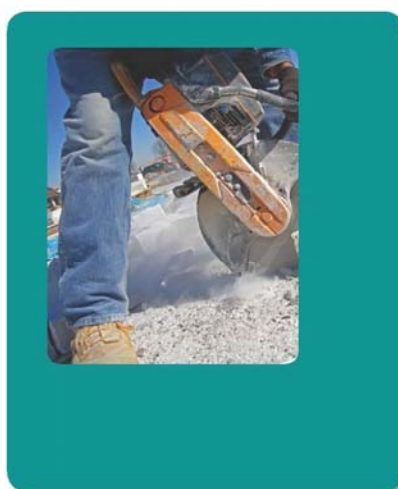
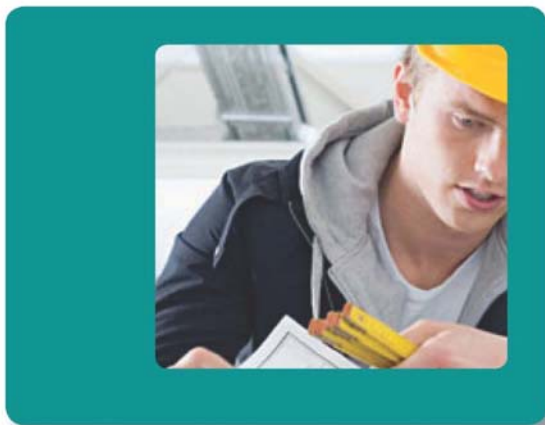


Registered in England No: 2207140



B & CE Financial Services Limited

Annual Report and Financial Statements
For the year ended 31 March 2009



B&CE's Vision

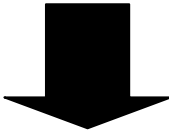
Dedicated to the personal and financial wellbeing of everyone in construction



B&CE's Values

Vision
'Dedicated to the personal and financial wellbeing of everyone in construction'

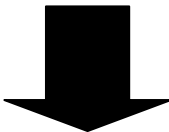
Values
Uncomplicated
Bold
Compassionate
Intelligent
Honest
Innovative
Dependable



Group Strategy

- Offer wider range of financial welfare products
- Continue to provide cost effective benefits
- Reduce costs and become more efficient
- Develop cost effective distribution networks
- To develop third party relationships with industry
- Develop sustainable relationships with individuals and employers
- Re-engineer the Group's financial operating model

Read more on page 5



08/09 Performance
BCECOPS
B&CE Employee Health

Read more on Page 7

Financial Review
Income
Costs
Investment Performance
Dividends

Read more on Page 8

KPI's
BCECOPS Members
Product Income
Operating Costs
Profit / (Loss)

Read more on Page 6



Balance Sheet

See Page 17

P&L Account

See Page 16

Contents

	Pages
Chairman's Statement	1
Company Profile	2
2008/09 Highlights	2
Group Structure and Product Portfolio	3
Chief Executive Officer's Review	4
Business Review	5
Board of Directors and Advisors.....	10
Directors' Report	11
Independent Auditors' Report	15
Profit and Loss Account	16
Statement of Total Recognised Gains and Losses.....	16
Note of Historical Cost Profits and Losses.....	16
Balance Sheet	17
Notes to the Financial Statements	18

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 65 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 robust management team who remain faithful to the promise to provide financial welfare to those working in the construction industry and their dependants.

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.

Sir John Chilcot
Independent Chairman

June 2009

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 everyone 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 the UK's most popular stakeholder pension¹, 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.

At B&CE, we are proud of our long and distinguished heritage. During the Second World War, we launched an innovative holiday pay scheme 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.

B&CE Financial Services Limited is a subsidiary of Building and Civil Engineering Holidays Scheme Management Limited, the parent Company of the B&CE Group. B&CE Financial Services Limited manages a personal pension scheme as well as offering 're-badged' products in partnership with other financial services companies; the first of which was launched in 2009.

B&CE Financial Services Limited 2008/09 Highlights

- **A total of £5.5m was paid out in claims to BCECOPS members.**
- **Operating profit totalled £0.96m which is down by 19% compared to the previous year.**
- **Profit on ordinary activities after taxation is down 63% to £0.37m.**
- **A total of £1.48m was paid out in dividends to the Parent Company during the year.**
- **The Company changed its name from B&CE Unit Trust Management Company Limited to B&CE Financial Services Limited in December 2008.**
- **The Company launched an Employee Healthcare product in partnership with Westfield Health.**

