

**Building and Civil Engineering Holidays  
Scheme Management Limited**  
Limited by Guarantee

Annual Report and Financial Statements  
For the year ended 31 March 2011

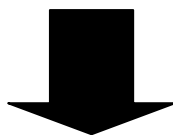
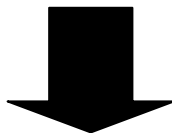
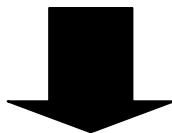
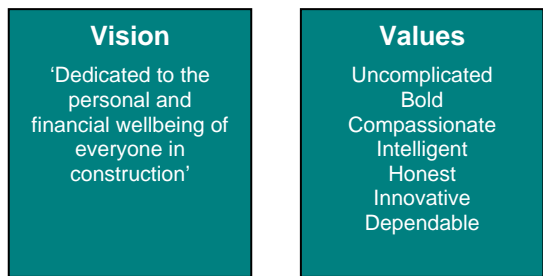


## B&CE's Vision

Dedicated to the personal and financial wellbeing of everyone in construction



## B&CE's Values





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## Notice of meeting

The Directors of Building and Civil Engineering Holidays Scheme Management Limited hereby give notice that the Annual General Meeting of members of the Company will be held at:-

B&CE Benefit Schemes, Manor Royal, Crawley, West Sussex, RH10 9QP  
on Thursday 10 November 2011 at 12:15 p.m.

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

Dated 20 October 2011

By order of the Board

C E Milton

**Group Company Secretary**

### Agenda

1. Apologies for absence.
2. Minutes of the sixty eighth Annual General Meeting held on 5 November 2010.
3. Chairman's address.
4. To receive and adopt the Directors' Report and audited Financial Statements for the year ended 31 March 2011, together with the Independent Auditors' Report.
5. To reappoint PricewaterhouseCoopers LLP as auditors of the Company in accordance with Section 485 of the Companies Act 2006 and to authorise the Board to fix their remuneration.

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy must also be a member of the Company.

A Form of Proxy is available from the Company Secretary at Manor Royal, Crawley, West Sussex, RH10 9QP.

## Chairman's Statement



From an aspirational concept in 1942 to the UK's most popular stakeholder pension scheme, B&CE has been providing benefits for construction workers for nearly 70 years.

When established, 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.

At a time when the construction industry is going through a downturn, B&CE has the challenge of positioning EasyBuild as the construction industry's pension scheme of choice from 2012.

However, I have every confidence this challenge will be met by our management team who remain faithful to the promise to provide financial welfare to those working in the construction industry and their dependents.

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

The Rt. Hon. Sir John Chilcot  
**Independent Chairman**  
11 August 2011

## B&CE Group Profile

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

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

B&CE is a not for profit organisation so the primary concern is for employers and employees in the construction industry rather than shareholders. As an organisation committed to construction, B&CE's 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.

### 2010/11 Highlights

- **Over 6,000 employer accounts are currently being used to provide benefits to staff using B&CE's Employee Benefits Plan. A total of 205,849 individuals are receiving these benefits.**
- **Employers deposited a total of £435m with B&CE during the year for their employees' holiday pay. As a result of this they will have saved themselves approximately £40m by taking advantage of the NI concession.**
- **B&CE launched new accident and life products to bring the old offerings up to date.**
- **Improvements were made to EasyBuild during the year: Enhancements include a reduced management charges, new fund options, and improvements to the glidepath process leading up to retirement.**
- **In December 2010, B&CE joined forces with Partnership Life Assurance Company Ltd in order to provide customers with enhanced annuities at rates unique to B&CE.**
- **A total of £29.9m was paid out from the Retirement Benefit Scheme (2010 – £29.7m), £23.2m to EasyBuild policyholders (2010 – £24.5m), and £14.2m to BCECOPS members (2010 – £21.6m)**

## Group Structure

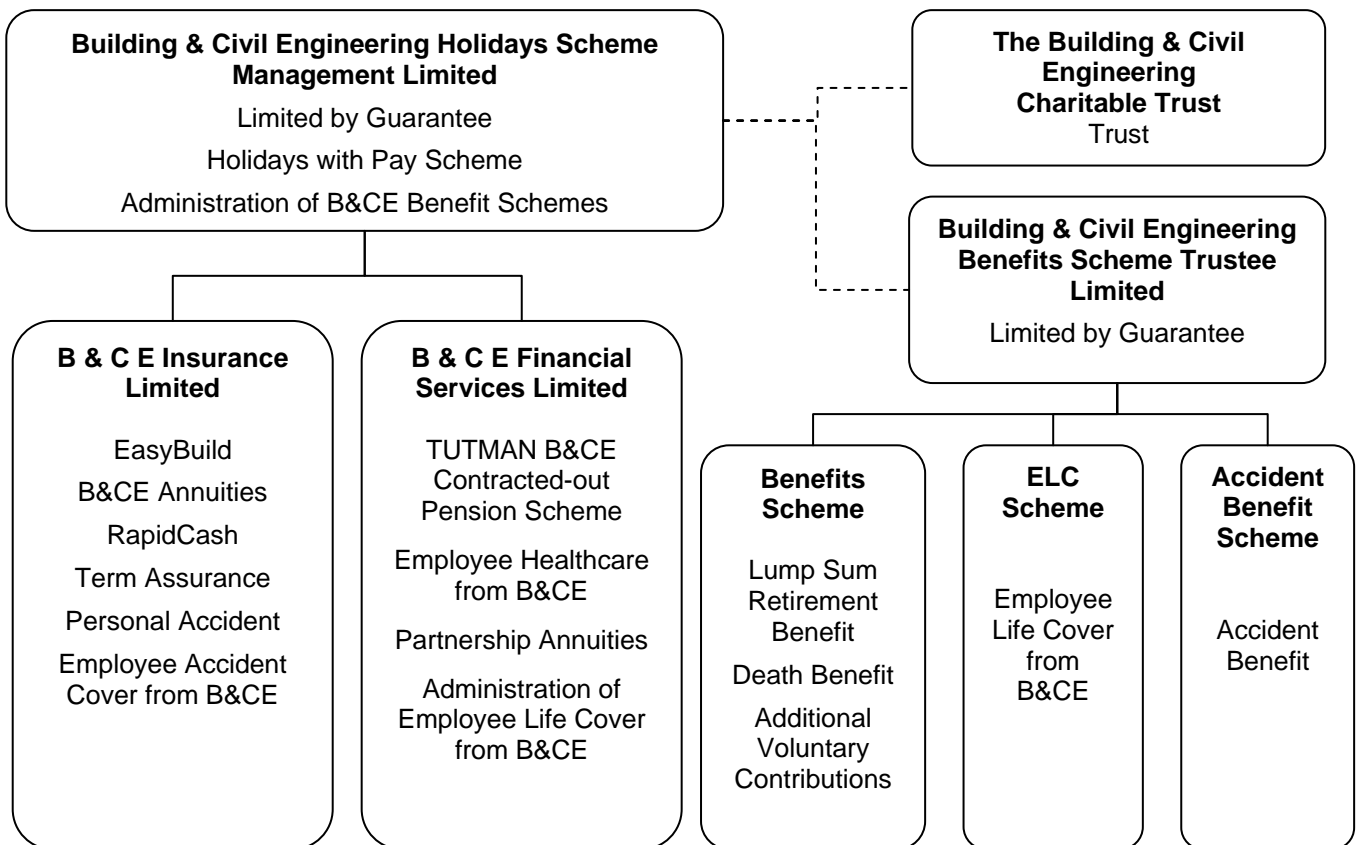
The principal activity of the B&CE Group continues to be the administration of benefit schemes for operatives in the construction industry.

Building and Civil Engineering Holidays Scheme Management Limited (“the Company”) administers the Building and Civil Engineering Holidays-with-Pay Scheme as well as the Building and Civil Engineering Benefits Scheme (“the Benefits Scheme”) and the Building and Civil Engineering Accident Benefit Scheme (“the Accident Benefit Scheme”). It is also the appointed administrator of the Building and Civil Engineering Charitable Trust.

The Company has two wholly owned subsidiaries; B & C E Insurance Limited and B & C E Financial Services Limited. Collectively the Company and its subsidiaries are known as the Group or B&CE.

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

B & C E Financial Services Limited administer a unit trust based personal pension scheme and employee life cover scheme, the Employee Life Cover from B&CE (“the ELC Scheme”). It is also the promotional and marketing arm of the Group, distributing any ‘re-badged’ products that B&CE offers in partnership with other financial services providers.



## Product Portfolio

### Holidays-with-Pay Scheme

The Holiday Pay scheme is offered to employers as part of B&CE's Employee Benefits Plan, which also includes EasyBuild, Employee Accident Cover from B&CE and Employee Life Cover from B&CE.

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

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

### EasyBuild

In April 2001, B & C E Insurance Limited launched EasyBuild, a stakeholder pension scheme for all those who work in the construction industry.

Contributions to EasyBuild can be paid by both employers and employees and the scheme can be used to contract out of the State Second Pension ("S2P"). Employers working within the CIJC Working Rule Agreement are expected to contribute a minimum of £5 per week for employees (excluding new starters who do not make their own contributions) and match employee's contributions up to £10 per week. Members of EasyBuild are charged a 0.6% annual management charge ("AMC") for policies with a fund value greater than £25,000, 0.8% with a fund value of between £5,000 and £25,000, and 0.95% otherwise.

### Death Benefit

Until September 2010, Death Benefit ("DB") was offered to employers as part of B&CE's Employee Benefits Plan. Contributions are no longer received but claims will continue to be paid until October 2015. This cover has since been replaced from October 2010 by Employee Life Cover from B&CE.

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

### Accident Benefit

Accident Benefit ("AB") was also replaced in October 2010 when Employee Accident Cover from B&CE was launched. Contributions are no longer received but claims will continue to be paid until October 2013.

The cover provides a tax-free lump sum (currently up to £17,500) to an employee if they are injured as a result of a qualifying accident whilst at work or travelling to or from work. Accidents which result in disablement from employment for one year or more are also covered.

### Lump Sum Retirement Benefit

Lump Sum Retirement Benefit ("LSRB") is an approved Occupational Pension Scheme, paying a one off tax free lump sum at the age of 65. The benefit is based on the individual's weeks of service with employers operating our scheme, which is multiplied by the retirement benefit rate (currently £7.85 per week of service).

