

Registered in England No: 3093365



B & CE Insurance 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

Uncomplicated

Bold

Compassionate

Intelligent

Dependable

Honest

Innovative

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

- Ensure EasyBuild the natural choice in 2012
 - Significantly grow market share
- Increase individuals making EasyBuild contributions
 - Offer wider range of financial welfare products
 - Continue to provide cost effective benefits
 - Reduce costs and become more efficient
 - Develop cost effective distribution networks

Read more on page 6



08/09 Performance

B&CE Benefits Package
EasyBuild
CPA's
New Products

Read more on Page 8

Financial Review

Income
Costs
Investment Performance

Read more on Page 9

KPI's

Members contributing to EasyBuild
% of active members contributing
Company Costs
Company Profit / (Loss)

Read more on Page 7



Balance Sheet

See Page 22

P&L Account

See Page 19

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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 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.

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 a stakeholder pension, 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:

- To give construction employees financial protection while in employment and financial security in retirement.
- 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 Insurance Limited is a subsidiary of Building and Civil Engineering Holidays Scheme Management Limited, the Parent Company of the B&CE Group. B&CE Insurance Limited offers a range of insurance based products to those working in construction.

B&CE Insurance Limited 2008/09 Highlights

287,963 individuals used the B&CE employee benefits package throughout the year.

6,499 employers are currently providing benefits to their staff using our schemes.

A total of £16.9m was paid out in claims to EasyBuild members (£12.9m – 2007/08).

EasyBuild premiums received totalled £76.0m (£72.6m – 2007/08)

Annuity premiums received totalled £8.8m (£6.8m – 2007/08)

We launched a Protected Rights Annuity product in December 2008. Members of BCECOPS are now able to purchase an annuity with us when they retire. This has proved popular with 108 policies being set up by 31 March 2009.

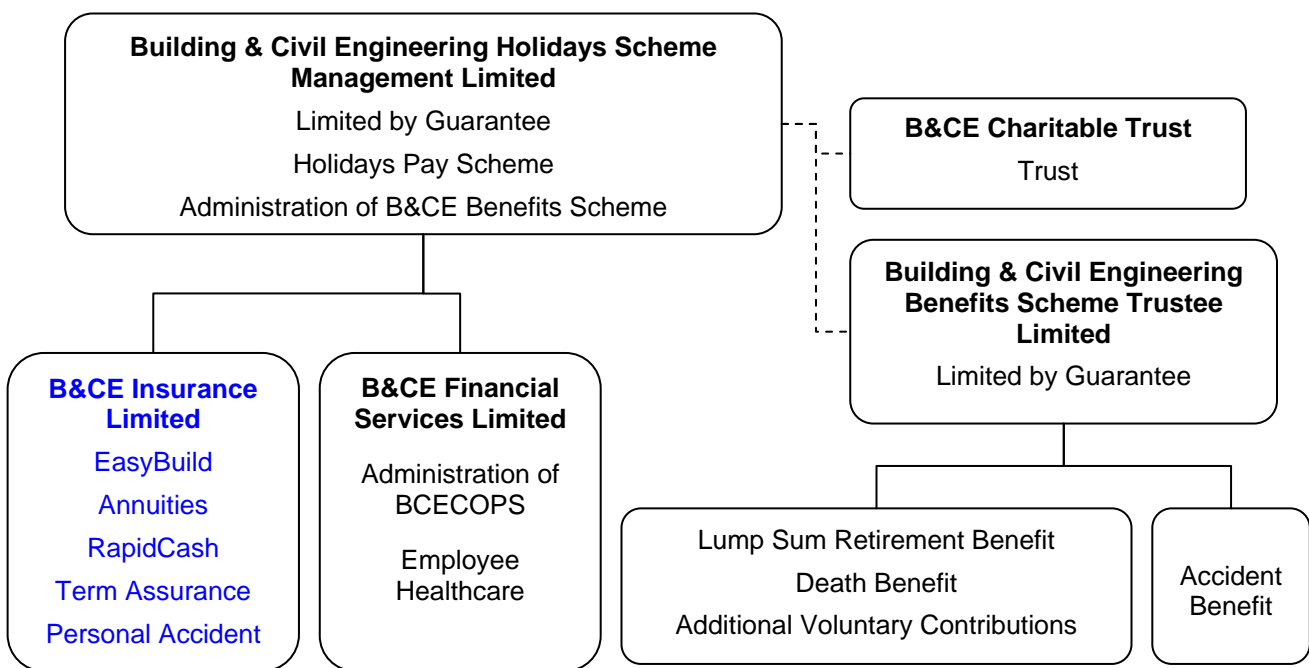
97% of customers now feel that we are easy to do business with and that we treat our customers fairly.

Group Structure and Product Portfolio

The principal activity of the B&CE Group continues to be the administration of benefit schemes for individuals 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 (“Holiday Pay Scheme”) and the Building and Civil Engineering Benefits Scheme (“B&CE Benefit Schemes”). It is also the appointed Administrator of the Building and Civil Engineering Contracted-Out Pension Scheme (“BCECOPS”) and the Building and Civil Engineering Charitable Trust (“B&CE Charitable Trust”).

B&CE Insurance Limited (“the Company”), a wholly owned subsidiary of the Parent Company, offers insurance based products to all who work in the industry. The Company was established in 1995 with the objective being to offer appropriate insurance based products to all that work in the construction industry.



Group Structure and Product Portfolio (continued)

B&CE Insurance Limited Product Portfolio

EasyBuild

On 9 April 2001, the Company launched EasyBuild, a stakeholder pension scheme for all those who work in the construction industry. This replaced the existing Lump Sum Retirement Benefit 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. Employers working within the Construction Industry Joint Council (CIJC) Working Rules Agreement are expected to contribute a minimum of £5 per week for employees (which only applies to new starters making their own contributions) and match employee's contributions up to £10 per week. Members of EasyBuild are charged a 0.8% annual management charge.