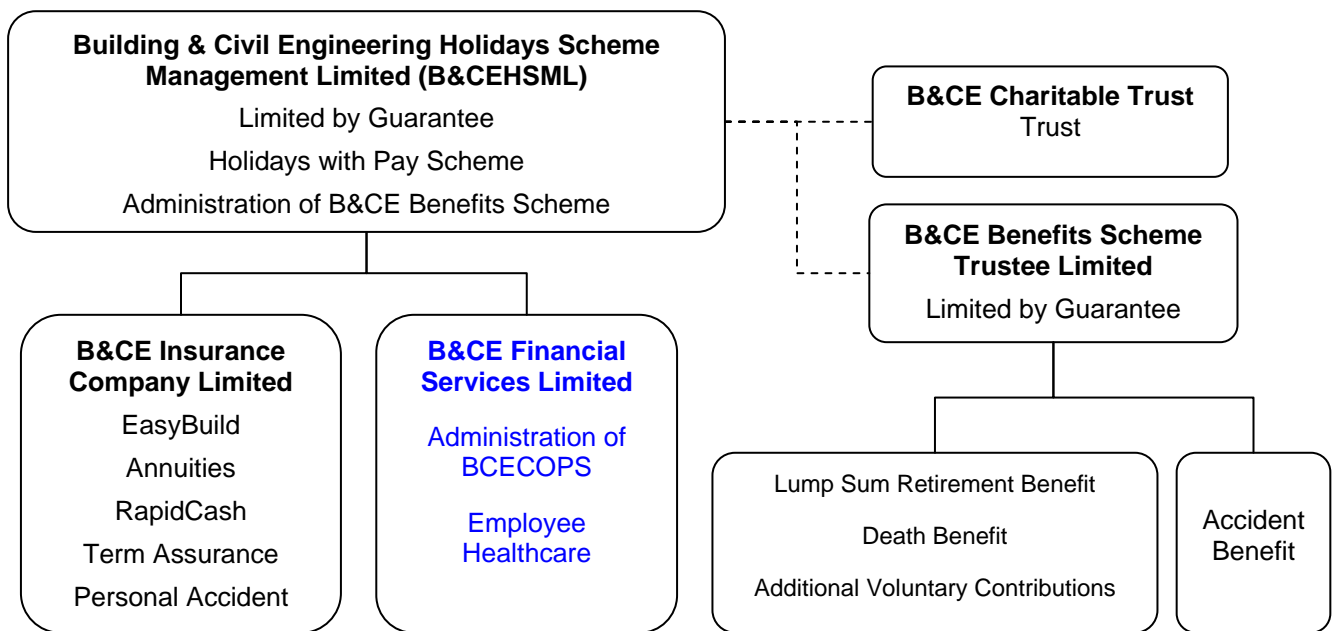
¹ Pensions World 2006

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 Parent Company”) administers the Building and Civil Engineering Holidays-with-Pay Scheme and the Building and Civil Engineering Benefit Schemes. It has two wholly owned subsidiaries; B&CE Financial Services Limited (“the Company”) and B&CE Insurance Limited. These are collectively known as the B&CE Group.

The principle activity of B&CE Financial Services Limited (renamed from B&CE Unit Trust Company in December 2008) is to administer the Building and Civil Engineering Contracted-Out Pension Scheme (BCECOPS), which is a tax exempt Unit Trust, for the provision of a minimum contribution only appropriate Personal Pension Scheme. The Company will also act as the promotional and marketing arm of the Group, distributing any ‘re-badged’ products that B&CE offer in partnership with other financial services providers. The first of these is an Employee Healthcare product which was launched this year in partnership with Westfield Health Limited.



B&CE Financial Services Limited Product Portfolio

BCECOPS

BCECOPS was offered to employed construction workers as an alternative to the State Second Pension (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 started in 1988. Under the Scheme a member elects to arrange for his and his employer’s National Insurance contributions into his own pension arrangement.

The BCECOPS fund is administered by Northern Trust Management Services Limited on our behalf.

Employee Healthcare

We launched a new Employee Healthcare product in February 2009. The product is sold by us in partnership with Westfield Health Limited, a respected market leader in this type of business for 90 years.

Employee Healthcare is a ‘Hospital Cash Plan’ that enables employers to provide their employees protection against some everyday health costs such as dental treatment, eyesight tests, prescription glasses and physiotherapy.

Chief Executive Officer's Review



The past 12 months have seen unprecedented economic conditions brought about by the impact of the credit crunch. In addition, the removal of the National Insurance concession and the introduction of Personal Accounts, both in 2012, bring a challenge for the construction industry as a whole and forms the major strategic focus for the Group's activities over the next few years. We have embarked upon a journey to transform B&CE that I am confident will address these issues and help us face these challenges, in order to achieve our strategic goal as the benefits provider of choice for the construction industry. B&CE Financial Services Ltd has a key role to play in both assisting the Group in achieving our objectives and our longer term aims going forward.

As a step towards generating additional income streams, I am delighted with the launch of a new product in February of this year; our employee healthcare plan. This is the first of what I expect to be a range of best of breed products designed and run by carefully selected third party organisations and sold by B&CE Financial Services Ltd. This will also 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.

The Company will also become the promotional and marketing arm of the Group taking responsibility for the promotion of the entire range of B&CE Group products, including those offered in partnership with other financial services providers, such as the employee healthcare plan.

Current financial stability is considered to be one of a satisfactory level, with the Contracted Out Pension Scheme (BCECOPS) producing a steady income stream. Whilst the income during the year has decreased from £2.02m to £1.89m, a direct result of the fall in value of investments held in the BCECOPS fund, the level of income is expected to rise once the markets recover.

Taking into account the dividends paid to the Management Company during the year, I am pleased to report the Company still has very strong reserves and considerable headroom above the regulator's solvency levels.

Our intention remains to deliver exceptional personal and caring customer service at all times and become the first choice financial services provider for construction workers and their families.