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

## Product Portfolio (continued)

### Additional Voluntary Contributions

Additional Voluntary Contributions ("AVC") was launched in 1986 as a top up arrangement for the LSRB scheme. It was designed to give construction workers the opportunity to boost their retirement benefit by making their own regular contributions. It was available to all workers who, through their employer's contributions, were members of the LSRB scheme. The AVC arrangement closed to new contributions when EasyBuild was introduced.

### Employee Accident Cover from B&CE

In October 2010, B & C E Insurance Limited launched Employee Accident Cover from B&CE ("EAC") which replaced B&CE's existing AB Scheme. The product is one element of B&CE's Employee Benefits Plan and employers pay weekly premiums to provide cover to their staff.

Employees are covered for a range of injuries, providing up to £23,000 for accidents at work, or travelling to or from work. The product includes a number of improvements to the existing AB offering including increased benefit amounts for the majority of injuries and the introduction of cover for permanent disablement and loss of hearing.

### Employee Life Cover from B&CE

In October 2010 B&CE launched Employee Life Cover from B&CE ("ELC") which replaced the DB Scheme. The ELC Scheme is a death benefit only occupational pension scheme. Building and Civil Engineering Benefit Scheme Trustee Limited acts as corporate trustee to the Scheme and B & C E Financial Services Limited act as administrator and receives a fee for providing this service.

The product is one element of B&CE's Employee Benefits Plan and employers pay weekly premiums to provide cover for their staff. Like the DB Scheme, the cover provides a discretionary tax-free lump sum (currently up to £23,000) if an employee dies whilst covered under the Scheme. The product still includes cover whilst the employee is incapacitated or unemployed, and continues to be doubled if the death is the result of an accident at work. However unlike its predecessor, the new Scheme has certainty of payment (rather than being subject to financial dependency), and multiple levels of cover are available.

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

TUTMAN B&CE Contracted-out Pension Scheme ("BCECOPS") was launched in 1988 and offered to employed construction workers as an alternative to the S2P. This is a unit-linked personal pension plan that helps construction workers build up their funds to provide an income on retirement by contracting out of S2P. Under the Scheme a member elects to arrange for part of their and their employer's NI contributions to be paid into their own pension arrangement.

The product was previously called Building and Civil Engineering Contracted-out Pension Scheme when B & C E Financial Services Limited acted as Manager of the Scheme. It was renamed on 1 July 2010 when the Company retired as Manager and were replaced by TUTMAN who were appointed in its place.

B & C E Financial Services Limited receives a registrar fee in respect of this business.

### B&CE Annuity

In April 1997, B & C E Insurance Limited launched B&CE Compulsory Purchase Annuity ("CPA"). This enables B&CE to provide an annuity to those retiring from the construction industry. The majority of CPA business comes from individuals retiring with EasyBuild policies. A Protected Rights Annuity product ("PRA") was then launched in December 2008, which enables those retiring with BCECOPS funds to purchase an annuity with B&CE.

During the year the Company started referring annuity business to Partnership Life Assurance Company Limited ("Partnership") and it is therefore anticipated that the amount of new annuity business set up by B&CE will be minimal going forward.

### Partnership Annuities

In December 2010 B&CE started referring annuity business to Partnership, a specialist provider to those with health and medical conditions, in order for customers to benefit from improved annuity rates. Customers have access to enhanced rates by completing a one page medical questionnaire.

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

## Product Portfolio (continued)

### Employee Healthcare from B&CE

B&CE launched Employee Healthcare from B&CE ("Employee Healthcare") in February 2009. The product is operated in partnership with Westfield Health Limited ("Westfield"), a respected market leader in this type of business for 90 years.

The product provides cash benefits that enable employers to provide their employees protection against some everyday health costs such as dental treatment, eyecare, physiotherapy and osteopathy.

### RapidCash

The product is sold to individuals with different levels of cover available. It is a low cost injury insurance product designed specifically for the construction industry. Should an employee suffer a qualifying injury resulting in them not being able to work, they can receive payouts of up to £300 per week.

RapidCash was launched in 1997. RapidCash is not currently promoted but enquiries are still received from existing customers and employers.

### Term Assurance

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

The product is no longer sold 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 but there are a small number of policies remaining.

### The Building and Civil Engineering Charitable Trust

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

The objectives of the Trust are:

1. Education, training and research into occupational health and safety in the building and civil engineering industries
2. Education, training and retraining for operatives, past operatives and young persons and
3. Relief to beneficiaries who are in need by virtue of their poverty, sickness or distress.

## Chief Executive Officer's Review



Last year I said that we will move the focus of our activities from quantity to quality. Our plan was to shift our focus from new employers to existing employers and refocus our customer activities to ensure that they are at the heart of everything we do.

The Group's position at the end of 2010/11 is looking very positive and I am delighted to report that whilst continuing to provide exceptional standards of customer service we can celebrate some business successes, including:

- Introducing our initial phases of Employer Online Services
- Introducing new Accident and Life products for our industry
- Enhanced EasyBuild fund options and retirement glidepath
- Working with 'Partnership', our preferred supplier, to offer enhanced annuity rates to our customers

The outlook for next year and beyond is to ensure that EasyBuild is the pension choice for the construction industry. We also plan to expand the Group's product base to provide a more comprehensive offering to our customers.

EasyBuild in particular is key to B&CE's success going forward. We believe that the product will be well positioned to compete with NEST when auto-enrolment is implemented from 2012 and can generate new business and additional contributions as a result.

I am delighted to announce that we are able to give something back to the industry; we plan to introduce a 0% annual EasyBuild management charge for those actively employed in construction in their employers' first year of auto-enrolment. At the end of the 12 month period we envisage that the charge will be no more than 0.5%.

As well as the opportunities provided by pensions reform, we also face a number of challenges; these include the loss of the National insurance concession for the industry, the introduction of Solvency II, and the necessary changes to update EasyBuild. Work is already underway to tackle each of these but each is a major change to deal with and we will ensure that the organisation is resourced accordingly.

### Product

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

The Company's product portfolio has undergone some significant changes during the year. This includes enhancements to Easybuild and the introduction of the new accident and life offerings.

As the new world of auto-enrolment approaches we will be working with all of our customers to help them prepare for and deliver their obligations. We will continue to enhance and develop our product offering to seek to differentiate our approach based on employer size.

During the year we have also taken the decision to cease writing new annuity business. Going forward the B&CE will work with Partnership to offer enhanced annuities at a rate unique to B&CE. As a specialist provider to those with health and medical conditions we believe that this will provide an ideal customer solution.

We feel that the changes made have significantly enhanced our product offering we give our customers.

### Financial Stability

During 2010/11 the Group has improved income levels, restructured investment portfolios and continued work to seek operational efficiency and has experienced significant improvement in the value of the Group's investments. All of these actions have helped to put B&CE on the right financial footing to face the challenges ahead.

The financial stability of the Group has improved again during the year. Consolidated profit for the financial year totalled £15.5m and I am pleased to report that we continue to hold strong reserves and considerable headroom above the regulator's solvency levels.

### Exceptional Service

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

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

Brian Griffiths  
**Chief Executive Officer**  
11 August 2011

## Business Review

### Strategic Overview

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

- The Government's pensions reform strategy will be introduced which will compel all employers to offer employees membership of a pension scheme.
- The long standing National Insurance ("NI") concession on holiday pay for the construction industry will be finally withdrawn increasing costs for employers.

In the last 12 months there has been clarification of the requirements for employers following the independent review of automatic enrolment ("auto-enrolment"). Employers will be obliged to automatically enrol all eligible employees into a qualifying pension scheme. For those that participate in the scheme, minimum contribution levels will need to be made by both employer and employee. There will be a phased introduction between 2012 and 2017 with the UK's largest employers being required to auto-enrol earliest. Minimum contribution levels will start at 2% of qualifying earnings increasing to 8% by 2017.

B&CE aim to ensure that when auto-enrolment comes into force in October 2012, EasyBuild will be a qualifying pension scheme. It is anticipated that this will lead to improved levels of contributions into the stakeholder pension product.

### 2010/11 Strategy

B&CE's strategy is set at Group level and then filtered down to the subsidiary companies. The business plan for 2010/11 laid out the Group's directional strategy for the year. This included the following key aims:

- **Retention and growth of employer customers** – To deliver an effective and efficient employer retention strategy which secures long term relationships with existing customers and delivers further opportunities to provide products and services.

B&CE have continued to engage with employer customers across a number of activities including employer focussed pensions seminars, supporting employer federation activities, direct mailings and field personnel engagements. During the year a Key Relationship Management team was created with a sole focus on relationships with key customers, federations, unions and construction clients.

In addition the revisions to the core product range (EasyBuild, EAC and ELC), B&CE has increased the flexibility and appeal of the range facilitating greater effective engagement and potential for long term growth.

- **Establish new distribution opportunities** – To deliver effective distribution of product and services through our partnerships with third parties, in addition to leads generated from market intelligence analysis and customer contacts.

The organisation commenced a drive to establish a wider network of relationships designed to create greater links with wider construction and allied trade bodies. This will enable B&CE to establish new distribution routes for products and services going forward. This activity will continue during 2011/12 as B&CE seeks to increase the coverage of the schemes across all areas of construction.

- **Promote and grow EasyBuild** – To increase the level of individual contributors to EasyBuild by maintaining 27,000 contributing members, whilst enhancing the product features.

The year has seen further declines in the number of members making their own contributions into EasyBuild. Due to reprioritisation of EasyBuild enhancements project to February 2011 (from August 2010), the planned marketing campaigns and spend to increase the number of contributors were not undertaken.

## Business Review (continued)

### Strategic Overview (continued)

- **Achieve a financial return on activities** – To achieve a group operating profit, before reserving and tax of £3.1m.

Group operating profit has exceeded budget this year, largely as a result of improved income levels. Management charges received from BCECOPS and EasyBuild have improved as a result of equity growth within the funds. Meanwhile new income streams have been generated by the EAC and ELC products and referral process to Partnership.

- **Employer product offering** – To establish partnerships with providers/distributors so that we can offer products and services to meet our employer customers financial services needs.

During the year, the B&CE Group joined forces with Partnership which enables customers to have access to annuities at rates unique to B&CE.