Annuities

As part of the "Open Market Option", an individual with a pension fund with any provider can choose to buy an annuity from us, providing they have been a manual worker in the construction industry for 25 years or their current employer provides our Employee Benefits package.

In April 1997, the Company launched B&CE Compulsory Purchase Annuity (CPA). This enables us to provide an annuity to those retiring from the construction industry. The majority of CPA business comes from EasyBuild. We launched a Protected Rights Annuity product (PRA) in December 2008, which enables those retiring with BCECOPS funds to buy an annuity with B&CE.

RapidCash

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

RapidCash 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, then they can receive payouts of up to £300 per week.

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 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 Company but there are a small number of policies remaining.

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 of being the benefits provider of choice for the construction industry. B&CE Insurance Ltd has a key role to play in both assisting the Group in achieving our objectives and our longer term aims.

As a step towards generating additional income streams, I am pleased with the launch of Protected Rights Annuities during the year. This is an extension of our existing annuity product and now means that we can offer pensions to a greater number of individuals working in construction. 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.

A further promising development during the year was the change in the CIJC Working Rule Agreement from June 2008, including an increase to the basic employer contribution from £3 to £5. I anticipate the new contributions guidelines to be beneficial in the long term, leading to more substantial pension funds for our customers.

Whilst the income generated from the EasyBuild management charge did not increase compared to the previous year, a direct result of the fall in value of investments held in the EasyBuild fund, the level of income is expected to rise once the markets recover.

I am pleased to report the Company still has headroom above the regulator's solvency levels despite the unfavourable economic climate we have been operating in recently.

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 Officer

June 2009

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.

- 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 finally 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.

The Personal Accounts' legislation proposes that employers and employees must contribute a percentage of an employee's salary into a suitable pension scheme. B&CE aims to ensure EasyBuild will be an acceptable alternative to Personal Accounts and the contributions received into EasyBuild are expected to significantly improve as a result.

B&CE's strategy is set at Group level and then filtered down to the subsidiary companies.

Our five year aims are:

- To ensure EasyBuild 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 Insurance Limited clearly has a key role to play in helping the Group to achieve its aims. The performance of EasyBuild is central to the future of the organisation. By making EasyBuild the natural choice for the construction industry by 2012, it is envisaged we can retain a large proportion of the 40% market share we aim to have at this stage.

Reducing the costs of EasyBuild and Annuities will also be priorities, which will help the Group to achieve its aim in reducing operating costs, becoming more efficient and being able to offer competitive rates.

Business Review (continued)

Key Performance Indicators

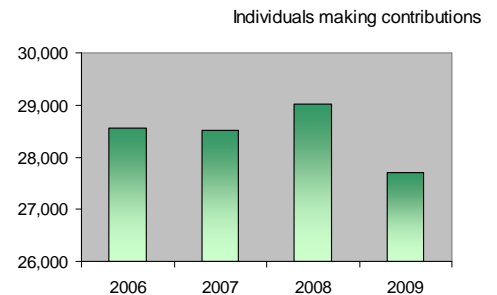
- The Group's strategy is underpinned by focusing on a number Key Performance Indicators (KPI's). The Senior Management Team and representatives of the Board review KPI's on a monthly basis. These key measures are used to assess performance of B&CE Insurance Limited are outlined below:

Number of individuals making their own EasyBuild contributions

The number of individuals making their own contributions to EasyBuild has decreased to 27,713 (29,007 in 2007/08). This is a decrease of 4% and is below the target of 32,300.

This is not a surprise given the downturn in the construction industry and the wider economy. The 4% reduction is significantly smaller than the overall reduction in active EasyBuild members during the year. This is likely to be as a result of the new CIJC rules encouraging more new starters to make their own contributions.

See page 9 for more details.

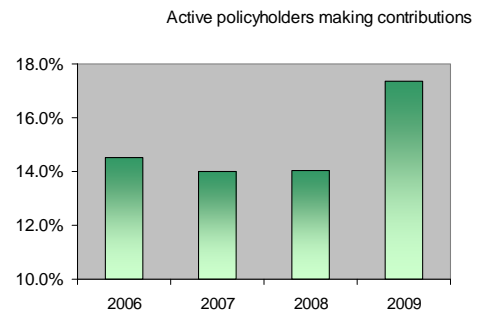


Percentage of active EasyBuild policies making their own contributions

The percentage of active policies where the individual makes their own contributions has increased significantly this year to 17% (14% - 31/03/08).

The number of active policies has decreased from 206,674 to 159,671 during 2007/08, 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 much slower rate. The net effect has been a sharp increase in the percentage making their own pension contributions.

See page 9 for more details.



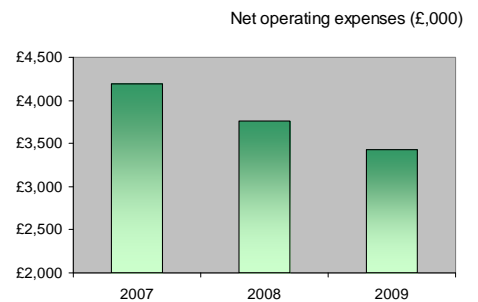
Net Operating Expenses

Net operating expenses includes all acquisition and administration costs for the Company. These expenses decreased to £3.4m (£3.8 – 2007/08).

Acquisition costs have fallen 28% mainly as a result of changing the sales strategy to concentrate on selling the Employer Benefits package without EasyBuild.

Administration costs did not change significantly. However, the organisation is in the process of a significant cost reduction programme which should lead to sizeable savings in the coming year.

See page 10 for more details.

