PNMA00U=2010 (2) for males, 105% PNFA00U=2010 (2) for females	105%PNMA00U=2009 (2) for males, 105% PNFA00U=2009 (2) for females
Unit linked Stakeholder pensions	80% AM/F92(2) ult	80% AM/F92(2) ult
	Interest rate (% pa)	
Immediate pensions annuities	4 0 (1)	4 50 (1)
Unit linked Stakeholder pensions	3 50 (1)	4 70 (1)
	Unit growth rate (% pa)	
Immediate pensions annuities	n/a	n/a
Unit linked Stakeholder pensions	4 50	3 80

1 In both 2010 & 2009 valuation, a deduction of 0 40% pa is made from the valuation interest rates to allow for investment related expenses The rates shown above are net of this deduction
2 Allowance is made for future mortality improvements in accordance with the long cohort improvement factors from the Continuous Mortality Investigation Bureau In both the 2010 & 2009 valuations, future male and female improvement factors are subject to a minimum of 1 5% pa

Notes to the Financial Statements (continued)

16. Long Term Business provision (continued)

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

Stakeholder pension policies have been valued as regular premium where future premiums are reasonably predictable A prudent assumption has been made in respect of the rate at which premiums cease on such policies In 2010 and 2009 this was 35% for policies without an employee contribution and 15% for policies with an employee contribution

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

A reduction in interest rates would reduce the impact of discounting future payments in the calculation of the Long Term Business provision, resulting in an increased provision Similarly, if a lower mortality rate were assumed to apply in the future, the Long Term Business provision would increase

INSPRU1 2 54A allows firms to separate expenses into attributable and non-attributable expenses The attributable expenses are used to derive the per policy expense For the 2010 valuation, the per policy expense for Stakeholder pensions policies is £3 00 pa, (£3 70 pa in 2009) 25% lower for current dormant policies (unchanged from 2009) and £25 00 pa (£28 00 pa in 2009) for immediate pensions annuities Non-unit fund related investment expenses are allowed for through a reduction in the valuation interest rates For 2010 and 2009, the reduction is 0 40% pa Expenses are assumed to inflate at 4 70% pa (3 70% in 2009) If expenses were assumed to be higher, the Long Term Business provision would increase

17. Reserves

	GROUP £000	COMPANY £000
Revenue reserves		
At 1 April 2009	41,352	66,460
Profit for the financial year	31,327	16,533
Actuarial losses on pension scheme	(5,875)	(5,875)
Movement on deferred tax relating to pension scheme	294	294
At 31 March 2010	67,098	77,412
Revenue reserve excluding pension deficit	72,669	82,993
Investment revaluation reserve		
At 1 April 2009	349	342
Movement for the year	1,243	281
At 31 March 2010	1,592	623

Notes to the Financial Statements (continued)

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

Industrial Organisation	Charge for Year 2010 £	Charge for Year 2009 £	Balance outstanding 2010 £	Balance outstanding 2009 £
Construction Confederation	**282,769**	422,957	-	103,362
UCATT	**136,093**	145,549	**36,773**	35,567
Unite the Union T & G Section	**111,028**	121,902	**28,886**	29,799
GMB	**31,546**	34,192	**8,178**	8,372
UK Contractors Group	**4,406**	-	**4,406**	-
Civil Engineering Contractors Association	**4,406**	-	**4,406**	-
Scottish Building Federation	**4,406**	-	**4,406**	-
National Federation of Builders	**4,406**	-	**4,406**	-
National Specialist Contractors Council	**4,406**	-	**4,406**	-
Federation of Master Builders	**4,406**	-	**4,406**	-

At the board meeting 7 December 2009 it was announced that on 8 December 2009 the Construction Confederation would cease to participate in the Schemes due to their impending dissolution The Board agreed that the following employer federations would replace the Construction Confederation and each of them will be responsible for nominating an employer Director representative, the UK Contractors Group, the Civil Engineering Contractors Association, the Scottish Building Federation, the National Federation of Builders, the National Specialist Contractors Council and the Federation of Master Builders UCATT appointed two Directors Unite the Union T & G Section two and GMB one Fees of £8,000 plus value added tax (2009 – £8,000) are payable for each Director provided