### 2011/12 Strategy

The focus of the business plan for 2011/12 will be to:

- Maximise the opportunity to secure and expand EasyBuild.
- Accelerate expansion of the B&CE product base to provide a more comprehensive offering to Employers.

The Company 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 ensuring EasyBuild is the natural choice for the construction industry by 2012, it is envisaged that a significant proportion of the market share can be retained.

The ultimate objective is to ensure that EasyBuild is the workplace pension for the construction industry. EasyBuild is celebrating its 10<sup>th</sup> birthday in 2011 and activities have commenced to maximise the opportunity to promote this.

## Business Review (continued)

### Key Performance Indicators

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

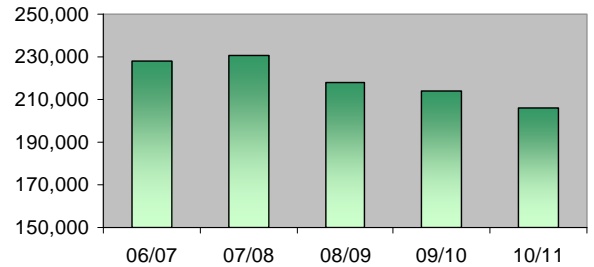
**205,849**

#### Active members using B&CE Benefits Plan

The number of individuals actively using the Employee Benefit Plan has decreased during the year to 205,849 (2010 – 213,871) as the industry continues to shed jobs.

See page 13 for more details.

Individuals using B&CE Benefits Plan



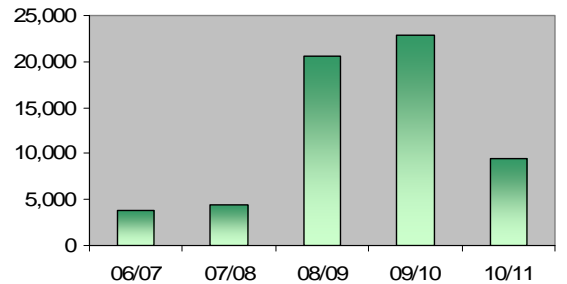
**9,409**

#### Individuals gained from New Business activities

The number of individuals gained from new business activities totalled 9,409 this year (2010 – 22,803). The reduction is reflective of the Group’s decision to change the focus of activity from new to existing business.

See page 13 for more details.

Individuals gained from New Business



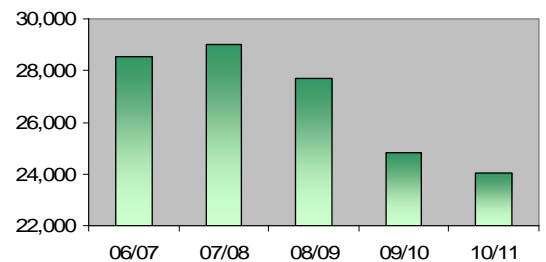
**24,022**

#### Number of individuals making their own EasyBuild contributions

The number of individuals making their own contributions to EasyBuild has decreased to 24,022 (2010 – 24,817) against a backdrop of increasing inflation and squeezes on individual’s discretionary spending.

See page 14 for more details.

Individuals making contributions



## Business Review (continued)

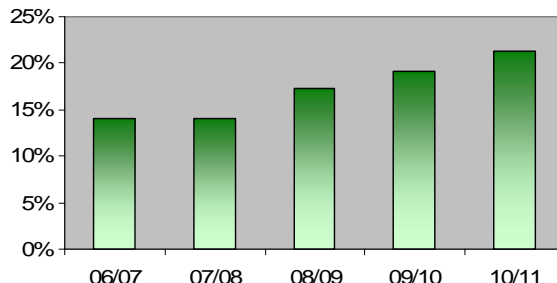
**21%**

### Percentage of active EasyBuild policies making their own contributions

The percentage of active policies where the individual makes their own contributions has continued to increase this year to 21% (2010 – 19%). Significant further increases are anticipated going forward following the introduction of automatic enrolment.

See page 14 for more details.

% of policies making their own contributions



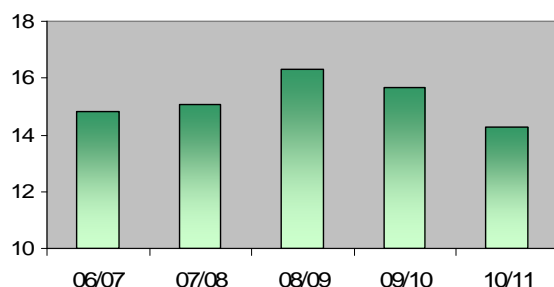
**£14.3m**

### Net Group operating expenses

Net operating expenses totalled £14.3m for the year (2010 – £15.6m) which is a 9% decrease. It should be noted that the and movements in long term Insurance provisions have been excluded from these figures.

See page 16 for more details.

Group Operating Expenses (£m)



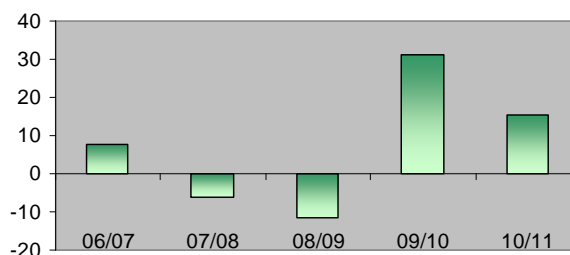
**£15.5m**

### Consolidated profit for the year

The Group profit for the year was £15.5 (2010 – £31.3m). The main variances compared to the previous year are as a result of unrealised investment gains.

See page 15 for more details.

Profit / (Loss) (£m)



## Business Review (continued)

### 2010/11 Performance Review

#### Economic Backdrop

The UK economy has had another year of slow recovery following the unprecedented economic conditions seen in 2008/09 brought about by the impact of the credit crunch. Since emerging from recession in the final quarter of 2009, quarterly growth has been modest. After four quarters of consecutive growth, 2010 ended with a surprising contraction of 0.5% in the final quarter, partly as a result of severe weather conditions. This was then recovered in the first quarter of 2011 when the economy grew by 0.5%.

The past twelve months has witnessed the levels of output in the construction sector increase at a modest pace. Growth peaked during the middle of 2010, assisted by the fact that it came off the back of a particularly low base as the industry suffered severe contraction during the recession. The sector was also continuing to benefit from stimulus measures introduced by the last Government at this stage. The industry contracted in the final quarter of 2010 is reported to have contracted further 2011. The outlook looks rather challenging. In particular, construction activity will almost certainly suffer as a result of the Government tightening fiscal policy which is likely to reduce public expenditure on building projects.

Another reason for caution is the outlook for house building. The general outlook for the year ahead is one of caution amongst construction companies and employment levels are continuing to fall. Having said that there are some companies that have reported positive results in recent months so there is cause for a degree of optimism.

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

#### Employee Benefits Plan

The core product offering continues to be the Employee Benefits Plan comprising Holiday Pay, stakeholder pensions, accident and life cover. EAC and ELC were launched during the year which brought the old offerings up to date.

In total there are 5,184 employer groups operating B&CE schemes to provide benefits for their employees (2010 – 5,459). The number of individuals covered by the Employee Benefits Plan decreased by 4% during the year to a total of 205,849 (2010 – 213,871). This reflects the downturn in the construction industry and the wider economy in general. However, this trend was somewhat countered by new business activities which continued to add significant numbers of individuals to the scheme in 2010/11. Over the 12 months, over 9,000 individuals were gained from new business activities.

#### EasyBuild

A major focus of the long term strategy is the industry wide stakeholder pension, EasyBuild. The product is currently celebrating its 10<sup>th</sup> birthday and has become a key part of the Group's activities and is the largest stakeholder pension scheme in the UK. The fact that employers will be obliged to automatically enrol employees in a qualifying pension scheme from 2012 is an opportunity for the product to grow further and attract significantly improved levels of contributions going forward (see page 9 for further details).

Currently, contribution levels are set for the industry by the CIJC Working Rule Agreement. Employers operating under these rules contribute a minimum of £5 per week for existing employers and match up to £10 for employees who make their own contributions. Contributions for new employees are only necessary where the individual is prepared to make their own pension contributions.

The rules were last changed in June 2008; prior to this the minimum weekly contribution was £3 (with matching up to £10) and there was no differentiation between the treatment of new and existing employees. This has had a significant effect on contribution behaviour. It was anticipated that, over the long term, these changes should improve the reserving requirements and ease pressure on reserves.

## Business Review (continued)

### 2010/11 Performance Review (continued)

The total number of EasyBuild policies has remained largely flat during the year with the number of new policies being set up remaining relatively low. There are now a total 503,282 EasyBuild policies (2010 – 503,071), of which 112,562 are currently receiving contributions (2010 – 129,865). The low levels of new policies, and the fall in active policies, is largely due to the CIJC rule change in 2008. Employers are no longer expected to make contributions for their new starters (unless they contribute themselves) so, as expected, far fewer policies have been set up. This has been the key factor in the 13% reduction in active policies.

The number of individuals making their own contributions to EasyBuild has decreased during the year. Approximately 24,000 are now making contributions themselves (2010 – 24,800) which is a 3% decrease over the year. The fall is partly a consequence of the overall fall in individuals in B&CE's schemes. It is also likely that the continued subdued performance of the economy has meant that saving for pensions is not generally a priority for individuals.

As a result of the fall in active policies, total contributions into EasyBuild have fallen to £59.2m in 2010/11 (2010 – £66.5m). Increasing the number of individuals making their own contributions will be a major focus in the Group's future strategy in order to reverse this trend. The auto-enrolment arrangements post 2012 will be key to improving contribution levels.

#### **Annuities**

B&CE Annuity continued to be very popular with those retiring from the construction industry during the year. Premium receipts totalled £13.4m (2010 – £24.6m) from a total of 3,065 policies (2010 – 4,897). However, the levels of new business have reduced following the launch of a new referral process between B&CE and Partnership; since December 2010 B&CE has referred business to Partnership where customers can benefit from enhanced annuities at a unique rate negotiated by B&CE. The amount of new annuity premium receipts are therefore expected to be minimal going forward.

#### **Accident and Life Cover**

The Company introduced EAC and ELC in October 2010 as replacements for the AB and DB Schemes. The products were created to satisfy the requirements of the CIJC and were successfully launched with the vast majority of individuals in the old scheme converting to the new scheme. There are currently 198,027 individuals receiving cover under the scheme which is 96% of the number of individuals in the Employee Benefits Plan as a whole.