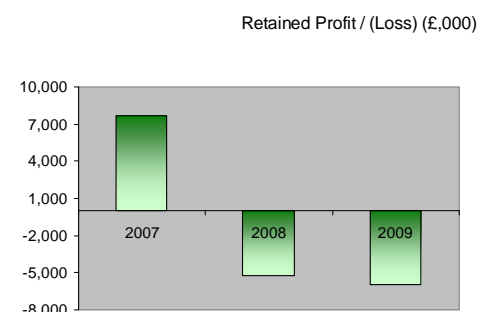


Retained Profit / (Loss) for the financial year

The total loss for the year was £6.0m (£5.3m loss - 2007/08). The main reasons for this variance are as follows:

- Unrealised losses on investments totalled £13.9m (£6.3m – 2007/08) as a result of turbulent economic conditions.
- The long term business provision increased by £5.9m (£8.9m – 2007/08) which was 34% lower than the previous year. The increase in the provision was £3.0 lower than the previous year. This was mainly due to changes made to the actuarial assumptions used to calculate the reserving requirements (particularly for EasyBuild).

See page 10 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, income streams reduced and the construction industry has also suffered as a result of the recession.

All of this comes at a time when we are already undertaking significant strategic change. The removal of the National Insurance concession for the construction industry 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 in a strong position to achieve our strategic aims listed on page 6.

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 number of individuals in our schemes decreased by 6% during the year to a total of 218,065. The loss among existing employers was in excess of 14% following a significant loss of jobs in the construction industry. However, this trend was somewhat countered by a significant increase in the amount of new business in 2008/09.

The announcement of the withdrawal of the National Insurance concession for the construction industry in 2012 has provided a clear focus for strategic direction. One of the principal activities for the organisation going forward is therefore to utilise the competitive advantage that the operation of the Holiday Pay product brings to significantly increase the number of operatives in B&CE's schemes. The strategic aim is to gain a 40% market share by 2012. This is critical for the success of the current strategy and is one of the key five year aims listed on page 6.

We have set new business targets up to 2012 in order to achieve the 40% market share. We intend to convert a large proportion of this business to EasyBuild in time for the introduction of Personal Accounts. A total of 20,517 individuals were gained from new employer business during 2008/09 which surpassed the target of 20,000. This business was gained from a total of 530 new accounts and comfortably exceeded the 2007/08 comparative figure of 4,464. This was achieved through a series of measures including a restructure of the sales function, ambitious marketing campaigns and the decision to sell the benefits package without EasyBuild. The target is increased to 50,000 during 2009/10, which reflects the importance of new business in achieving our strategic aims.

EasyBuild

A major focus of our long term strategy is the industry wide stakeholder pension, EasyBuild. After eight 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 focus of the Sales Team has generally been on the 3 in 1 package, it is planned to convert some of this to Easybuild by 2012.

The Construction Industry Joint Council (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.

The number of policies has increased in the last 12 months but at a much slower rate than in previous years, with a large fall in new starters being set up. There are now a total of 504,739 EasyBuild policies (492,491 - 31 March 2008), of which 159,671 are still receiving contributions (206,647 - 31 March 2008). Part of the reason for the fall in new policies, and the fall in active members, will be due to the general decline in the industry and also the fact that new business activities have generally excluded EasyBuild and focussed on the 3 in 1 package. However, the decline became much more pronounced once the CIJC rules changed. Employers no longer need to make contributions for their new starters (unless they contribute themselves) so it is to be expected that less policies will be set up and in turn there will be less active members.

Business Review (continued)

2008/09 Performance Review (continued)

EasyBuild (continued)

The number of individuals making their own contributions to EasyBuild decreased during the year. A total of 27,713 are now making contributions themselves (29,007 – 31 March 2008). The fall has been due to the overall reduction of individuals in B&CE's schemes but this number has held up relatively well given the current conditions in the industry. The fact that employers will now only make pension contributions if the individual does so themselves, seems to be encouraging new starters to make EasyBuild contributions. It is anticipated that once the economy starts to improve again then progress can be made in achieving 50,000 individuals making contributions by 2012, which is one of the key five year aims listed on page 6.

Compulsory Purchase Annuity

Our Compulsory Purchase Annuity product continues to be very popular with those retiring from the construction industry. Annuity premium receipts totalled £7.6m during the year (£6.8m – 2007/08) from a total of 2,350 policies (1,976 – 2007/08). Total receipts were £8.8m for the year (£6.8m – 2007/08) when Protected Rights business is included (see below).

New Products

We have introduced one new product to the Company during the past 12 months which was B&CE's Protected Rights Annuity (PRA).

PRA was introduced during December 2008 in order for those retiring with BCECOPS funds to be able to purchase an annuity with B&CE. As at 31 March 2009, 108 policies have been set up with premiums totalling £1.2m (£0 – 2007/08). This is an average premium of over £10,000 which is far in excess of the average premium for Non-Protected Rights business.

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 Group's finances on a more secure footing. Those relating to the Insurance Company include 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.
- The Insurance Company long term fund which runs the EasyBuild and Annuity products reduced its equity exposure during the year. The Long Term fund must keep an amount of capital set aside in order to meet statutory reserving requirement. Movements in equity markets can therefore have implications on the Insurance Company's solvency. The Long Term fund swapped OEICS valued at £1.7m with Corporate Bonds held by the General fund which runs the RapidCash product.

Business Review (continued)

Financial Review (continued)

The total loss from operating activities (the total balance on the technical accounts on page 21) during the year was £3.3m (£6.3m loss – 2007/08). Once all investment income, gains and losses have been taken into account, the total loss for the year is £6.0m (£5.3m loss – 2007/08). Some of the key variances compared to the previous year are explained below:

EasyBuild fees received have stayed reasonably flat totalling £3.5m for the year (£3.5m – 2007/08). The number of policies actively receiving contributions has fallen significantly but the increase in minimum employer contribution to £5 has led to an increase in overall receipts in to the EasyBuild fund compared to 2007/08. However, the unit price of the fund has fallen due to exposure to equity markets and this has resulted in the fund value decreasing at times during the year.

Net operating expenses, which include all acquisition and administration costs, have decreased to £3.4m (£3.8m – 2007/08). Acquisition costs have fallen 28% mainly as a result of changing the sales strategy to concentrate on selling the Employer Benefits package without EasyBuild. Administration costs did not change significantly. However, the organisation is in the process of a significant cost reduction programme which should lead to sizeable savings in the coming year.