Brian Griffiths
Chief Executive

June 2009

Business Review

Strategic Overview

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

- Personal Accounts will be introduced and they will become a state backed alternative to EasyBuild.
- The long standing National Insurance Concession on holiday pay for the construction industry will be withdrawn increasing costs for employers.

We aim to compete with Personal Accounts as well as generating other income streams to replace those lost from the Holidays-with-Pay product. B&CE's strategy is set at Group level and then filtered down to the subsidiary companies.

Our key five year aims are as follows with those that are relevant to B&CE Financial Services Ltd shown in italics:

- To ensure EasyBuild (B&CE's stakeholder pension product) is the natural choice of the construction industry when Personal Accounts are introduced.
- To significantly grow our market share of the directly employed in the construction industry to 40% by 2012.
- To increase the number of individuals making their own contributions to EasyBuild to 50,000 by April 2012.
- *To offer a wider range of 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. This agreement sets the standard for the construction industry on rates of pay and conditions.*
- *To develop cost effective distribution networks to deliver customer focused product offerings to individuals.*
- *To reduce operating costs and become more efficient in order to be able to offer competitive rates to our customers, without compromising brand values.*

B&CE Financial Services Ltd has a key role in assisting the Group in achieving its long term aims.

In particular, the Company plans to introduce a series of re-badged 'best of breed' products in partnership with other financial services providers. The first of these is a Group Employee Healthcare product which was launched this year with Westfield Health Limited. This supports the Group to achieve its aim of being able to offer a wide range of welfare products at relatively low cost and low financial risk to the organisation.

It is planned that further products will be launched by the Company in the next 12 months, including Group Accident and Life Insurance and individual versions of the employer facing products.

The focus on cost in the strategic aims emphasises the importance of these products being distributed in a cost effective manner.

Business Review (continued)

Key Performance Indicators

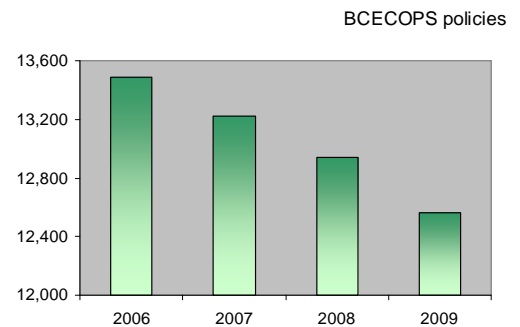
The Group's strategy is underpinned by focusing on a number Key Performance Indicators (KPI's). The Senior Management Team and representatives of the Board review KPI's on a monthly basis. The key measures used to assess performance of B&CE Financial Services are outlined below:

Number of BCECOPS Policyholders

The number of BCECOPS policies has continued its gradual slide during 2008/09, which is to be expected as the product is not being actively marketed.

The number of policies fell by 3% during the year to a total of 12,563 (12,937 – 31 March 2008).

See page 7 for more details.



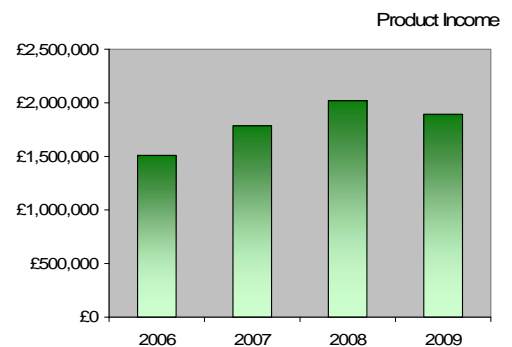
Product Income

Currently all product income is generated by BCECOPS, due to the fact that no premiums have been received from the Employee Healthcare product to date.

In total £1.89m was received in management charges, which is a 6% reduction on the previous 12 months. This charge is based on the value of the BCECOPS fund which fell by 15% during the year, caused by the downturn in global equity markets.

This decrease follows several years of steady growth.

See page 8 for more details.

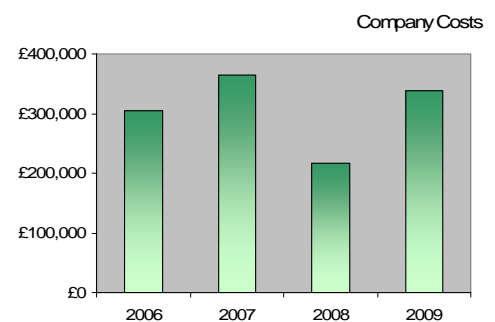


Company Operating Costs

Operating costs include distribution costs and administration expenses only. Distribution costs have increased by 81% to £80,000, and administration expenses have increased by 49% to £258,000.

The overall increase of £121,000 is largely due to expenditure on the new Employee Healthcare product and also legal costs involved in looking at restructuring the Company.

See page 8 for more details.



Company Profit on ordinary activities after taxation

Total profit for the year was £0.37m (£1.00m - 2007/08) which is a 63% reduction. The main variances compared to the previous year were:

- The BCECOPS management fee received has reduced by 7% to £1.89m.
- Income from fixed interest investments has reduced by 37% to £0.16m.
- Unrealised losses on investments totalled £0.36m in the last 12 months.

See page 8 for more details.