## Business Review (continued)

### Financial Review

Last year's financial performance was dominated by investment gains as global economies recovered from volatility witnessed during the credit crunch. While investment growth has been more modest during the last 12 months, there have been further sustained improvements. Global equities have again performed positively with the FTSE 100 growing by 4% (2010 – 45%) despite fears that they would struggle following the exceptional gains seen last year. Bonds have also provided good returns as corporate balance sheets recovered and credit risk reversed direction, as well as falling Government yields as central banks kept interest rates at low levels. The Bank of England maintained interest rates at historic low levels of 0.5% which has had an adverse impact on income levels from cash investments for the Group.

### Key Developments

B&CE's priorities coming into 2010/11 were to continue the financial strategy changes started in recent years to help place the organisation on a strong financial footing in order to face the challenges ahead. In response the following actions have been taken during the year:

- B & C E Financial Services Limited receives a fee equivalent to £0.12 per individual covered per week in respect of the administration that it carries out on behalf of the ELC scheme. The fee totalled £0.5m in during the year.
- Sold assets realising £38.9m from the Company's investment portfolio in order to ensure there are sufficient liquid assets to meet the Company's operational outgoings including the withdrawal by employers of their holiday pay funds following the end of the NI concession.
- Lowered the Group cost base to £10.2m in 2010/11 (2010 – £10.7m), excluding reorganisation costs and subsidies.
- B&CE started referring new annuity business to Partnership in order to improve the rates offered to customers. This has also led to a reduction in the amount of capital strain on B & C E Insurance Limited and created a commission stream for B & C E Financial Services Limited.
- Continued various efficiency projects including getting employer customers online and software enhancements to speed up the delivery of products and services.

These changes have ensured the Group is in a sound position to move forward. The priorities for the coming year are to build upon the changes made in 2010/11 and look for new opportunities, to improve product income streams across the Group.

### Consolidated Profit

The consolidated profit for the year before interest, taxation, and investments gains and losses was £14.6m (2010 – £4.8m gain). Some of the key drivers in this result are as follows:

- Management fees totalled £6.4m for the year (2010 – £6.2m). This total is made up of the following elements:

Management Fee	Income	Reason for variance
BCECOPS income	£1.8m (2010 – £2.1m)	Change of Management to TUTMAN in June 2010. The fall in income is more than offset by the reduction in cost and net income was therefore in excess of the prior year.
RB Administration Fee	£3.5m (2010 – £3.3m)	Improved investment values
DB Administration Fee	£0.5m (2010 – £0.9m)	Closure of the DB to new contributions in October 2010
ELC Administration Fee	£0.5m (2010 – nil)	Launch of ELC in October 2010
Employer Administration Charge	£0.1m (2010 – £0.0)	Increase in number of employers being charged

## Business Review (continued)

### Financial Review (continued)

- Net operating expenses (excluding movements in Long Term Insurance provisions) have decreased to £14.3m (2010 – £15.6m). The reduction is partly as a result of a provision in the previous year for a bad debt when the Director's decided that an unsecured loan of £0.5m to CBH was unlikely to be repaid. The reduction is also as a result of investment management fees no longer being paid following the transfer of the BCECOPS management to TUTMAN.
- EasyBuild fees received have increased, totalling £5.5m for the year (2010 – £4.3m). This is as a result of the unit price of the fund increasing as equity markets have continued to enjoy a sustained recovery during 2010/11. The introduction of the 0.95% charging tier in late 2009/10 also helped to increase income.
- Annuity premium receipts totalled £13.4m for the year (2010 – £24.6m) as discussed on page 14. This was largely offset by the annuity reserve increasing by £8.2m (2010 – £27.0m). The increase in reserving is as a result of new business written during the year but was somewhat offset by certain changes to the actuarial assumptions used in the valuation. The most significant of these was a change in mortality assumption which was weakened given the actual experience observed in recent years. This particular change had the impact of reducing the reserve by £2.9m.
- During the year a data omission was identified in the calculation of the prior year annuity reserve. The problem was corrected during the year and increased the annuity reserve by £0.6m. It was deemed that the data omission was not large enough to warrant a restatement of the prior year figures.
- The EasyBuild reserve decreased by £0.8m (2010 – £2.4m). The main reason for the decrease is due to the reduction in the per policy expense assumption reflecting cost savings made in previous years. The impact of this assumption change was to reduce the reserve by £1.4m. This decrease was somewhat offset by a change in methodology to build into the valuation the planned decrease in AMC (see page 21) which increased the reserve by £0.9m.
- Two new income streams were introduced during the year. Commission received from business referred to Partnership generated £0.2m and contributions from the new EAC product totalled £0.5m for the year.
- Investment Income totalled £8.7m (2010 – £8.5m) broken down as follows:

Investment Type	Income
Bonds	£6.5m (2010 – £6.2)
Preference Shares	£0.8m (2010 – £0.9)
Gilts	£0.8m (2010 – £0.5)
OEICS	£0.5m (2010 – £0.9)

- Income from short term deposits totalled £0.3m (2010 – £0.2m) as interest rates remained at a record low throughout the year. These have increased as a result of holding much larger cash balances and making use of fixed interest term notice accounts to maximise earnings from interest.

Once taxation and realised and unrealised investment gains/losses are included, the total profit for the financial year is £15.5m (2010 – £31.3m). Other than those already discussed above, the key variances are as follows:

- Investments have continued to perform well during 2010/11. This is reflected in unrealised gains totalling £2.2m for the year (2010 – £34.7m) and realised gains of £3.0m (2010 – £0.1m loss).
- The investment gains are somewhat offset by a taxation charge for the year totalling £4.4m (2010 – £8.0m).

## Business Review (continued)

### Principal Risks and Uncertainties

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

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

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

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

- **Credit Risk**

B & C E Insurance Limited has two reinsurance arrangements in place. These arrangements expose B & C E Insurance Limited to the risk that the reinsurers will be unable to pay amounts in full when due. The Company actively monitors this risk on behalf of the Group by reviewing their credit rating against other reinsurers in the market.

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

- **Liquidity Risk**

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

The announcement of the withdrawal of the National Insurance concession has increased the risk that potentially all customer Holiday Pay funds will need to be liquidated in 2012. The Group recognises this as a key risk to liquidity, given the current financial climate, and has revised its investment strategy. As a result investments have been sold during the past 12 months and the Holiday Pay liability is now backed entirely by cash.

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

- **Interest Rate Risk**

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

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

## Board of Directors

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



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



**Gerry Lean** FCIPD  
Employer Representative  
Nominated by: UK Contractors Group (UKCG)  
(Resigned 2 March 2011)



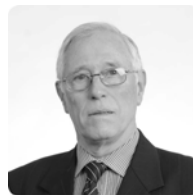
**James O'Callaghan** BE, MSc, C.Eng, FICE, FCIWEM, FIHT  
Employer Representative  
Nominated by: Civil Engineering Contractors Association (CECA)



**Stephen Terrell** MCIOB  
Employer Representative  
Nominated by: National Federation of Builders (NFB)



**Harry Frew**  
Industrial Employee Representative  
Representative - Scotland Regional Secretary: UCATT



**David Smith** MCIPD  
Employer Representative  
Nominated by: Scottish Building Federation (SB)



**John Spanswick** CBE, FCIQB  
Employer Representative  
Nominated by: UK Contractors Group (UKCG)  
(Appointed 2 March 2011)



**George Wilmshurst**  
Industrial Employee Representative  
(Resigned 5 November 2010)



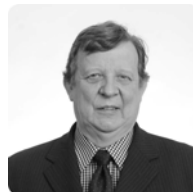
**Stephen Murphy**  
Industrial Employee Representative  
Midlands Regional Secretary: UCATT



**Bob Blackman** MBE, MIOSH  
Industrial Employee Representative:  
Representing Unite the Union



**Alan Ritchie**  
Industrial Employee Representative  
Representing UCATT



**Phil Davies**  
Industrial Employee Representative  
National Secretary: GMB



**Geoff Lister** FCIQB  
Employer Representative  
Nominated by: Federation of Master Builders (FMB)



**John Allott**  
Industrial Employee Representative  
National Officer for Construction: Unite the Union  
(Appointed 5 November 2010)



**Peter Rogerson** OBE  
Employer Representative  
Nominated by: National Specialist Contractors Council (NSCC)

## Senior Management Team and Advisers



**Brian Griffiths FCA**  
Chief Executive Officer



**Patrick Heath-Lay FCCA**  
Director of Finance and Customer Development



**Jamie Fiveash FCCA**  
Director of Customer Solutions



**Christine Webb**  
Director of Human Resources and Business Services

### **Company secretary and registered office**

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

### **Independent auditors**

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

### **Bankers**

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

### **Solicitors**

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

## Directors' Report

The Directors present their 69th Annual Report and the audited Financial Statements of the Group for the year ended 31 March 2011. The activities of the two subsidiaries are material to the Group and therefore Group financial statements have been prepared. A separate set of financial statements has been prepared for Building and Civil Engineering Benefits Scheme, Building and Civil Engineering Accident Benefit Scheme and Employee Life Cover Plan from B&CE.

### Results

The consolidated profit and loss account for the year is set out on page 27.

### Directors

The Directors during the year and up to the 11 August 2011 are listed on page 18. There were four Board meetings during the year and the average attendance by non executive Directors was 85%. The Chairman attended all the meetings.

<b>Name</b>	<b>Main Board</b>
Sir John Chilcott GCB, MA	4/4
John Allott	2/2
James O'Callaghan BE,MSc.C.Eng, FICE, FCIWEM, FIHT	2/4
Gerry Lean FCIPD	3/3
Stephen Terrell MCIQB	4/4
Harry Frew	3/4
David Smith MCIPD	4/4
Peter Rogerson OBE	3/4
George Wilmshurst	3/3
Stephen Murphy	4/4
Bob Blackman MBE, MIOSH	4/4
Alan Ritchie	3/4
Phil Davies	2/4
Geoff Lister FCIOB	3/4

George Wilmshurst retired from his role as Director on 5 November 2010 and was replaced by John Allott on the same date. Gerry Lean resigned from his role as Director on 2 March 2011 and was replaced by John Spanswick CBE on the same date.

Stephen Murphy is due to retire at the Annual General Meeting. He has been nominated for re-appointment by UCATT.