The Long Term business provisions increased by £5.9m during the year (£8.9m – 2007/08) and now stand at a total of £58.3m. The annuity business reserve increased by £8.8m and the EasyBuild reserving reduced by £3.0m. This reduction in the EasyBuild reserve is as a result of changes made to actuarial assumptions and economic conditions at the valuation date.

Income from investments increased to £4.5m (£3.9m – 2007/08). This is due to significant purchases in Corporate Bonds to back new annuity business written. Premiums received from annuity business continued to increase with a total of £8.9m received (£6.8m – 2007/08) with the increase largely caused by the introduction of Protected Rights Annuity during the year. However it should be noted that this increase in annuity business does lead to an increase in the amount of provisioning required to cover the business.

Investment performance was poor during the year, which is not surprising in the current climate. This is reflected in total unrealised losses totalling £13.9m for the year (£6.3m loss – 2007/08). However, it should be noted that post year end, the value of investments held had increased in value by over £3.0m as at 1 June 2009 as markets have started to recover.

Risk

Risk and Control Framework

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.

Financial Risk Management

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

Business Review (continued)

Risk (continued)

- **Credit risk**

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

The type of investments permitted to be held is limited to specific investment types. These are Gilts, Eurobonds, Collective Investment Schemes or deposit accounts with major banks.

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.

In respect of Eurobonds all bonds must have a Standard & Poor's (S&P) (or equivalent rating agency) rating of at least A- (A minus) when purchased and must be issued by a FTSE 100 company.

Individual Eurobond purchases must not exceed the greater of 5% of the total investment portfolio or £2 million in respect of either the Long Term or General Fund.

Holdings in Gilts and other similar investments are not subject to the restrictions placed on Eurobond holdings.

For investments held within the portfolio the following restrictions apply:

- The Investment Advisor meets with the Board twice per year to discuss strategy
- Aggregate holdings in Eurobonds rated below A- will not exceed 10% of the General Fund or Long Term Fund investments.
- Where there has been a downgrading, Eurobonds rated BBB+ will not automatically be sold unless the Board decide to do so. They are reviewed at each Board meeting.
- Where there has been a downgrading, Eurobonds rated BBB and below will normally be sold immediately, unless there are exceptional circumstances as recommended by the Investment Advisor.

During the year several holdings fell below these ratings but have not been sold as current market conditions are considered exceptional.

The investments in collective investment schemes are held for the long term and provide appropriate diversification benefits in common with this type of financial instrument. Any exposure to credit risk is therefore deemed to be minimal.

A provision of £0.75m had previously been held by the Company for EasyBuild reinsurer credit risk. Following a reassessment during the year this was released as this amount was seen as unnecessary when considering the default risk of Legal & General Assurance (Pension Management) Limited, who reinsure the EasyBuild business.

- **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.

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

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

Board of Directors and Advisors

The following are Directors of B&CE Insurance Limited;



The Rt. Hon. Sir John Chilcot GCB, MA

Independent Director
Independent Chairman



John Southworth BA (Econ), FCA

Non executive Director
Director of Finance:
Construction Confederation



Gerry Lean FCIPD

Non executive Director
Director of Industrial Relations:
Construction Confederation



Alan Ritchie

Non executive Director
General Secretary: UCATT



Bob Blackman MBE MIOSH

Non executive Director
National Secretary for Construction:
Unite - T&G Section



Malcolm Small LLB (Hons)

Non executive Director



Ken Green BA (Hons) FCII

Non executive Director



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

3093365

Solicitors

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

Consulting Actuaries

Deloitte LLP
Stonecutter Court,
1 Stonecutter Street,
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EC4A 4TR

Actuarial Function Holder

D J Wright FIA

Bankers

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

Registered auditors

PricewaterhouseCoopers LLP,
Hay's Galleria,
1 Hay's Lane,
London,
SE1 2RD

Directors' Report

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

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

Results

The profit and loss accounts for the year are set out on pages 19 - 21.

Directors

The Directors of the Company at 29 June 2009, all of whom served through the year, are shown on page 12. There were seven Board meetings during the year and the average attendance by Directors was 79%. The Chairman attended all the meetings.

Directors' Interests

No Director had any interest in the shares of the Company during the period.

Company Secretary

Mr D B McManus resigned as secretary on 31 December 2008. Mrs C. E. Milton was appointed in his place on 30 January 2009.

Actuarial Function Holder

Mr D W Gulland resigned as Actuarial Function Holder on 18 February 2009. Mr D. J. Wright replaced Mr D. W. Gulland as Actuarial Function Holder on 19 February 2009.

Political Donations

There were no donations to political parties during the year (2008 – Nil).

Dividends and Transfers to Reserves

The Directors do not recommend the payment of a dividend (2008 – Nil). The loss for the year of £6.0m (2008 – loss £5.3m) has been taken to reserves.

Regulators

The Company is regulated by the Financial Services Authority (FSA) and is a member of the Association of British Insurers (ABI).

Directors' Report (continued)

Supplier Payments

It is Company policy to pay all creditors when they fall due for payment. The Company has no trade creditors at the year end and therefore creditor days are not applicable.

Customers

The Group aims to support the FSA principle that a firm must pay due regard to the interests of its customers and treat them fairly. The Treating Customers Fairly (TCF) initiative aims to raise standards in the way firms carry on their business by introducing changes that will benefit consumers and increase their confidence in the financial services industry. Specifically TCF aims to:

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

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.

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

We have also scored well in the latest report published in the ABI Customer Impact Scheme. The annual survey reported that while overall customer satisfaction has fallen in the UK's life, pension and investment industry, B&CE's scores have actually improved. The ratings set the company above the industry average and 97% of customers agreed that B&CE are easy to do business with and that we treat our customers fairly.

Health & Safety Policy

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

Directors' Report (continued)

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 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.

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 Parent Company 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 their systems of internal controls on behalf of the Insurance Company 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 31 July and 24 October 2008 and 26 March 2009.