There was not a full complement of Directors until the end of the year (or 2009) resulting in lower fees of £100,499 (2009 – £102,300) paid to industrial organisations for the provision of Directors' services

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)

19. Pension commitments

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

Based on advice from the Scheme's independent actuary, the current Group contribution rate from 1 April 2006, was 18 5% of pensionable salaries and the members rate was 5% of pensionable salaries for 80ths pension accrual or 7 5% of pensionable salaries for 60ths pension accrual

Notes to the Financial Statements (continued)

19. Pension commitments (continued)

The latest actuarial valuation of the B&CE Staff Pension Scheme took place on 31 December 2007 The principal assumptions used by the qualified actuary in updating the latest valuation of the Scheme for FRS17 purpose were

	31 March 2010 % p.a	31 March 2009 % p a	31 March 2008 % p a
Discount rate	**5 5**	7 1	6 9
Rate of increase in salaries	**5.05**	4 9	4 8
Price inflation	**3 8**	3 7	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 8**	3 7	3 4
on pension accrued since 1 April 2006	**2 5**	2 5	2 5

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 Scheme of 0 1% would be an increase/decrease to the liabilities of around 2 0% or £0 9m

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 2 2% or £1 0m

	Male	Female
Average future life expectancy in years at age 65 of a pensioner currently aged 65	21 8	24 9
Average future life expectancy in years at age 65 for a non-pensioner currently aged 45	23 1	26 0
Average future life expectancy in years at age 45 for a non-pensioner currently aged 45	41 6	44 9

Notes to the Financial Statements (continued)

19 Pension commitments (continued)

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

	Long Term rate of return expected at 31/03/10	**Value at 31/03/10**	Long Term rate of return expected at 31/03/09	Value at 31/03/09	Long Term rate of return expected at 31/03/08	Value at 31/03/08
	% p.a	**£000**	% p a	£000	% p a	£000
Equities	**7.5**	**22,534**	7 2	17,512	7 5	20,821
Corporate bonds	**5.5**	**9,189**	7 1	6,615	6 9	5,732
Property	**6 5**	**864**	6 2	839	6 5	1,302
Government Bonds	**4 5**	**6,477**	4 2	4,406	4 5	6,086
Other	**4 5**	**60**	4 2	262	5 2	72
Cash	**4.5**	**26**	4 2	67	5 2	21
Total assets		**39,150**		29,701		34,034
Present value of Pension Scheme liabilities		**(44,088)**		(30,103)		(29,436)
(Deficit)/surplus in Pension Scheme		**(4,938)**		(402)		4,598
Related deferred tax asset		**294**		-		-
Net Pension Scheme (liability)/asset		**(4,644)**		(402)		4,598

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 2009 the assumed return of 7 2% p a was 3 0% p a above the 15 year index gilt yield of c4 2% p a Long dated gilt yields have since increased by around 30 basis points to 4 5% looking at the over 15 year duration The Company has therefore set an expected return on equity assumption of 7 5% p a and set the expected return on assets assumptions for other asset classes at 31 March 2010 using the same market indicators as before Therefore the expected return on assets assumptions as at March 2010 are as follows

Equities Fixed interest gilts (over 15 year index yield) +3 0% p a
= 7 5% p a (7 2% p a at 31 March 2009)

Property Fixed interest gilts (over 15 year index yield) +2 0% p a
= 6 5% p a (6 2% p a at 31 March 2009)

Corporate bonds The FRS17 discount rate derived as above
= 5 5% p a (7 1% p a at 31 March 2009)

Gilts Fixed interest gilts (over 15 year index yield)
= 4 5% p a (4 2% p a at 31 March 2009)

Cash Over the Long Term, assumed to be in line with fixed interest gilts
= 4 5% p a (4 2% p a at 31 March 2009)