### Directors' and Officers' Liability Insurance

Qualifying third party indemnity provisions (as defined in Section 234 (2) of the Companies Act 2006) are in force for the benefit of the Directors.

### Corporate Governance

Corporate Governance is of great importance to B&CE which 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. During the year a review of the effectiveness of the Board as whole and the Directors was conducted based on detailed questionnaires and individual interviews, with the results being considered by the Company Secretary who then presented the results to the Board. It was agreed that this process would continue on a bi-annual basis with the review being carried out by external consultants every fourth year. An agreed set of actions would be implemented throughout the coming year.

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

All Directors have access to the services of the Company Secretary who ensures that corporate governance processes and best practice are followed, that there are good flows of information within and to the Board and its sub-committees and assists with induction and development of the Board as required.

## Directors' Report (continued)

### Health and Safety Policy

The Group recognises its responsibility to its staff, visitors and contractors to provide and maintain safe and healthy working conditions, equipment and systems of work and to provide such information, instruction, training and supervision as 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.

### Taxation Status

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

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

### Future Developments

The immediate focus of the Company's activities will be on EasyBuild in the lead up to the introduction of auto-enrolment. One of the key changes which is planned is a change to the current charging structure when auto-enrolment comes into force. It is anticipated that the AMC for those actively employed in the construction industry will not exceed 0.5%, with no charge in the first year of auto-enrolment.

Another key focus for the Company is to continue the work that has already commenced to ensure that it can meet the requirements set under the new Solvency II regime, due to commence in January 2013. This work will include reviews and projections focussing on the Group's likely capital position going forward. In particular, consideration is being given to whether the existing annuity product should continue to be operated in its current form. The Company has been investigating options including reinsurance and Part VII transfer in order to reduce the capital burden on the Group.

Another key development in the market place is the Financial Services Authority ("FSA") Retail Distribution Review which aims to improve clarity for people who are looking to invest their money, raise their professional standards of advisers and reduce the conflict of interests which is found in remuneration for adviser's services.

The main proposals do not directly affect B&CE since it operates on a non advisory basis. However, B&CE recognise that it is important to remain aware of what is happening in the market place to ensure that the organisation remains competitive and able to look for opportunities to provide added benefit services to customers and to those firms that are providing advice and information to the market place.

The volume of change within the business is likely to remain very high for the foreseeable future. In particular, making the necessary changes to EasyBuild and preparing for the new Solvency II regime provide real challenges. It will be key to ensure B&CE has adequate resources to fulfil its plans and as such it is quite possible that costs will increase as a result.

### Creditor Payment Terms

All creditors continue to be paid at the latest at the end of the month following receipt of the invoice. Some creditors are paid under special mutually agreed terms.

## Directors' Report (continued)

### Charitable Donations

During the financial year the Company contributed £200,000 (2010 – £200,000) to the Building and Civil Engineering Charitable Trust. Donations for other charitable purposes totalled £1,127 (2010 – £1,435).

### Political Donations

There were no donations to political parties during the year (2010 – Nil).

### Employees

At the year end the Company had 126 employees (2010 – 123). B&CE recognises that it is the organisation's people who make the difference between good service and great service and B&CE as a Company have an excellent reputation for exceptional service.

### Organisation Development

This year our focus has been to engage with management teams and employees to develop an organisation ready to face the forthcoming challenges and opportunities brought about by new pensions reform and its legislation that undoubtedly will have an impact on our business. The implementation of our Customer Strategy included a review of the current structures and this has led to the creation of two new functions, being; Customer Development and Customer Solutions. The role of the new functions is to ensure that we are better positioned to provide our customers with a first class, hassle free service and our product offerings are aligned to our customers' needs and expectations. The profile of our Corporate Social Responsibility agenda has been raised within the organisation and this is being progressed together with our Green Business agenda that aims to reduce the impact our business activities has on the environment.

### Communication

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

### Learning and Development

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

### Business Ethics and Values

The Company keeps standards of business conduct at the front of its mind in its day-to-day work in part by encouraging employees to live the B&CE brand values of being uncomplicated, compassionate, bold, honest, innovative, dependable and intelligent.

### Diversity and Equality

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

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

## Directors' Report (continued)

### Customers

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

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

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

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

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

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

### Statement of Internal Control

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

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

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

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

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

The Group Audit and Risk Committee consists of four non executive Directors. The Minutes of the Group Audit and Risk Committee meetings are circulated to the Directors and Risk Management is included as an agenda item at all Board meetings. Committee meetings were held on 5 July, 5 August and 4 November 2010 and 2 March 2011.

The Board, through the Group Audit and Risk Committee, has reviewed the Internal Audit Section's reports on the Group's systems of internal controls for the year ending 31 March 2011, and no significant weaknesses have been reported.

## Directors' Report (continued)

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

### Statement of Disclosure of Information to Auditors

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

### Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

### Auditor Objectivity

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

By Order of the Board,

C E Milton  
**Group Company Secretary**  
11 August 2011

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

We have audited the group and parent company financial statements (the "financial statements") of Building and Civil Engineering Holidays Scheme Management Limited for the year ended 31 March 2011 which comprise the Consolidated Profit and Loss Account, the Group and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Note of Consolidated Historical Cost Profits and Losses, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Respective responsibilities of directors and auditors

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

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

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

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

11 August 2011

## Consolidated Profit and Loss Account for the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Turnover	3	36,216	45,662
Net movement in investment activities	3	5,183	34,660
Enhanced retirement benefits		-	(1)
Net operating expenses	4	(21,667)	(40,854)
Profit before interest and taxation	5	19,732	39,467
Other finance income	19	160	(106)
Profit before taxation		19,892	39,361
Tax charge	8	(4,424)	(8,034)
Profit for the financial year	17	15,468	31,327

Notes:

All of the Group's financial activities are continuing.

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

## Statement of Consolidated Total Recognised Gains and Losses for the financial year ended 31 March 2011

	Note	2011 £000	2010 £000
Profit for the year		15,468	31,327
Unrealised (loss)/gain on fixed asset investments		(133)	1,243
Actuarial gain/(loss) on pension scheme	19	3,909	(5,875)
Prior year deferred tax on pension deficit	15	-	39
Movement in deferred tax relating to pension deficit	15	(391)	255
Total gain recognised since last annual report		18,853	26,989

## Note of Consolidated Historical Cost Profits and Losses for the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Reported profit before taxation		19,892	39,361
Unrealised gain on current asset investments	3	(2,194)	(34,750)
Historical cost profit before taxation		17,698	4,611
Historical cost profit/(loss) for the year after taxation		13,274	(3,423)

## Balance Sheets at 31 March 2011

		GROUP		COMPANY	
	Notes	2011 £000	2010 £000	2011 £000	2010 £000
<b>Benefit Schemes administration</b>					
<b>Fixed assets</b>					
Tangible assets	10	3,263	3,338	3,263	3,338
Investments	11	5,955	10,713	-	6,002
Investment in subsidiary undertakings	12	-	-	60,050	60,050
		<u>9,218</u>	<u>14,051</u>	<u>63,313</u>	<u>69,390</u>
<b>Current assets</b>					
Debtors	13	3,651	1,597	3,997	1,505
Investments	11	90,106	84,747	89,705	83,567
Cash at bank and in hand		585	825	535	501
		<u>94,342</u>	<u>87,169</u>	<u>94,237</u>	<u>85,573</u>
<b>General and Long Term Insurance</b>					
Tangible assets	10	11	-		
Investments	11	142,934	130,462		
Assets held to cover linked liabilities	11	1,049	1,063		
Reinsurers share of technical provisions		693,217	617,214		
Debtors and prepayments	13	4,382	4,105		
Cash at bank and in hand		83	102		
		<u>841,676</u>	<u>752,946</u>		
<b>Total assets</b>		<u>945,236</u>	<u>854,166</u>	<u>157,550</u>	<u>154,963</u>
<b>Benefit Schemes administration</b>					
<b>Creditors:-</b> Amounts falling due within one year	14	72,050	72,937	71,937	72,284
<b>General and Long Term Insurance</b>					
Long Term Business provision	16	90,438	83,031		
Technical provision for linked liabilities		694,250	618,262		
Provision for other risks	15	234	644		
<b>Creditors:-</b> Amounts falling due within one year	14	2,839	5,958		
<b>Total liabilities</b>		<u>859,811</u>	<u>780,832</u>	<u>71,937</u>	<u>72,284</u>
<b>Net assets excluding pension surplus/(deficit)</b>		<u>85,425</u>	<u>73,334</u>	<u>85,613</u>	<u>82,679</u>
<b>Pension surplus/(deficit)</b>	19	2,118	(4,644)	2,118	(4,644)
<b>Net assets including pension surplus/(deficit)</b>		<u>87,543</u>	<u>68,690</u>	<u>87,731</u>	<u>78,035</u>



## Consolidated Cash Flow Statement for the year ended 31 March 2011

	2011		2010	
	£000	£000	£000	£000
<b>Net cash inflow/(outflow) from operating activities</b>		<b>2,034</b>		(5,499)
<b>Taxation</b>		<b>(4,753)</b>		(1,463)
<b>Capital expenditure and financial investment (Note A)</b>		<b>4,750</b>		17,546
		<u>2,031</u>		<u>10,584</u>
<b>Management of liquid resources (Note A)</b>		<b>32,841</b>		(3,790)
<b>Increase in cash</b>		<u><b>34,872</b></u>		<u>6,794</u>
<b>Reconciliation of net cash flow to movement in net funds (Note B)</b>				
<b>Increase in cash in the period</b>		<b>34,872</b>		6,794
Net (decrease)/increase in liquid resources		<b>(32,841)</b>		3,790
Realised profit on sale of current asset investments	<b>1,843</b>		338	
(Increase)/decrease in unrealised loss on current asset investments	<b>(933)</b>		9,917	
		<u>910</u>		<u>10,255</u>
Change in net funds		<u>2,941</u>		<u>20,839</u>
<b>Net funds at the start of the year</b>		<b>88,746</b>		67,907
<b>Net funds at the end of the year</b>		<u><b>91,687</b></u>		<u>88,746</u>
<b>Reconciliation of gain before interest and taxation to net cash flow from operating activities</b>				
Profit before interest and taxation (see note below)		<b>10,859</b>		27,468
Depreciation charges		<b>290</b>		265
Gain on sale of fixed asset investments		<b>(1,116)</b>		(7,310)
Realised and unrealised increase in unrealised gain on Insurance Business investment assets		<b>(1,942)</b>		(6,297)
(Gain)/loss on sale of tangible assets		<b>(2)</b>		11
Profit on sale of current asset investments		<b>(1,843)</b>		(338)
Increase/(decrease) in unrealised loss on current asset investments		<b>933</b>		(9,917)
Difference between pension charge and cash contributions		<b>(3,084)</b>		(1,445)
(Increase)/decrease in debtors		<b>(2,043)</b>		595
Decrease in creditors		<b>(18)</b>		(8,531)
<b>Net cash inflow/(outflow) from operating activities</b>		<u><b>2,034</b></u>		<u>(5,499)</u>

Note:

In accordance with FRS1 (revised) the gain before taxation above excludes the Long Term Insurance profit before taxation of £8.872m (2010 – £11.999m).