The Board, through the Audit and Risk Committee, has reviewed the Internal Audit Section's reports on the Group's systems of internal controls for the year ending 31 March 2009, and no significant weaknesses have been reported.

Directors' Report (continued)

Employees

At the year end the Company had 21 employees (2008 – 23). Staff are employed by B&CE Holidays Scheme Management Limited and a fee is then paid by B&CE Insurance Limited to the Parent Company for their 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 Management 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 redundancy and redeployment. Where unavoidable redundancies have taken place, we provided support to affected employees through personal consultations, 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 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 Management Team has benefitted from external professional development support in the form of executive coaching/mentoring and strategic planning initiatives.

A new induction programme and appraisal process has been designed and launched to ensure new starters to the Company feel welcomed and integrated as quickly as possible. There is also 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.
- **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)

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 of Disclosure of Information to Auditors

So far as the Directors are aware, there is no relevant audit information of which the Company'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 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

Clair Milton
Secretary
29 June 2009

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

We have audited the financial statements of B&CE Insurance 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 and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive Officer'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 loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Profit and Loss Account: Technical account - general business for the year ended 31 March 2009

Note	Year ended 31 March 2009		Year ended 31 March 2008	
	£000	£000	£000	£000
Earned premiums, net of reinsurance:				
Gross premiums written	1,428		1,680	
	<hr/>		<hr/>	
Net premiums written		1,428		1,680
Change in the gross and net provision for unearned premiums		3		2
		<hr/>		<hr/>
		1,431		1,682
Claims incurred, net of reinsurance:				
Claims paid - gross and net amount	427		445	
Change in provision for claims - gross and net amount	(5)		(9)	
	<hr/>		<hr/>	
		422		436
		<hr/>		<hr/>
		1,009		1,246
Net operating expenses:				
Acquisition costs	58		190	
Administrative expenses	121		85	
	<hr/>		<hr/>	
		179		275
Balance on the technical account for general business		<hr/>		<hr/>
		830		971
		<hr/>		<hr/>

All the above amounts derive from continuing activities.

No segmental analysis is provided as all general business written is UK accident insurance.

Profit and Loss Account: Technical account – long term business for the year ended 31 March 2009

	Note	Year ended 31 March 2009		Year ended 31 March 2008	
		£000	£000	£000	£000
Earned premiums, net of reinsurance:					
Gross premiums written	2	84,752		79,329	
Outward reinsurance premiums	2,3	(76,096)		(71,814)	
			8,656		7,515
Investment income	6		4,061		3,555
Other technical income	7		3,576		3,578
			<u>16,293</u>		<u>14,648</u>
Claims incurred, net of reinsurance:					
Claims paid - gross amount	2	20,502		15,857	
- reinsurers' share	2	(16,914)		(12,874)	
			3,588		2,983
			<u>12,705</u>		<u>11,665</u>
Change in other technical provisions:					
Long term business provision, net of reinsurance					
- gross amount		5,854		8,914	
- reinsurers' share		-		3	
			5,854		8,917
Other technical provisions net of reinsurance					
Technical provisions for linked liabilities		(25,262)		45,344	
- reinsurers' share		25,139		(44,588)	
			(123)		756
			<u>6,974</u>		<u>1,992</u>
Net operating expenses:					
Acquisition costs		1,109		1,426	
Administration expenses		2,137		2,061	
Investment expenses and charges:					
Investment management expenses		447		410	
Losses on the realisation of investments		447		172	
Unrealised losses on investments		6,957		4,636	
			<u>11,097</u>		<u>8,705</u>
			<u>(4,123)</u>		<u>(6,713)</u>
Tax credit attributable to the long term business	5		(2,504)		(1,595)
Balance on the technical account for long term business			<u>(1,619)</u>		<u>(5,118)</u>

All the above amounts derive from continuing activities.

Profit and Loss Account: Non technical account for the year ended 31 March 2009

		Year ended 31 March 2009		Year ended 31 March 2008	
	Note	£000	£000	£000	£000
Balance on the technical accounts:					
General (page 19)			830		971
Long Term (page 20)		(1,619)		(5,118)	
Tax credit attributable to balance on the Long Term business technical account	5	(2,504)		(2,194)	
Pre-tax loss arising on long term business			(4,123)		(7,312)
			(3,293)		(6,341)
Investment income	6		400		373
			(2,893)		(5,968)
Investment expenses and charges:					
Investment management expenses – credit	4	(108)		(105)	
Realised losses on investments		341		-	
Unrealised losses on investments		6,974		1,666	
		7,207		1,561	
Other charges:					
General expenses	8	148		143	
			7,355		1,704
Loss on ordinary activities before taxation			(10,248)		(7,672)
Tax on loss on ordinary activities – credit	5		(4,298)		(2,407)
Retained loss for the financial year after taxation	14		(5,950)		(5,265)

All income and expenditure relates to continuing operations.

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

Balance Sheet as at 31 March 2009

Assets	Note	2009		2008	
		£000	£000	£000	£000
Investments					
Holdings in collective investment schemes	12	18,875		30,485	
Debt securities and other fixed income securities	12	62,696		56,965	
Deposits with credit institutions		3,913		1,741	
			85,484		89,191
Assets held to cover linked liabilities	12		634		757
Reinsurers' share of technical provisions					
Long term business provision	15	15		15	
Technical provision for unit linked liabilities		420,661		445,799	
			420,676		445,814
Debtors					
Amounts due from Group undertaking - parent undertaking		1,882		217	
Other Debtors		1,634		2,331	
			3,516		2,548
Other assets					
Tangible fixed assets	11	7		18	
Cash at bank		27		11	
			34		29
Prepayments and accrued income					
Accrued interest		1,555		1,337	
Other prepayments and accrued income		45		45	
			1,600		1,382
Total Assets			511,944		539,721

Balance Sheet as at 31 March 2009 (continued)

Liabilities	Note	2009		2008	
		£000	£000	£000	£000
Capital and Reserves					
Called up share capital	13	60,000		60,000	
Profit and loss account	14	(28,991)		(23,041)	
Total Shareholders' Funds - Equity			31,009		36,959
Technical provisions					
Provision for unearned premiums		8		11	
Long term business provision	15	58,256		52,402	
Claims outstanding - General business		84		89	
			58,348		52,502
Technical provision for linked liabilities			421,294		446,556
Provision for other risks	16		852		2,529
Creditors					
Other creditors including taxation and social security		216		851	
			216		851
Accruals and deferred income			225		324
Total liabilities			511,944		539,721

The financial statements on pages 19 to 33 were approved by the board of Directors on 29 June 2009 and were signed on its behalf by

)
)
) Directors
)
)

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 and in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers (the "ABI SORP") in December 2005 and revised in December 2006.