Business Review (continued)

2008/09 Performance Review

The past 12 months has led to a series of challenges to our organisation brought about by the impact of the credit crunch. Finances have suffered to some extent with investment values and income streams reduced. The construction industry has also suffered as a result of the recession, although its impact on the activities of B&CE Financial Services has been limited.

All of this comes at a time when we are already undertaking significant strategic change. The removal of the National Insurance concession and the introduction of Personal Accounts, both in 2012, provide a challenge for the construction industry and a major strategic focus for the Group's activities over the next few years.

In response to this we have taken a number of measures to ensure that the financial structure of the Company is sound and that we are in a strong position to achieve our strategic aims (listed on page 5).

BCECOPS

The number of BCECOPS policies continued to decline during the last 12 months to a year end total of 12,563 (12,937 – 31 March 2008). The product is not actively being marketed so there are very few new policies being set up. There are no plans to promote the product going forward so the decline will continue in future as BCECOPS members retire and claim their funds.

Although the number of policies reduced, the number of receipts into BCECOPS funds increased to £10.1m (£8.9m – 2007/08). The amount of claims paid also increased significantly to a total of £5.6m during the year (£4.3m – 2007/08).

The overall BCECOPS fund value decreased by 15% during the last 12 months, to a year end total of £169m. This was due to the downturn in equity markets, to which the fund has a significant exposure.

New Products

In February 2009, we launched B&CE Group Employee Healthcare in partnership with Westfield Health Limited. The product is designed and run by Westfield but sold by B&CE.

This is the first of what is expected to be a range of re-badged, best of breed products, which will be designed and run by a third party organisation and sold by B&CE Financial Services Ltd. 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, three policies have been sold to employers and will commence in April 2009.

Another product introduced by the Group in December 2008 was a Protected Rights Annuity (PRA) so that those retiring with a BCECOPS fund can buy an annuity with B&CE. Previously BCECOPS members had to go to third party providers to buy an annuity.

The launch of new Group Accident and Group Life products are planned for introduction during the coming year. These products are new versions of the existing Accident and Death Benefit products. It is anticipated that the new products will be better equipped to stand alone as more commercially viable product offerings going forward.

Business Review (continued)

Financial Review

The past 12 months has seen very unfavourable economic conditions brought about by the impact of the credit crunch and this of course has put our finances under an increased amount of pressure.

The main pressure points have been around falls in realisable investment values, particularly surrounding free assets which are exposed to equity markets. Income levels have also reduced following falls in market values (upon which some charges are levied), a contraction of personnel within construction and low interest rates on cash deposits.

The continuing unfavourable and uncertain outlook for the UK economy and its knock on impact on the Group financial activities is likely to keep pressure on finances for the remainder of 2009 and early 2010.

Action has been taken in a number of areas to put the organisation's finances on a more secure footing, including the following:

- The Group is currently undertaking a sustainable cost reduction programme that will be ongoing for the next few years. Initially work has focussed on attempting to remove 20% of costs. Regrettably this will mainly be achieved through voluntary and compulsory redundancies.
- A reorganisation of investments to strengthen the position of the Group included a swap of OEICS valued at £2m with Corporate Bonds held by B&CE Financial Services Ltd in October 2008.
- The Financial Services Company paid dividends totalling £1.48m to the Parent Company during the year.

The financial performance of the Company was disappointing compared to the previous year. However, this should not be a surprise in the current unfavourable economic climate and contributions from active policies remains strong going forward.

Operating profit for the year decreased by 19% compared to the previous 12 months to £0.96m (£1.19m – 2007/08 *restated*). The total profit for the year after taxation during the year was £0.37m (£1.00m – 2007/08 *restated*).

The main variances to last year's comparative figure are as follows:

- Management charges received from BCECOPS reduced this year to a total of £1.89m (£2.02m – 2007/08) which is due to the fall in value of the funds on which these charges are levied.
- Distribution costs and administrative expenses totalled £0.34m for the year which is a 56% increase on the previous year. The increase is due to various costs involved in the new Employee Healthcare product which was launched during the year, and also legal costs for advising on restructuring the Company. This advice was required as the Company has become the Group's marketing and promotional arm during the year, which is a change from its previous role in the Group.
- Income received from fixed interest investments reduced by 37% to £0.16m (£0.26m – 2007/08 *restated*). This is as a result of a significant reduction in the amount of fixed interest investments held by the Company. At the start of the period there were assets with a total book cost of £4.9m. However this had reduced to £0.52m at year end as the majority of the assets had been transferred to the Parent Company through the dividend and swap transactions outlined above.
- Investment performance was unsurprisingly poor during 2008/09. This is reflected in unrealised losses totalling £0.36m for the year for the Company (£0.02m loss – 2007/08 *restated*). However, it is worth noting that post year end, some unrealised gains have been made on the Company's investments as equity markets start to recover. The market value of the available for sale investments had increased by approximately £0.5m to £3.9m as at 1 June 2009, while the investments held remain unchanged.

It is worth noting that a change in accounting policy was made this year with investments now being accounted for at market value rather than at cost. It was felt that this was a more relevant way of measuring the financial position and performance of the Company. The change in policy meant that the 2007/08 figures needed to be restated for comparability purposes (see page 18 for more details).