## Notes to the Consolidated Cash Flow Statement

### Note A - Gross cash flows

	2011 £000	2010 £000
<b>Capital expenditure and financial investment</b>		
Payments to acquire fixed asset investments	(1,285)	(103)
Payments to acquire Insurance Business investment assets	(2,465)	(983)
Payments to acquire tangible fixed assets	(216)	(121)
Receipts from sales of fixed asset investments	7,027	18,753
Receipts from sales of Insurance Business investment assets	1,687	-
Receipts from tangible fixed assets	2	-
	<u>4,750</u>	<u>17,546</u>
<b>Management of liquid resources</b>		
Purchase of gilts and euro bonds	(877)	(9,933)
Sale of gilts and euro bonds	33,718	6,143
	<u>32,841</u>	<u>(3,790)</u>

### Note B - Analysis of changes in net cash

	1 April 2010 £000	Cash flows £000	Other £000	31 March 2011 £000
Cash in hand and at bank				
- Benefits Scheme Administration	825	(240)	-	585
Insurance Business	103	(20)	-	83
Bank deposits repayable on demand				
- Benefits Scheme Administration	32,481	37,290	-	69,771
Insurance Business	3,071	(2,158)	-	913
	<u>36,480</u>	<u>34,872</u>	<u>-</u>	<u>71,352</u>
Liquid resources				
Current asset investments	52,266	(32,841)	910	20,335
Total	<u>88,746</u>	<u>2,031</u>	<u>910</u>	<u>91,687</u>

Other changes of £0.91m comprises the realised gain and the unrealised movement in market values between the year end dates on current asset investments.

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

### Analysed in balance sheet

Insurance Business – Bank deposits	6,445	5,824
Less Long Term Insurance Business – Bank deposit	(3,374)	(4,911)
	<u>3,071</u>	<u>913</u>

## Notes to the Financial Statements

### 1. Principal accounting policies

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

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

#### **Basis of consolidation**

The Group financial statements consolidate the results on the adopted acquisition accounting basis of the Company and the two trading subsidiaries. Uniform accounting policies have been applied across the Group. Inter company transactions are eliminated on consolidation.

#### **Investments**

Investment assets, quoted shares and other securities are recorded at market value which is bid price or where investments are dealt at a single price this value is used.

The realised profit or loss on investment disposals is recognised in the consolidated profit and loss account under net movement in investment activities. The unrealised profit or loss on current asset investments and B & C E Insurance Limited investment assets are recognised in the consolidated profit and loss account under net movement in investment activities. Unrealised profits on fixed asset investments are recognised in the statement of consolidated total recognised gains and losses, and create an investment revaluation reserve on the balance sheet. Unrealised losses on fixed asset investments are recognised in the consolidated profit and loss account under net movement in investment activities unless previously recognised unrealised gains are held in the investment revaluation reserve in which case the unrealised loss reduces or eliminates the unrealised gains and is recognised in the statement of consolidated total recognised gains and losses.

Investments held as current assets are stated at market value.

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

#### **Accrued income**

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

## Notes to the Financial Statements (continued)

### 1. Principal accounting policies (continued)

#### Acquisition costs

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

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

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

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

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

#### Long Term Business provision

The Long Term Business provision is computed by a Fellow of the Institute of Actuaries, on the basis of recognised actuarial methods with due regard to the actuarial principles set out in Council Directive 2002/83/EC. The valuation basis adopted reflects the value of related assets and the yield derived therefrom, together with a prudent assessment of future rates of return on new monies receivable as income from existing business (premiums and investment income). The principal assumptions underlying the calculation of the Long Term Business provision are set out in note 16.

#### Long Term Business reinsurance contracts

Long Term Business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, investment, persistency and expenses. Such contracts are accounted for as insurance contracts (Note 21).

#### Operating leases

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

#### Tangible fixed assets and depreciation

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

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

	%			%
Land	0	Premises	- Building	3
Office Furniture	10		- Plant and machinery	10
Motor Vehicles	20	Office Machinery	- Computer Equipment	33.3
			- Office Equipment	20

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

#### Turnover

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

## Notes to the Financial Statements (continued)

### 1. Principal accounting policies (continued)

#### Net movement on investment activities

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

#### Defined benefit scheme

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

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

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

#### Value added tax

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

#### Deferred taxation

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

#### Holiday with pay scheme

The receipt and reimbursement of holiday pay has not been included in the consolidated profit and loss account as these movements do not affect the financial results for the year. However the unredeemed balances of holiday pay are contained in creditors see note 14.

#### Financial instruments

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

#### Operating expenses

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

### 2. Status of company

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



## Notes to the Financial Statements (continued)

4. Net operating expenses	GROUP			
	2011 £000	2010 £000		
Benefits schemes administration – other	3,277	7,354		
Insurance business – other	10,998	8,295		
	<u>14,275</u>	<u>15,649</u>		
Insurance business - provision	7,392	25,205		
	<u>21,667</u>	<u>40,854</u>		
5. Loss before interest and taxation	GROUP		COMPANY	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>Loss before interest and taxation is stated after charging:</b>				
Employee costs (Note 6)	4,370	6,224	4,060	5,728
Directors' remuneration (Note 7)	252	132	214	76
Operating lease charges				
- other (Note 23)	143	133	143	133
Depreciation (Note 10)	278	272	277	265
Loss on sale of tangible fixed assets	-	-	-	-
<b>Auditors services</b>				
Fees payable to the Group's auditors for the audit of the Group	87	53	44	31
<b>Non-audit services</b>				
<b>Fees payable to the Group's auditors and its associates for other services</b>				
Other services pursuant to legislation, including the audit of the regulatory return (see note (a) below)	52	42	-	1
Tax services	16	40	-	28
Advisory services	7	-	7	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

## Notes to the Financial Statements (continued)

6. Employee information	GROUP		COMPANY	
	2011 £000	2010 £000	2011 £000	2010 £000
Staff costs during the year amounted to:-				
Salaries and wages	3,888	3,897	3,667	3,567
Social security	433	361	410	325
Staff Pension Scheme costs (Note 19)	(1,275)	489	(1,309)	390
Mortgage subsidies	-	-	-	-
Payments on leaving employment	74	227	74	227
Staff Pension Scheme deficit repair contribution	1,250	1,250	1,219	1,219
	<u>4,370</u>	<u>6,224</u>	<u>4,060</u>	<u>5,728</u>

Staff Pension Scheme costs above are the actuarial FRS17 'Retirement benefits' cost, the actual contributions amounted to £0.590m (2010 – £0.684m).

The average monthly number of staff employed by the Group during the year was:-	Number	Number	Number	Number
	135	138	121	128
Management	4	5	4	4
Clerical	128	128	114	119
Manual/Services	3	5	3	5
	<u>135</u>	<u>138</u>	<u>121</u>	<u>128</u>

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

7. Directors' remuneration	GROUP		COMPANY	
	2011 £000	2010 £000	2011 £000	2010 £000
Aggregate emoluments	184	132	65	76
	<u>184</u>	<u>132</u>	<u>65</u>	<u>76</u>

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

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

## Notes to the Financial Statements (continued)

8. Taxation	GROUP	
	2011 £000	2010 £000
UK corporation tax on gains for the year	1,987	4,893
UK corporation tax on Long Term Insurance Business	2,871	3,491
Provision for loan bad debt	-	(140)
Adjustment in respect of previous periods	(24)	(2)
Total current tax charge	<u>4,834</u>	<u>8,242</u>
Deferred tax (including credit attributable to Long Term Insurance Business)	(410)	(208)
Total tax charge	<u>4,424</u>	<u>8,034</u>

The tax assessed for the year is lower (2010 – lower) than the standard rate of corporation tax in the UK of 28%. The differences are explained below:

Profit on ordinary activities before tax	19,892	39,361
Profit on ordinary activities multiplied by standard rate in the UK 28% (2010 – 28%)	5,570	11,021
Effect of:		
Non allowable expenses	(213)	422
Net franked investment income	(269)	(366)
Net difference between taxable capital gains and book gains on equity investments	13	(2,054)
Adjustment in respect of previous periods	(24)	(2)
Differences in respect of Long Term Business taxation	410	208
Other differences	(653)	(987)
Current tax charge for the period	<u>4,834</u>	<u>8,242</u>

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

### Deferred taxation

A deferred tax liability of £234,000 (2010 – £644,000) has been recognised in respect of differences between the tax base and the accounting base of reserves in the Long Term Fund.

A deferred tax liability of £Nil (2010 – £Nil) has been recognised in respect of investments of the Insurance Company Long Term Fund and a deferred tax asset of £Nil (2010 – £Nil) in respect of Long Term Business losses. Deferred tax assets in respect of Long Term Insurance Business management expenses of £161,000 (2010 – £158,000) have not been recognised as it is uncertain whether these losses can be utilised in the future. There are no deferred tax assets or liabilities in relation to the Insurance Business shareholder's fund (non-technical account). A deferred tax asset of £322,000 (2010 – £259,000) on timing differences on market value of investments held by B & C E Financial Services Limited has not been recognised as these will not be sold in the foreseeable future.

### Factors affecting future tax changes

The main rate of UK corporation tax is 28% in 2011 (2010 – 28%). The March 2011 Budget announced a reduction in the main corporation tax rate to 26% from 1 April 2011 and a further 1% for each subsequent year for the next three years to 23% by April 2014. Deferred tax has been provided at 26%

### 9. Loss for the financial year

As prescribed by Section 230 of the Companies Act 2006, the Parent Company's profit and loss account has not been included in these financial statements. The Parent Company's profit for the financial year was £6,800,423 (2010 – £16,533,278).