Basis of Accounting

In accordance with Financial Reporting Statement 1 (Revised), the Company is exempt, as a wholly owned subsidiary, from the requirement to prepare a cash flow statement.

In accordance with Financial Reporting Statement 3 (Revised), the Company is exempt, as an insurance company, from the requirement to include gains or losses arising on the holding or disposal of investments within a note of historical cost profits and losses.

In accordance with Financial Reporting Standard 8, the Company is exempt, as a wholly owned subsidiary, from the requirement to disclose transactions with entities that are part of the Group or investees of the Group qualifying as related parties.

General business (accident insurance) is accounted for on an annual basis.

Acquisition Costs

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

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

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

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

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

Investment Income

Investment income is accounted for on an accruals basis. Separate general and long term investments are held with income, realised and unrealised gains/losses being allocated as follows:

- on long term business investments to the technical account - long term business
- on general business investments to the non-technical account

Investments

Investments are stated at market value which is bid price or where investments are dealt at a single price this value is used. Realised gains and losses representing the difference between sale proceeds and the book cost are taken to the profit and loss account.

Premiums

Long term business premiums, including reinsurance premiums, and consideration for annuities are accounted for when due for payment.

General business premiums written relate to business incepted during the year.

Notes to the Financial Statements (continued)

1. Principal Accounting Policies (continued)

Unearned Premium Provision - General business

The unearned premium provision represents premiums written relating to unexpired future periods.

Long Term Business Reassurance Contracts

Long term business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, investment, persistency and expenses. Such contracts are accounted for as insurance contracts (Note 3).

Claims Outstanding

A provision is made for claims outstanding at the period end as follows:

General business - amounts are provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the end of the accounting period, including claims incurred but not reported and claims handling expenses, less amounts already paid in respect of those claims.

Long term business – amounts are provided to cover the estimated ultimate costs of settling claims arising out of events which have been notified by the end of the accounting period, less amounts already paid in respect of those claims.

All provisions are gross of any reinsurance recoveries.

Unexpired Risks Provision

Provision is made in respect of the Company's general business for any deficiencies arising when unearned premiums are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

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 15.

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 transaction 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. It is not the Company's policy to discount deferred tax.

Depreciation

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

Long Term Fund – Computer Equipment 33.3%

Notes to the Financial Statements (continued)

2. Long Term Business Premiums and Claims

	Earned Premiums £000	Claims Paid £000
2009		
Term assurance (regular premiums):		
gross	14	8
Annuities (single premiums): gross	8,778	2,941
Claims handling expenses	-	647
Linked business (regular premiums): gross	72,514	16,906
Linked business (single premiums): gross	3,446	-
	<u>84,752</u>	<u>20,502</u>
Term assurance: reinsurance	(12)	(8)
Linked business: reinsurance	(76,084)	(16,906)
	<u>(76,096)</u>	<u>(16,914)</u>
	<u>8,656</u>	<u>3,588</u>
2008		
Term assurance (regular premiums):		
gross	19	-
Annuities (single premiums): gross	6,757	2,396
Claims handling expenses	-	587
Linked business (regular premiums): gross	66,427	12,874
Linked business (single premiums): gross	6,126	-
	<u>79,329</u>	<u>15,857</u>
Term assurance: reinsurance	(17)	-
Linked business: reinsurance	(71,797)	(12,874)
	<u>(71,814)</u>	<u>(12,874)</u>
	<u>7,515</u>	<u>2,983</u>

All business is individual and non-participating.

Gross new business premiums	Regular premiums		Single premiums	
	2009 £000	2008 £000	2009 £000	2008 £000
Annuities	-	-	8,778	6,757
Linked business	4,145	7,791	3,446	6,126
	<u>4,145</u>	<u>7,791</u>	<u>12,224</u>	<u>12,883</u>
New business premiums net of reinsurance				
	2009 £000	2008 £000	2009 £000	2008 £000
Annuities	-	-	8,778	6,757
	<u>-</u>	<u>-</u>	<u>8,778</u>	<u>6,757</u>

Notes to the Financial Statements (continued)

2. Long Term Business Premiums and Claims (continued)

In classifying new business premiums the following bases of recognition have been adopted:

Term Assurance regular premiums represent the gross premiums from new contracts written during the year in respect of the year. Annuity single premium pensions vested into annuity contracts during the year are included at the annuity purchase price. Linked business regular premiums represent the gross annualised premiums from new contracts written during the year. Linked business single premiums represent the gross premiums in respect of transfers in received during the year.

3. 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.

At 31 March 2009 the reinsurance balances in the technical account for long term business amounted to a debit of £84.3m (2008 – £14.4m) and in the technical account for general business amounted to Nil (2008 – Nil).

4. Investment Management Fees

The non-linked investment in collective investment schemes has an impact on investment managers' fees. This type of fund suffers periodic charges levied against the value of the fund. Agreements negotiated by the Directors have ensured that these charges are fully recovered by the Company. The amounts recovered are offset against routine investment management fees.