Business Review (continued)

Financial Review (continued)

No income has been recognised in the year for the new B&CE Employee Healthcare product. Three accounts have been set up to date but the policies do not commence until April 2009 so the first income will be recognised in 2009/10. Westfield Health Ltd receives monthly premiums from the customers and then B&CE are paid 10% of any premium receipts on a quarterly basis.

The Company will introduce a wider range of products similar to the Employee Healthcare product. Re-badged products offer B&CE the opportunity to launch products relatively quickly in response to demands from the market. They are also financially low-risk and require very little capital.

Risk

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 compliance team.

A Corporate Governance framework, including control environment and risk policies is established by the Group, responsibility for the effective management of risk and oversight of risk philosophy, risk selection and risk management rests with each Company's Board of Directors (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.

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

- **Credit Risk**

The Company's transactions in sterling cash deposits expose it to the risk that the counterparty will not repay the deposit. To minimise this, the Company 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 Parent Company manages this risk on behalf of the Group by active credit control.

- **Liquidity Risk**

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

- **Interest Rate Risk**

The short term sterling cash deposits are sensitive to interest rate changes but the Company is not reliant on interest receivable for its income.

The Company invests its surplus funds in fixed rate gilts and bonds. Changes in the interest rates will not result in income increasing or decreasing.

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

Board of Directors and Advisors

The following are Directors of B&CE Financial Services Limited;



The Rt. Hon. Sir John Chilcot GCB, MA

Non Executive Independent Chairman



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

Non Executive Director

Director: J Murphy & Sons Limited



Gerry Lean FCIPD

Non Executive Director

Director of Industrial Relations:
Construction Confederation



Bob Blackman MBE MIOSH

Non Executive Director

National Secretary for Construction:
Unite - T&G Section



Alan Ritchie

Non Executive Director

General Secretary: UCATT



Brian Griffiths FCA

Executive Director

Chief Executive Officer of B&CEHSML



John Jory

Executive Director

Deputy Chief Executive Officer of
B&CEHSML

Secretary and registered office

C E Milton (appointed 30 January 2009)
B&CE Benefit Schemes
Manor Royal
Crawley
West Sussex RH10 9QP

Registered Number

2207140

Bankers

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

Solicitors

Field Fisher Waterhouse LLP
35 Vine Street
London EC3N 2AA

Registered auditors

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

Directors' Report

The Directors present their report and audited financial statements for the year ended 31 March 2009.

B&CE Financial Services Limited (the "Company") together with the ultimate holding company Building and Civil Engineering Holiday Schemes Management Limited and B&CE Insurance Limited (the other wholly owned subsidiary of the ultimate holding Company) form the "Group".

Results

The profit and loss account for the year is set out on page 16.

Directors

The Directors at 29 June 2009 are listed on page 10. There were five Board meetings during the year and the average attendance by Directors was 75%. The Chairman attended all the meetings.

Mr D B McManus resigned as a Director of the Company with effect from 31 December 2008. The Board agreed that there will not be a Director appointed in his place.

The Chairman and Directors receive no remuneration from the Company (2008 – NIL).

Secretary

Mr D B McManus resigned as Secretary of the Company with effect from 31 December 2008. Mrs C E Milton was appointed on 30 January 2009 by the Directors in his place.

Directors' Interests

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

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.

The Group Remuneration Committee, consisting of two non-executive Directors and the Chairman met in early January and reviewed the management recommendation of payments to the Chairman and Directors who serve on the Group Audit and Risk Committee. The recommendations of £750 and £500 per meeting respectively were agreed effective from 1 January 2009.

Creditor Payment Terms

The Company's policy is to pay all creditors when they fall due for payment.

Dividends

At the meeting on 24 October 2008, the Directors agreed to payment of a dividend in respect of previous profits to 31 March 2008 of £975,164. In addition, an interim dividend of £500,000 was agreed by the Directors at the meeting on 27 March 2009 and paid on 31 March. This resulted in a total dividend for the year of £1,475,164.

Regulator

The Company is regulated by the FSA.

Directors' Report (continued)

Future Activities

BCECOPS aims to continue to provide all policyholders with the facility to accrue benefits under the existing policies but will not actively market the fund to new policyholders.

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.

We have always strived to treat our customers fairly; therefore the introduction of TCF does not represent a major cultural change for our organisation. However, in order to satisfy FSA requirements, we need to show how we are implementing TCF throughout our business.

Over the past 12 months we have actively attempted to identify potential gaps in our TCF practice and developed procedures to plug these in areas including staff training, sales and marketing material, management information, sales processes and product understanding.

Our work on implementing the TCF initiative has been recognised by the FSA who visited B&CE during the year and they were happy with the progress we have made and are making embedding the six TCF outcomes into everything that we do.

Our seven core values (as detailed on inside front cover) will help us to achieve our vision in an ethical and consistent way and demonstrate we can be confident we are treating our customers fairly.

Management Fees

The Company pays a fee to its Parent Company, Building and Civil Engineering Holidays Scheme Management Limited (BCEHSML), in respect of management and specialist services, and a proportion of the Group marketing costs.

Fund Manager and Investment Adviser

BCECOPS is administered by Northern Trust Management Services Limited on behalf of the Company. The investment adviser is Baring Asset Management Limited.