Notes to the Financial Statements (continued)

19. Pension commitments (continued)

Actual return on assets

The actual return on assets over the year to 31 March 2010 was £6 968m and based on the split of assets at 31 March 2010 the expected return on assets over the year to 31 March 2011 is 6 51%

	2010 £000	2009 £000
Analysis of profit and loss charge·		
Analysis of the amount charged to operating profit		
Current service cost	**(489)**	(535)
Past service cost	-	-
Total operating charge	**(489)**	(535)
Analysis of the amounts credited to other finance income		
Expected return on Pension Scheme assets	**1,997**	2,353
Interest on Pension Scheme liabilities	**(2,103)**	(2,011)
Net return	**(106)**	342
Net profit and loss charge	**(595)**	(193)
Analysis of amounts recognised in STRGL·		
Actual return less expected return on Pension Scheme assets	**6,968**	(7,646)
Actuarial gain on Pension Scheme liabilities	**(12,843)**	748
Actuarial (loss) recognised in STRGL	**(5,875)**	(6,898)
Cumulative actuarial (loss)/gain recognised in STRGL	**(5,837)**	38
Reconciliation of present value of Pension Scheme liabilities.		
1 April	**30,103**	29,436
Current service cost	**489**	535
Interest cost	**2,103**	2,011
Contributions paid by members	**245**	295
Actuarial loss/(gain)	**12,843**	(748)
Benefits paid	**(1,695)**	(1,426)
31 March	**44,088**	30,103

Notes to the Financial Statements (continued)

19. Pension commitments (continued)

Reconciliation of fair value of Pension Scheme assets

	2010 £000	2009 £000
1 April	**29,701**	34,034
Expected return on Pension Scheme assets	**1,997**	2,353
Contributions paid by members	**245**	295
Contributions paid by the employer	**1,934**	2,091
Actuarial loss/(gain)	**6,968**	(7,646)
Benefits paid	**(1,695)**	(1,426)
31 March	**39,150**	29,701

History of experience gains and losses.

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Fair value of Pension Scheme assets	**39,150**	29,701	34,034	34,255	31,651
Present value of Pension Scheme liabilities	**(44,088)**	(30,103)	(29,436)	(36,381)	(36,953)
(Deficit)/surplus	**(4,938)**	(402)	4,598	(2,126)	(5,302)
Actuarial return less expected return on Pension Scheme assets					
Amount	**6,968**	(7,646)	(3,336)	(630)	3,764
Percentage of Pension Scheme assets	**17.8%**	(25 7)%	(9 8)%	(1 8)%	11 9%
Experience gain/(loss) on Pension Scheme liabilities					
Amount	**-**	-	1,593	-	(2,482)
Percentage of Pension Scheme liabilities	**0.0%**	0 0%	5 4%	0 0%	(6 7)%
Actuarial gain/(loss) on Pension Scheme Liabilities					
Amount	**(12,843)**	748	8,365	2,323	(2,941)
Percentage of Pension Scheme liabilities	**(29.1)%**	2 5%	28 4%	6 4%	(8 0)%

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

The Company estimates the employer contributions into the Pension Scheme to be £1 789m

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 2010 (2009 – £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 2010 (2009 – £Nil)

The Building and Civil Engineering Charitable Trust

The Board of Directors has agreed to donate up to £1 5m to The Building and Civil Engineering Charitable Trust to fund the charity's activities At the year end £1,289,102 in total had been transferred to the Trust

Notes to the Financial Statements (continued)

21. Reinsurance arrangements

Reinsurance arrangements are in force as follows

Term Assurance – 90% quota share with a 11 4% overriding commission receivable
Linked business – 100% reinsurance of unit liabilities

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 £20 967m (2009 – £15 624m) 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 £66 011m (2009 – £39 922m) of which £43 381m (2009 – £29 730m) is held by B & C E Insurance Limited and £3 441m (2009 – £4 558m) is held by B & C E Financial Services Limited The capital held by the insurance and financial services businesses is constrained by regulatory requirements This means it may not be possible for the capital to be used to provide funding for other Group businesses