The analysis of such fees paid and recovered is as follows:

	2009	2008
	£000	£000
Fees charged by investment managers	43	52
Fees recovered from collective investment schemes	(151)	(157)
	(108)	(105)
	<u> </u>	<u> </u>

5. Taxation

(i) Profit and loss account tax charge

The tax expense for certain long-term business operations is attributable to shareholders and policyholders. The shareholders' portion of tax is determined using the long-term effective tax rate of the underlying business applied to the profits transferred to the non-technical account. A summary of the tax expense attributable to the long-term business technical account and shareholders' profits in the non-technical account is shown below:

	Long-term business technical account (attributable to long term funds)		Non technical account (attributable to shareholders' profits)	
	2009	2008	2009	2008
	£000	£000	£000	£000
(a) Analysis of tax credit in period				
UK corporation tax credit on losses of the period	(172)	(798)	(1,802)	(198)
Tax (credit)/charge in respect of previous periods	(655)	(529)	8	(15)
Tax credit attributable to balance on the long-term business technical account	-	-	(2,504)	(2,194)
	<u>(827)</u>	<u>(1,327)</u>	<u>(4,298)</u>	<u>(2,407)</u>
Deferred tax credit	(1,677)	(268)	-	-
Total tax benefit	<u>(2,504)</u>	<u>(1,595)</u>	<u>(4,298)</u>	<u>(2,407)</u>

Notes to the Financial Statements (continued)

5. Taxation (continued)

Due to a change in the taxation basis of the company, all tax suffered on the long term business is now attributable to shareholders. The total tax credit attributable to balance on the Long Term business technical account of £2.504m also includes a tax credit of £1.300m relating to prior years which is attributable to shareholders.

(b) Factors affecting tax credit for period

The tax assessed in the period is lower than the standard rate of corporation tax in the UK and the differences are explained below. The standard rate of tax has been determined by using the UK rate of corporation tax enacted for the period for which the profits will be taxed.

	2009	2008
	£000	£000
Loss on ordinary activities before tax	(10,248)	(7,672)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 30%)	(2,870)	(2,302)
Permanent differences	(130)	(90)
Prior year adjustments	8	(15)
Differences in respect of long term fund tax	(1,306)	-
Current tax credit for the period	(4,298)	(2,407)
	<u><u> </u></u>	<u><u> </u></u>

(ii) Deferred Tax

Deferred tax assets:

Long term fund business losses	657	28
Long term fund management expenses	10	13

Deferred tax liabilities:

Deferred taxation of long term business profits arising in the year	-	(2,053)
Unrealised capital gains	(10)	(13)
Other timing differences	(1,509)	(504)

<i>Net deferred tax liability</i>	(852)	(2,529)
	<u><u> </u></u>	<u><u> </u></u>

Deferred tax assets in respect of long term fund management expenses of £154,000 (2008 – £154,000) and long term fund pension business losses of £Nil (2008 – £520,000) 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 shareholder's fund (non-technical account).

Notes to the Financial Statements (continued)

6. Investment Income	Technical Account Long Term business		Non-technical Account	
	2009 £000	2008 £000	2009 £000	2008 £000
Income from other investments	4,061	3,555	400	373
Gain on realisation of investments	-	-	-	-
	<u>4,061</u>	<u>3,555</u>	<u>400</u>	<u>373</u>

7. Long Term Fund Other technical income	2009 £000	2008 £000
Reinsurance commission	1	2
Annuity administration fees	94	70
Linked liability administration fees	3,481	3,506
	<u>3,576</u>	<u>3,578</u>

8. Non-Technical Account General Expenses	2009 £000	2008 £000
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Included within general expenses are the following:

Audit services

Fees payable to the Company's auditor for the audit of the Company

31	28
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Non-audit services

Fees payable to the Company's auditor and its associates for other services

Other services pursuant to legislation, including the audit of the regulatory return (see note below)

52	48
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Tax Services

21	22
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<u>104</u>	<u>98</u>
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Notes: Regulatory reporting included the FSA return, Stakeholder declaration and APSS 106 return.

9. Directors' Emoluments	2009 £000	2008 £000
Aggregate emoluments	116	124
	<u>116</u>	<u>124</u>

The figures above comprise Non-Executive Directors' emoluments and an apportionment of executive Directors' emoluments in respect of their services to the Company during the year.

10. Employee Information

The average weekly number of persons, excluding Directors and the company secretary, employed by the Company during the period was 21 (2008 – 23). All are management and clerical staff.

Staff costs incurred by the Company for the above persons were:	2009 £000	2008 £000
Salaries	404	487
Social security	39	44
Staff pension scheme (Notes 1 & 18)	123	134
Mortgage subsidies	4	5
	<u>570</u>	<u>670</u>

Notes to the Financial Statements (continued)

11. Tangible Fixed Assets

	2009	2008
	£000	£000
Computer Equipment Cost	273	273
1 April 2008	273	273
Additions	-	-
	<u>273</u>	<u>273</u>
31 March 2009	<u>273</u>	<u>273</u>
Computer Equipment Depreciation		
1 April 2008	255	241
Charge for year	11	14
	<u>266</u>	<u>255</u>
31 March 2009	<u>266</u>	<u>255</u>
Net Book Value at 31 March 2009	<u>7</u>	<u>18</u>

12. Investments

	General		Long Term		Total	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
Open Ended Investment Companies						
Cost	17,817	16,124	8,330	10,417	26,147	26,541
Market Value	12,627	18,016	6,248	12,469	18,875	30,485
UK Government Gilts and Eurobonds						
Cost	316	1,509	70,946	61,306	71,262	62,815
Market Value	216	1,303	62,480	56,662	62,696	56,965

All investments are listed.

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.

13. Called up Share Capital

	2009	2008
	£000	£000
Authorised 100,000,000 Ordinary Shares of £1 each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
Allotted, Called up and Fully paid 60,000,000 Ordinary Shares of £1 each	60,000	60,000
	<u>60,000</u>	<u>60,000</u>

14. Capital and Reserves

	Profit and loss account	Capital and reserves	
	2009 £000	2009 £000	2008 £000
At 1 April	(23,041)	36,959	42,224
Loss for the year	(5,950)	(5,950)	(5,265)
	<u>(28,991)</u>	<u>31,009</u>	<u>36,959</u>
At 31 March	(28,991)	31,009	36,959

Notes to the Financial Statements (continued)

15. 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.