Directors' Report (continued)

Employees

At the year end the Company had no employees (2008 – NIL), excluding the Executive Directors and Secretary who are employed by the Parent Company. Staff are employed by B&CE Holidays Scheme Management Limited and a fee is then paid by B&CE Financial Services to the Parent Company for its services.

B&CE recognises that it is our people who make the difference between good service and great service and we as a Company have an excellent reputation for exceptional service. This is down to our employees, who have helped to make B&CE what it is today and we are proud to have such loyal and committed employees.

Organisation Development: To continue to provide the best possible service to the construction industry there have been a number of moves amongst our senior team and a restructuring of departments to create an efficient and more cost effective operation for 2009 and beyond. In all circumstances where this has affected employee resourcing, we have sought to minimise the number of compulsory redundancies through voluntary turnover and redeployment. Where unavoidable redundancies have taken place, we provided support to affected employees through outplacement services and job search assistance.

Communication: This year we have worked towards enhancing and extending our communication channels for our employees. We have conducted our first employee opinion survey into our employees' experiences of working for B&CE to help us understand what B&CE means to them as an employer.

Our staff representative body has been re-established to provide employees with the opportunity to regularly share information and dialogue and to enable them to comment on and contribute to the Company's future direction and plans.

A new intranet has been developed and launched to provide detailed information to all employees regarding how we will support, train and appraise their performance and help them to identify potential career opportunities. It also provides detail on all the people related policies, procedures and employee benefits available.

Learning and Development: The quality of our people leadership is critical in delivering our plans for the future and during last year we invested in developing a new management development programme. This is currently being rolled out across all of the business areas and covers the key skills of management of self, people and the business. In addition, our senior team have benefitted from external professional development support in the form of executive coaching/mentoring and strategic planning initiatives.

A new induction programme and appraisal process have been designed and launched to ensure new starters to the Company feel welcomed and integrated as quickly as possible and there is effective ongoing assessment of our employees' performance and skills.

Business Ethics and Values: We keep standards of business conduct at the front of our minds in our day-to-day work and do this in part by encouraging our employees to live the B&CE brand values of being uncomplicated, compassionate, bold, honest, innovative, dependable and intelligent. Focus groups at the beginning of the year helped to remind our employees of our vision and reinforce and embed the values. A new employee recognition scheme has been introduced to recognise and reward our employees who exemplify and incorporate our Company values into their everyday work and behaviour.

Additionally, as a financial services company, our work to embed the outcomes of the principles of 'Treating Customers Fairly', which form the backbone of our brand values, has been recognised and we have been endorsed by the FSA as one of the best companies they have visited.

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.

The Company regularly monitors and reviews all terms of employment, benefits, facilities, services, practices and procedures, in order to ensure that there is no unlawful discrimination and to assess whether equal opportunity and dignity at work are being achieved. The Company also makes reasonable adjustments to its standard working practices to overcome barriers caused by disability.

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. Further details of internal controls can be found in the BCEHSML Annual Report and Accounts.

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

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

Statement as to Disclosure of Information to the Auditors

So far as each Director is aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Company's auditors are unaware and each Director has taken all the steps they ought to have taken in their duty as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

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

Auditor Objectivity

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

By Order of the Board,

C. Milton
Group Secretary
29 June 2009

Independent Auditors' Report to the members of B&CE Financial Services Limited

We have audited the financial statements of B & C E Financial Services Limited for the year ended 31 March 2009 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Review, the Business Review and all of the other information listed in the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its profit for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors' Report is consistent with the financial statements.

Profit and Loss Account for the year ended 31 March 2009

	Note	2009 £	2008 Restated £
Turnover	2	1,890,823	2,021,400
Cost of sales		595,962	619,075
Gross profit		<u>1,294,861</u>	<u>1,402,325</u>
Distribution costs		80,366	44,419
Administration expenses		254,077	184,339
Operating profit	3	<u>960,418</u>	<u>1,173,567</u>
Income from available for sale investments		163,063	257,922
Other interest receivable and similar income		18,577	50,398
Realised loss on sale of investments	7	(153,869)	(17,150)
Impairment of available for sale investments	7	(357,177)	(21,128)
Profit on ordinary activities before taxation		<u>631,012</u>	<u>1,443,609</u>
Tax on profit on ordinary activities	5	262,326	440,007
Profit on ordinary activities after taxation	14	<u><u>368,686</u></u>	<u><u>1,003,602</u></u>

All of the Company's activities are classified as continuing.