## Notes to the Financial Statements (continued)

10. Tangible fixed assets	Freehold Land and Premises	Office Furniture	Office Machinery	Motor Vehicles	Total
	£000	£000	£000	£000	£000
<b>Group and Company Cost</b>					
At 1 April 2010	5,986	519	1,535	66	<b>8,105</b>
Additions	-	10	197	8	215
Disposals	-	-	-	(13)	(13)
<b>At 31 March 2011</b>	<b>5,986</b>	<b>528</b>	<b>1,732</b>	<b>61</b>	<b>8,307</b>
<b>Accumulated depreciation</b>					
At 1 April 2010	2,916	492	1,301	58	4,767
Charge for the year	128	6	148	8	290
Disposals	-	-	-	(13)	(13)
<b>At 31 March 2011</b>	<b>3,044</b>	<b>498</b>	<b>1,449</b>	<b>53</b>	<b>5,044</b>
<b>Net Book Value</b>					
<b>At 31 March 2011</b>	<b>2,942</b>	<b>30</b>	<b>283</b>	<b>8</b>	<b>3,263</b>
At 31 March 2010	3,069	27	234	8	3,338
<b>General and Long Term Insurance Business Cost</b>					
At 1 April 2010			273		<b>273</b>
Additions			12		12
<b>At 31 March 2011</b>			<b>285</b>		<b>285</b>
<b>Accumulated depreciation</b>					
At 1 April 2010			273		<b>273</b>
Charge for the year			1		1
<b>At 31 March 2011</b>			<b>274</b>		<b>274</b>
<b>Net Book Value</b>					
<b>At 31 March 2011</b>			<b>11</b>		<b>11</b>
At 31 March 2010			Nil		Nil

## Notes to the Financial Statements (continued)

### 11. Investments

#### Fixed assets

	GROUP		COMPANY	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>Listed investments</b>				
At 1 April	10,713	20,810	6,002	17,407
Additions	1,285	103	-	103
Disposals	(7,027)	(18,753)	(6,541)	(18,753)
Realised profit on disposals	1,126	5,449	1,162	5,449
Realised movement in revaluation reserve	(363)	(5,274)	(363)	(5,274)
Revaluation (loss)/profit transfer to revaluation reserve (Note 17)	(133)	1,243	(623)	281
Impairment of investments to profit and loss account	354	7,135	363	6,789
<b>Market value at 31 March</b>	<b>5,955</b>	<b>10,713</b>	<b>-</b>	<b>6,002</b>

#### Listed investments include the following:

Eurobonds	1,258	504	-	-
Listed equities – UK	-	490	-	490
Listed equity open ended investment companies – UK	4,697	9,719	-	5,512
<b>Market value at 31 March</b>	<b>5,955</b>	<b>10,713</b>	<b>-</b>	<b>6,002</b>

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

#### Listed investments

Eurobonds	1,285	521	-	-
Listed equities – UK	150	569	150	569
Listed equity open ended investment companies – UK	3,238	8,562	-	5,324
<b>Cost at 31 March</b>	<b>4,673</b>	<b>9,652</b>	<b>150</b>	<b>5,893</b>

#### Current assets

Listed investments	20,335	52,266	20,335	52,266
Bank deposits	69,771	32,481	69,370	31,301
<b>Market value at 31 March</b>	<b>90,106</b>	<b>84,747</b>	<b>89,705</b>	<b>83,567</b>

Listed investments	22,136	53,134	22,136	53,134
Bank deposits	69,771	32,481	69,370	31,301
<b>Cost at 31 March</b>	<b>91,907</b>	<b>85,615</b>	<b>91,506</b>	<b>84,435</b>

## Notes to the Financial Statements (continued)

### 11. Investments (continued)

#### General and Long Term Insurance Business

	2011 £000	2010 £000
Open Ended Investment Companies	30,232	28,215
UK Government Gilts and Eurobonds	106,878	95,802
Bank deposits	5,824	6,445
<b>Market value at 31 March</b>	<b>142,934</b>	<b>130,462</b>
Open Ended Investment Companies	25,375	26,147
UK Government Gilts and Eurobonds	107,064	96,008
Bank deposits	5,824	6,445
<b>Cost at 31 March</b>	<b>138,263</b>	<b>128,600</b>

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

### 12. Investment in subsidiary undertakings

	GROUP		COMPANY	
	2011 £000	2010 £000	2011 £000	2010 £000
Shares in Group undertakings at cost	-	-	60,050	60,050

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

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

### 13. Debtors

	GROUP		COMPANY	
	2011 £000	2010 £000	2011 £000	2010 £000
Debtor for Investment Sales	2,360	-	2,360	-
Amounts owed by Group undertakings	-	-	717	124
Other debtors	649	286	300	81
Accrued income	175	906	153	895
Prepayments	354	405	354	405
Corporation Tax	113	-	113	-
	<b>3,651</b>	<b>1,597</b>	<b>3,997</b>	<b>1,505</b>

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

## Notes to the Financial Statements (continued)

### 13. Debtors (continued)

#### Debtors – General and Long Term Insurance Business

	2011 £000	2010 £000
Accrued income	2,219	2,157
Prepayments	21	20
Other debtors	2,142	1,928
	<u>4,382</u>	<u>4,105</u>

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

	GROUP		COMPANY	
	2011 £000	2010 £000	2011 £000	2010 £000
Client money	-	315	-	-
Unredeemed balances of:				
holiday pay	69,636	69,022	69,636	69,022
Corporation Tax	87	1,270	-	1,153
Other taxation and social security contributions	277	309	270	288
Other creditors	1,783	1,504	1,783	1,477
Accruals	267	517	248	331
Amounts owed to Group undertakings	-	-	-	13
	<u>72,050</u>	<u>72,937</u>	<u>71,937</u>	<u>72,284</u>

There were no amounts owing by the Company to B & C E Insurance Limited at the year end (2010 – £13k in respect of prepaid overhead recharges).

#### Creditors - General and Long Term Insurance Business

	2011 £000	2010 £000
Corporation tax	2,049	5,461
Other taxation and social security contributions	129	101
Other creditors	471	172
Accruals	190	224
	<u>2,839</u>	<u>5,958</u>

### 15. Provision for liabilities

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

	GROUP		COMPANY	
	2011 £000	2010 £000	2011 £000	2010 £000
1 April	294	-	294	-
Deferred tax charged to the statement of total recognised gains and losses:				
on prior year actuarial loss	-	39	-	39
on actuarial loss	(391)	255	(391)	255
31 March	<u>(97)</u>	<u>294</u>	<u>(97)</u>	<u>294</u>

## Notes to the Financial Statements (continued)

### 15. Provision for liabilities (continued)

#### General and Long Term Insurance Business

	2011 £000	2010 £000
Deferred tax provision 1 April	644	852
Credited to consolidated profit and loss account	(410)	(208)
31 March	<u>234</u>	<u>644</u>

### 16. Long Term Business provision

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

	2011 £000	2010 £000
Linked business sterling reserve	9,000	9,787
Annuities	81,221	73,027
Term Assurance: gross provisions	217	217
	<u>90,438</u>	<u>83,031</u>
Term Assurance: reinsurer's share	(15)	(15)
	<u>90,423</u>	<u>83,016</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	2011	2010
	<b>Mortality</b>	
Immediate pensions annuities	120% PNMA00U=2011 <sup>(2)</sup> for males, 120% PNFA00U=2011 <sup>(2)</sup> for females	105% PNMA00U=2010 <sup>(2)</sup> for males, 105% PNFA00U=2010 <sup>(2)</sup> for females
Unit linked Stakeholder pensions	80% AM/F92(2) ult	80% AM/F92(2) ult
	<b>Interest rate (% pa)</b>	
Immediate pensions annuities	3.90 <sup>(1)</sup>	4.00 <sup>(1)</sup>
Unit linked Stakeholder pensions	3.20 <sup>(1)</sup>	3.50 <sup>(1)</sup>
	<b>Unit growth rate (% pa)</b>	
Immediate pensions annuities	n/a	n/a
Unit linked Stakeholder pensions	4.20	4.50

1. In both the 2011 & 2010 valuations, a deduction of 0.40% pa is made from the valuation interest rates to allow for investment related expenses. The rates shown above are net of this deduction.

2. Allowance is made for future mortality improvements in accordance with the long cohort improvement factors from the Continuous Mortality Investigation Bureau. In both the 2011 & 2010 valuations, future male and female improvement factors are subject to a minimum of 1.5% pa.

## Notes to the Financial Statements (continued)

### 16. Long Term Business provision (continued)

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

Stakeholder pension policies have been valued as regular premium where future premiums are reasonably predictable. A prudent assumption has been made in respect of the rate at which premiums cease on such policies. In 2011 and 2010 this was 35% for policies without an employee contribution and 15% for policies with an employee contribution.

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

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

INSPRU1.2.54A allows firms to separate expenses into attributable and non-attributable expenses. The attributable expenses are used to derive the per policy expense. For the 2011 valuation, the per policy expense for Stakeholder pensions policies is £2.70 pa, (£3.00 pa in 2010) 25% lower for current dormant policies (unchanged from 2010) and £22.00 pa (£25.00 pa in 2010) for immediate pensions annuities. Non-unit fund related investment expenses are allowed for through a reduction in the valuation interest rates. For 2011 and 2010, the reduction is 0.40% pa. Expenses are assumed to inflate at 4.50% pa (4.70% in 2010). If expenses were assumed to be higher, the long-term business provision would increase.