	2009 £000	2008 £000
Linked business sterling reserve	12,220	15,201
Annuities	46,019	37,184
Term assurance: gross provisions	17	17
	<u>58,256</u>	<u>52,402</u>
Term assurance: reinsurer's share	(15)	(15)
	<u>58,241</u>	<u>52,387</u>

This is shown in the Balance Sheet as:

Long term business provision	58,256	52,402
Reinsurers' share of provision	(15)	(15)
	<u>58,241</u>	<u>52,387</u>

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

Class of business	2009	2008
	Mortality	
Immediate pensions annuities	105%PNMA00U=2009 ⁽³⁾ for males, 105% PNFA00U=2009 ⁽³⁾ for females	90%PNMA00U=2008 ⁽²⁾ + 3 years to age for males, 90% PNFA00U=2008 ⁽²⁾ + 1 year to age for females
Unit linked Stakeholder pensions	80% AM/F92(2) ult	80% AM/F92(2) ult
	Interest rate (% pa)	
Immediate pensions annuities	4.50 ⁽¹⁾	5.10 ⁽¹⁾
Unit linked Stakeholder pensions	4.70 ⁽¹⁾	3.60 ⁽¹⁾
	Unit growth rate (% pa)	
Immediate pensions annuities	n/a	n/a
Unit linked Stakeholder pensions	3.80	4.60

1. In the 2009 valuation, a deduction of 0.40% pa is made from the valuation interest rates to allow for investment related expenses. For 2008, a deduction of 0.30% pa was made. The rates shown above are net of this deduction.

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

3. Allowance is made for future mortality improvements in accordance with the long cohort improvement factors from the Continuous Mortality Investigation Bureau. In the 2009 valuation, future male and female improvement factors are subject to a minimum of 1.5% pa.

Notes to the Financial Statements (continued)

15. 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 2009 this was 35% for policies without an employee contribution and 15% for policies with an employee contribution. In 2008, the rate was 19.50% for policies without an employee contribution and 8.75% for policies with an employee contribution. The increase in the dormancy assumption used reflects the result of a current investigation into the incidence of policyholders temporarily ceasing contributions. In addition, margins for adverse deviation has been included into the dormancy assumption, as required by regulations set out in INSPRU.

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 2009 valuation, the per policy expense for Stakeholder pensions policies is £3.70 pa, 25% lower for current dormant policies (as in 2008) and £28.00 pa (£44.00 pa in 2008) for immediate pensions annuities. Non-unit fund related investment expenses are allowed through a reduction in the valuation interest rates. For 2009, the reduction is 0.40% pa (0.30% pa for the 2008 valuation). Expenses are assumed to inflate at 3.70% pa (4.70% in 2008). If expenses were assumed to be higher, the long-term business provision would increase.

16. Provisions for other risks

	2009	2008
	£000	£000
Deferred tax provision		
1 April	2,529	2,797
Credited to profit and loss account	(1,677)	(268)
31 March	852	2,529

17. Ultimate Parent Company

The Directors regard Building and Civil Engineering Holidays Scheme Management Limited, (BCEHSML) a company registered in England and Wales, as the ultimate holding company. BCEHSML has a 100% interest in the equity capital of B & C E Insurance Limited as at 31 March 2009. Copies of the parent's consolidated financial statements may be obtained from the Secretary, BCEHSML at Manor Royal, Crawley, West Sussex, RH10 9QP.

Under a service agreement a proportion of certain expenses incurred by BCEHSML are recharged to the Company.

18. Related Party Transactions

There have been no material transactions with Directors or other officers during the year, requiring disclosure under Financial Reporting Standard 8. As permitted by FRS 8 the company has taken advantage of the exemption from disclosure of transactions with other group companies.

Notes to the Financial Statements (continued)

19. Pension Commitments

The Company participates in the Building and Civil Engineering Holidays Scheme Management Limited Group defined benefit pension scheme known as the B&CE Staff Pension Scheme which is contracted out of the State Scheme. The Scheme is an occupational defined benefit pension scheme, which provides benefits based on final pensionable salary. The assets of the Scheme are held separately from those of the Group, in an independently administered trust fund.

Pension contributions are borne by BCEHSML and the Company. All other pension costs are borne by BCEHSML.

The Company's share of any pension deficit/surplus is estimated to be less than 10% with over 90% relating to BCEHSML. As a result the full deficit/surplus has been allocated to BCEHSML for the purpose of accounting for the Scheme in accordance with FRS 17, 'Retirement Benefits'. Consequently the Company accounts for its participation in the Scheme as if it were a defined contribution scheme.

The Company's contributions to the Scheme in respect of defined benefits, amounted to £123,000 (2008 - £134,000). This comprised the regular contribution cost and its share of the total amount payable into the Scheme in order to reduce the deficit to zero by 2011. The regular contribution cost amounted to £92,000 (2008 - £103,000) and the reduction of the deficit £31,000 (2008 - £31,000).

The full disclosures as required by FRS 17 will be given in the financial statements of BCEHSML, and the consolidated financial statements of the Group.

20. Assets Attributable to Long Term Business

The assets of the Company which are attributable to the Long Term Business in agreement with the FSA return amounted to £75.3m (2008 - £73.5m).

21. Contingent Liabilities

The Company has reviewed the treatment of interest earned on EasyBuild premiums awaiting investment with the Company's reinsurer. The Company has decided after considering the contractual terms, regulatory obligations and the potential mitigating impact of advanced funding provided by the Company to policyholders in respect of tax reclaims to compensate the policy holders who would have earned £10 or more in interest on their premiums awaiting investment. The Company has determined that £16,225 in total will be used to enhance the funds of affected policyholders in the coming year.

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:

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



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