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

		2009 £	2008 Restated £
Profit for the year		368,686	1,003,602
Total recognised gains and losses relating to the year		<u>368,686</u>	<u>1,003,602</u>
Prior year adjustment	1	(100,305)	-
Total gains recognised since last annual report		<u><u>268,381</u></u>	<u><u>1,003,602</u></u>

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

		2009 £	2008 Restated £
Reported profit on ordinary activities before taxation		631,012	1,443,609
Difference between historical cost value of available for sale investments and the restated market value	7	357,177	21,128
Historical cost profit on ordinary activities before taxation		<u>988,189</u>	<u>1,464,737</u>
Historical cost profit for the year retained after taxation		<u><u>725,863</u></u>	<u><u>1,024,730</u></u>

Balance sheet at 31 March 2009

	Note	2009 £	2008 Restated £
Fixed Assets			
Financial assets			
Available for sale investments	7	<u>3,402,625</u>	<u>4,774,382</u>
Current Assets			
Debtors due within one year	8	147,877	257,506
Loan debtors due after more than one year	8	500,000	262,500
Cash at bank	9	754,941	851,922
		<u>1,402,818</u>	<u>1,371,928</u>
Creditors: amounts falling due within one year	10	<u>864,853</u>	<u>1,087,829</u>
Net Current Assets		<u>537,965</u>	<u>284,099</u>
Net Assets		<u><u>3,940,590</u></u>	<u><u>5,058,481</u></u>
Capital and Reserves			
Called-up share capital	11	50,000	50,000
Profit and loss reserve	12	3,883,684	4,990,161
Available for sale investment reserve	13	6,906	18,320
Total Shareholders' Funds	14	<u><u>3,940,590</u></u>	<u><u>5,058,481</u></u>

The financial statements on pages 16 to 22 were approved by the board of Directors on 29 June 2009 and were signed on its behalf by:

G. C. Lean)	
)	Directors
R. J. Blackman)	

Notes to the Financial Statements

1. Principal Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, are set out below.

Change in Accounting Policy

The Directors have reviewed the accounting policies and consider that accounting for all investments at market value is more appropriate in measuring the financial position and activity of the Company. This also aligns the Company's financial statements with the other B&CE Group Companies. The effect of this change is to introduce an impairment charge through the profit and loss account of £263,225 (2008 – £9,422 credit) and an investment revaluation reserve of £6,906 (2008 - £18,320) in the balance sheet. The previous year end profit and loss account result is also affected by the realised loss on investments reducing by £30,550 giving a net movement in the previous years profit of £9,422 to the restated figure of £1,003,602. The previous year investment values and the balance sheet totals have reduced by £100,305 to £4,774,382 and £5,058,481 respectively.

Basis of Accounting

The Company prepares its financial statements on the historical cost basis of accounting. The exception to this is investment holdings which are accounted for at market value as stated above.

Cash Flow Statements and Related Party Transactions

The Company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 (Revised) and of the exemption from disclosing group related party transactions under Financial Reporting Standard No. 8 on the grounds that the Company is a wholly owned subsidiary of a parent undertaking registered in England and Wales whose consolidated financial statements are publicly available.

Income

The management service charges and interest are brought into account on an accruals basis.

VAT

Costs include VAT where appropriate because this is not recoverable.

Deferred Taxation

FRS19 "Deferred tax" requires deferred tax to be provided on all timing differences, arising from the different treatment for accounts and tax purposes of transactions and events recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated the tax will arise. Deferred tax assets and liabilities recognised have not been discounted.

Investments

Under the alternative accounting rules investments held for long term are stated at market value.

Expropriation Profit or Loss

Expropriation profit or loss arises on investment movements when contracted-out contributions are received from HMRC and invested, then HMRC subsequently request them to be refunded back at their original value.

2. Turnover	2009 £	2008 £
Management service charge	1,885,149	2,029,859
Expropriation gain / (loss)	5,674	(8,459)
	<u>1,890,823</u>	<u>2,021,400</u>

Notes to the Financial Statements (continued)

	2009 £	2008 £
3. Operating Profit		
Operating profit is stated after charging:		
Services provided by the Company's auditors		
Fees payable for the audit	3,287	3,146
Fees payable for other services	4,968	5,737
	<u> </u>	<u> </u>

Fees payable for other services includes £4,830 (2008 – £4,688) for auditing the FSA return.

4. Employees and Directors

With effect from 1 April 2001, it was decided to employ the staff working on this business in the other Companies in the Group and recharge the costs under administration expenses. As a result the Company has no obligations or commitments in respect of the Staff Pension Scheme.

The non executive Directors received no remuneration during the year (2008 – NIL). The Executive Directors are employed by BCEHSML and receive their remuneration from that company.

An apportionment of Executive Directors' emoluments in respect of the services borne by the Company who served during the year was:

3,297	5,010
<u> </u>	<u> </u>

5. Taxation

Current Tax

UK corporation tax on profits for the year	262,326	441,503
Adjustment in respect of previous period	-	(1,496)
Total current tax	262,326	440,007
	<u> </u>	<u> </u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (28%). The differences are explained below:

Profit on ordinary activities before tax	631,012	Restated 1,443,608
Profit on ordinary activities multiplied by standard rate in the UK 28% (2008 – 30%)	176,683	433,082
Effect of:		
Impairment of equity investments	101,788	-
Movement in AFS investment reserve	(3,196)	5,496
Change in valuation basis	(6,425)	6,884
Transfer pricing adjustment	(5,273)	(3,960)
Adjustment in respect of previous period	-	(1,496)
Other differences	(1,251)	-
Current tax charge for the period	262,326	440,007
	<u> </u>	<u> </u>

Deferred Taxation

Potential deferred tax assets have not been recognised, as the realisation of the liabilities is not certain. The liabilities will only be realised in the event the equity investments are sold.