	Total Life Business Reserves 2010 £000	**Other activities 2010 £000**	**Group Total 2010 £000**	Total Life Business Reserves 2009 £000	Restated Other activities 2009 £000	Restated Group Total 2009 £000
Total Reserves	**24,097**	**44,593**	**68,690**	15,385	26,316	41,701
Adjustments onto Regulatory basis						
Adjustment to assets	**-**	**-**	**-**	-	-	-
Other adjustments	**(1,656)**	**(2,724)**	**(4,380)**	(1,260)	(519)	(1,779)
Total available Capital resources	**22,441**	**41,869**	**64,310**	14,125	25,797	39,922

Notes to the Financial Statements (continued)

22. FRS27 'Life Assurance' (continued)

Liability analysis	**Total Life business**	
	2010	2009
	£000	£000
Unit-linked	**9,787**	12,220
Annuities	**73,027**	46,019
Term Assurance gross provision	**217**	17
	83,031	58,256
Term Assurance reinsurer's share	**(15)**	(16)
Technical provisions in balance sheet	**83,016**	58,240

Capital management

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

The Company's objectives in managing its capital are

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

B & C E Insurance Limited is required to hold sufficient capital to meet the FSA's capital requirements Management intends to maintain surplus capital in excess of the minimum solvency requirement, determined in accordance with FSA regulations, to absorb changes in both capital and capital requirements At 31 March 2010, the available capital within the Long Term Fund was 215% (2009 – 206%) of the capital requirement of £10 4m (2009 – £6 9m)

Movement in capital resources

	2010
	£m
Balance as at 1 April 2009 [4]	**14 1**
Effect of investment variations	**13.5**
Effect of annuity assumption changes	**(4.3)**
New business for annuities [1]	**0.2**
EasyBuild charges received	**4.3**
Effect of expenses (administration, claims and acquisition)	**(3.6)**
Change in EasyBuild non-unit reserve [2]	**2.4**
Term Assurance expense reserve	**(0 2)**
Corporation tax	**(3 5)**
Other	**(0.6)**
Balance at 31 March 2010	**22 3**

Notes to the Financial Statements (continued)

22. FRS27 'Life Assurance' (continued)

	2009 £m
Balance as at 1 April 2008	15 7
Effect of investment variations	(7 4)
Effect of premium variations	(1 5)
Effect of changes in assumption (3)	5 9
New business	(2 1)
Excess of EB charges received over expenses paid out	1 1
Other	1 9
Balance at 31 March 2009 (4)	13 6

Notes

1 *Excess of annuities single premiums over reserve set up for new business on 2009 basis*

2 *Includes allowance for EasyBuild assumption changes and reserves established for new business*

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

4 *The closing position at 31 March 2009 differs to the opening position at 1 April 2009 because the movement in capital resource calculation for 2009 was completed before the FRS27 disclosure was finalised*

Capital resource sensitivities

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

The most significant sensitivities arise from the following risks

- Expense risk in relation to the costs of acquiring and administering the business within the Long Term Fund,
- Market risk in relation to unit-linked pensions business which would arise if the rate of return on unit funds was less than expected leading to a reduction in anticipated annual management charges,
- Market risk in relation to fixed interest securities backing liabilities, which would arise if the return was lower than assumed in the calculation of the liabilities,
- Market risk in relation to the equities held as free assets, which would arise if equity markets fell, and
- Mortality risk in relation to annuity business, which would arise if the mortality of annuitants improved more rapidly than the assumptions used in the calculation of the liabilities

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

23 Financial commitments

At 31 March 2010 the Group had annual commitments under non-cancellable operating leases for motor vehicle assets expiring as follows·

	GROUP		COMPANY	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Within one year	**85**	-	**85**	-
Within two to five years	**9**	117	**9**	117
	94	117	**94**	117