	Amount unprovided	Restated
Potential CGT losses on equity investments	101,788	-
	<u> </u>	<u> </u>

Notes to the Financial Statements (continued)

	2009 £	2008 £
6. Dividends		
Ordinary final	975,164	-
Interim	500,000	-
	<u>1,475,164</u>	<u>-</u>
	<u><u>1,475,164</u></u>	<u><u>-</u></u>

At their meeting of 24 October 2008 the Directors agreed to pay a final dividend to BCEHSML in respect of past profits. In addition at their meeting of 27 March 2009 the Directors agreed to pay an interim dividend of £500,000 in respect of profits for year ended 31 March 2009.

7. Available for Sale Investments

		Restated
At 1 April	4,774,382	4,298,215
Additions	3,738,503	974,925
Disposals	(4,587,800)	(478,800)
Revaluation (surplus)/deficit transfer to available for sale revaluation reserve	(11,414)	18,320
Impairment of available for sale investments to profit and loss account	(357,177)	(21,128)
Realised loss on sale of investments	(153,869)	(17,150)
	<u>3,402,625</u>	<u>4,774,382</u>
	<u><u>3,402,625</u></u>	<u><u>4,774,382</u></u>

Available for sale financial assets include the following:

Listed securities		
– Open ended investment companies – UK	2,874,399	-
– Gilts and Eurobonds	528,226	4,774,382
	<u>3,402,625</u>	<u>4,774,382</u>
	<u><u>3,402,625</u></u>	<u><u>4,774,382</u></u>

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

Listed securities		
– Open ended investment companies – UK	3,237,928	-
– Gilts and Eurobonds	521,320	4,874,687
	<u>3,759,248</u>	<u>4,874,687</u>
	<u><u>3,759,248</u></u>	<u><u>4,874,687</u></u>

8. Debtors

Other debtors	137,274	168,533
Prepayments and accrued income	10,603	88,973
	<u>147,877</u>	<u>257,506</u>
	<u><u>147,877</u></u>	<u><u>257,506</u></u>

Additionally there is a loan debtor of £500,000 (2008 – £262,500) which is due after more than one year. This amount owed by Constructing Better Health (CBH) is unsecured, interest free and has two repayment dates of 31 July 2011 and 31 July 2012. During the year the Directors agreed to increase the loan available to £550,000. However £500,000 in total has been taken by CBH and the offer of the remaining £50,000 has expired.

Notes to the Financial Statements (continued)

	2009 £	2008 £
9. Cash at Bank		
Administration accounts	429,967	440,419
Client money accounts	324,974	411,503
	<u>754,941</u>	<u>851,922</u>
10. Creditors		
Amount falling due within one year:		
Client money	324,973	411,503
Due to Group undertakings	315,994	473,366
Corporation tax	21,000	20,000
Other creditors	55,685	13,298
Accruals	147,201	169,662
	<u>864,853</u>	<u>1,087,829</u>
11. Share Capital		
Authorised, issued and fully paid 50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
12. Profit and Loss Reserve		
At 1 April 2008	4,990,162	Restated 3,986,560
Retained (loss) /profit for the year	(1,106,478)	1,003,602
At 31 March 2009	<u>3,883,684</u>	<u>4,990,162</u>
13. Available for Sale Investment Reserve		
At 1 April - restated	18,320	-
Movement for the year	(11,414)	18,320
At 31 March	<u>6,906</u>	<u>18,320</u>
14. Reconciliation of Movements in Shareholders' Funds		
Profit for the year	368,686	Restated 1,003,602
Dividends paid	(1,475,164)	-
Retained (loss) / profit for the year	(1,106,478)	1,003,602
Movement in available for sale investments reserve	(11,414)	18,320
	<u>(1,117,892)</u>	<u>1,021,922</u>
Opening shareholders' funds - restated	5,058,482	4,036,560
Closing shareholders' funds	<u>3,940,590</u>	<u>5,058,482</u>

15. Pension Commitments

With effect from 1 April 2001, it was decided to employ the staff working on this business in the other Companies in the Group and recharge the costs under administration expenses. As a result the Company has no obligations or commitments in respect of the Staff Pension Scheme.

Notes to the Financial Statements (continued)

	2009 £	2008 £
16. Scheme Fees		
Fees receivable and outstanding in respect of the scheme under management by the Company are as follows:		
Scheme	Fee for the Year	
BCECOPS	1,885,149	2,029,859
	<u> </u>	<u> </u>

17. Ultimate Parent Undertaking

The immediate and ultimate parent undertaking and controlling party is Building and Civil Engineering Holidays Scheme Management Limited; a company limited by guarantee and registered in England and Wales. Copies of this company's consolidated financial statements can be obtained from the company secretary at the address shown on page 9.

Dedicated to the personal and financial wellbeing of everyone in construction

Since 1942 B&CE has provided financial welfare benefits to those working within the construction industry and their dependants. Today it manages assets of over £1.5 billion and provides financial benefits to over 218,000 operatives on behalf of 6,500 construction employers.

EasyBuild stakeholder pension scheme for the construction industry has over 500,000 members and £420 million under management. In 2009, B&CE launched its employee healthcare product, offering a cash benefit towards routine healthcare.

The above information is correct as at March 2009.

for more information:

tel 08457 414142 or 01293 586790

email info@bandce.co.uk

To help improve our service, we may record your call.



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