### 17. Reserves

	<b>GROUP</b>	<b>COMPANY</b>
	<b>£000</b>	<b>£000</b>
<b>Revenue reserves</b>		
At 1 April 2010	<b>67,098</b>	<b>77,412</b>
Profit for the financial year	<b>15,468</b>	<b>6,801</b>
Actuarial gains on pension scheme	<b>3,909</b>	<b>3,909</b>
Movement on deferred tax relating to pension scheme	<b>(391)</b>	<b>(391)</b>
<b>At 31 March 2011</b>	<b>86,084</b>	<b>87,731</b>
<b>Revenue reserve excluding pension surplus</b>	<b>82,566</b>	<b>84,213</b>
<b>Investment revaluation reserve</b>		
At 1 April 2010	<b>1,592</b>	<b>623</b>
Movement for the year	<b>(133)</b>	<b>(623)</b>
<b>At 31 March 2011</b>	<b>1,459</b>	<b>-</b>

## Notes to the Financial Statements (continued)

### 18. Related party transactions

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

Industrial Organisation	Charge for Year		Balance outstanding	
	2011 £	2010 £	2011 £	2010 £
Construction Confederation	-	282,769	-	-
UCATT	<b>125,477</b>	136,093	<b>33,000</b>	36,773
Unite the Union T & G Section	<b>103,864</b>	111,028	<b>27,000</b>	28,886
GMB	<b>28,697</b>	31,546	<b>7,500</b>	8,178
UK Contractors Group	<b>17,719</b>	4,406	-	4,406
Civil Engineering Contractors Association	<b>17,719</b>	4,406	<b>4,500</b>	4,406
Scottish Building Federation	<b>17,719</b>	4,406	-	4,406
National Federation of Builders	<b>17,719</b>	4,406	<b>4,500</b>	4,406
National Specialist Contractors Council	<b>17,719</b>	4,406	<b>4,500</b>	4,406
Federation of Master Builders	<b>17,719</b>	4,406	<b>4,500</b>	4,406

On 7 December 2009, at the Board meeting it was announced that on 8 December 2009 the Construction Confederation would cease to participate in the Schemes due to their impending dissolution. The Board agreed that the following employer federations would replace the Construction Confederation and each of them will be responsible for nominating an employer Director representative; the UK Contractors Group, the Civil Engineering Contractors Association, the Scottish Building Federation, the National Federation of Builders, the National Specialist Contractors Council and the Federation of Master Builders. UCATT appointed two Directors Unite the Union T & G Section two and GMB one. Fees of £8,000 per annum plus value added tax were payable for each Director provided up to 31 December 2009.

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

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

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

### 19. Pension commitments

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

## Notes to the Financial Statements (continued)

### 19. Pension commitments (continued)

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

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

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

The participating employer contribution rates since 1 May 2008 have been 19.6% of pensionable salary for all members plus top-up contributions of 11.96% of eligible senior executive members' pensionable salary.

After taking actuarial advice and subsequent to a period of consultation with the members, the Company and the Pension Scheme Trustees agreed to change the future benefit provisions of the Pension Scheme from 1 April 2010. The main changes are; to the annual accrual rate of pension from 60ths to 80ths of pensionable salary, members' contribution rates from 7.5% or 5% to a single rate of 6.3% of pensionable salary, contracting back into the State Second Pension, and the introduction of an element of salary being classed as non pensionable.

The latest triennial actuarial valuation of the Pension Scheme, using the projected unit method, performed by the professionally qualified appointed Pension Scheme actuary took place on 31 December 2010 the preliminary results show a reduction in the deficit position from £4.4m at 31 December 2007 to £2.5m a funding level of 94% of liabilities (2007 – 89%).

The participating employers will continue to pay additional contributions into the Pension Scheme at a rate of £1.25m per annum paid monthly until 31 January 2013 when it is expected to eliminate the Pension Scheme funding shortfall, provided the actuarial assumptions are borne out.

The estimated solvency level or cost of securing members' benefits should the Pension Scheme be wound up on the valuation date calculated by the Pension Scheme actuary was 79% or a shortfall of £11.1m (2007 – 84%, shortfall £6.9m).

The Company estimates the employer contributions into the Pension Scheme for the year ended 31 March 2012 to be £1.865m.

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

	<b>31 March 2011</b>	31 March 2010	31 March 2009
	<b>% p.a.</b>	% p.a.	% p.a.
Discount rate	<b>5.5</b>	5.5	7.1
Rate of increase in salaries	<b>3.6</b>	5.05	4.9
Price inflation	<b>3.6</b>	3.8	3.7
Pension increases			
on pension accrued before 1 January 1995	<b>3.0</b>	3.0	3.0
on pension accrued between 1 January 1995 and 31 March 2006	<b>3.6</b>	3.8	3.7
on pension accrued since 1 April 2006	<b>2.5</b>	2.5	2.5

## Notes to the Financial Statements (continued)

### 19. Pension commitments (continued)

A reduction in the net discount rate (i.e. the difference between the discount rate and the assumed rate of inflation) will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude. The overall effect of a change in the net discount rate for the Pension Scheme of 0.1% would be an increase/decrease to the liabilities of around 2.0% or £0.9m.

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

The effect of changing the assumption regarding life expectancy by one year longer than the disclosed table, would be to increase the assessed value of liabilities by around 2.2% or £1.0m.

	Male	Female
Average future life expectancy in years at age 68 of a pensioner currently aged 68	20.09	22.07
Average future life expectancy in years at age 60 for a non-pensioner currently aged 45	29.46	31.39
Average future life expectancy in years at age 45 for a non-pensioner currently aged 45	43.59	45.73

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

	Long Term rate of return expected at 31/03/11	Value at 31/03/11	Long Term rate of return expected at 31/03/10	Value at 31/03/10	Long Term rate of return expected at 31/03/09	Value at 31/03/09
	% p.a.	£000	% p.a.	£000	% p.a.	£000
Equities	7.3	23,657	7.5	22,534	7.2	17,512
Corporate bonds	5.5	11,004	5.5	9,189	7.1	6,615
Property	6.3	913	6.5	864	6.2	839
Government bonds	4.3	6,922	4.5	6,477	4.2	4,406
Other	4.3	-	4.5	60	4.2	262
Cash	4.3	56	4.5	26	4.2	67
Total assets		<u>42,552</u>		<u>39,150</u>		<u>29,701</u>
Present value of Pension Scheme liabilities		<u>(40,337)</u>		<u>(44,088)</u>		<u>(30,103)</u>
Surplus/(deficit) in Pension Scheme		<u>2,215</u>		<u>(4,938)</u>		<u>(402)</u>
Related deferred tax (liability)/asset		<u>(97)</u>		<u>294</u>		<u>-</u>
Net Pension Scheme asset/ (liability)		<u><u>2,118</u></u>		<u><u>(4,644)</u></u>		<u><u>(402)</u></u>

## Notes to the Financial Statements (continued)

### 19. Pension commitments (continued)

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

In previous years the Company has set the expected return on equities with regard to prevailing gilt yields. As at 31 March 2010 the assumed return of 7.5% p.a. was 3.0% p.a. above the 15 year index gilt yield of 4.5% p.a. Long dated gilt yields have since increased by 20 basis points to 4.3% looking at the over 15 year duration. The Company has therefore set an expected return on equity assumption of 7.3% p.a. and set the expected return on assets assumptions for other asset classes at 31 March 2011 using the same market indicators as before. Therefore the expected return on assets assumptions as at March 2011 are as follows:

Equities: Fixed interest gilts (over 15 year index yield) +3.0% p.a.  
= 7.3% p.a. (7.5% p.a. at 31 March 2010)

Property: Fixed interest gilts (over 15 year index yield) +2.0% p.a.  
= 6.3% p.a. (6.5% p.a. at 31 March 2010)

Corporate bonds The FRS17 discount rate derived as above  
= 5.5% p.a. (5.5% p.a. at 31 March 2010)

Gilts Fixed interest gilts (over 15 year index yield)  
= 4.3% p.a. (4.5% p.a. at 31 March 2010)

Cash: Over the Long Term, assumed to be in line with fixed interest gilts  
= 4.3% p.a. (4.5% p.a. at 31 March 2010)

#### Actual return on assets

The actual return on assets over the year to 31 March 2011 was £0.268m and based on the split of assets at 31 March 2011 the expected return on assets over the year to 31 March 2012 is 6.32%.

	2011 £000	2010 £000
<b>Analysis of profit and loss charge:</b>		
<b>Analysis of the amount charged to operating profit</b>		
Current service cost	(557)	(489)
Past service cost	1,801	-
<b>Total operating charge</b>	<b>1,244</b>	<b>(489)</b>
<b>Analysis of the amounts credited to other finance income</b>		
Expected return on Pension Scheme assets	2,565	1,997
Interest on Pension Scheme liabilities	(2,405)	(2,103)
<b>Net return</b>	<b>160</b>	<b>(106)</b>
<b>Net profit and loss charge</b>	<b>(1,404)</b>	<b>(595)</b>

## Notes to the Financial Statements (continued)

### 19. Pension commitments (continued)

	2011 £000	2010 £000
<b>Analysis of amounts recognised in STRGL:</b>		
Actual return less expected return on Pension Scheme assets	268	6,968
Actuarial gain/(loss) on Pension Scheme liabilities	3,641	(12,843)
<b>Actuarial gain/(loss) recognised in STRGL</b>	<b>3,909</b>	<b>(5,875)</b>
<b>Cumulative actuarial (loss) recognised in STRGL</b>	<b>(1,929)</b>	<b>(5,837)</b>

#### Reconciliation of present value of Pension Scheme liabilities:

1 April	44,088	30,103
Current service cost	557	489
Interest cost	2,405	2,103
Contributions paid by members	188	245
Actuarial (gain)/loss	(3,641)	12,843
Past service costs	(1,801)	-
Benefits paid	(1,459)	(1,695)
<b>31 March</b>	<b>40,337</b>	<b>44,088</b>

#### Reconciliation of fair value of Pension Scheme assets:

1 April	39,150	29,701
Expected return on Pension Scheme assets	2,565	1,997
Contributions paid by members	188	245
Contributions paid by the employer	1,840	1,934
Actuarial loss	268	6,968
Benefits paid	(1,459)	(1,695)
<b>31 March</b>	<b>42,552</b>	<b>39,150</b>

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
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#### History of experience gains and losses:

Fair value of Pension Scheme assets	42,552	39,150	29,701	34,034	34,255
Present value of Pension Scheme liabilities	(40,337)	(44,088)	(30,103)	(29,436)	(36,381)
Surplus/(deficit)	2,215	(4,938)	(402)	4,598	(2,126)
Actuarial return less expected return on Pension Scheme assets:					
Amount	268	6,968	(7,646)	(3,336)	(630)
Percentage of Pension Scheme assets	0.6%	17.8%	(25.7)%	(9.8)%	(1.8)%
Experience gain on Pension Scheme liabilities:					
Amount	2,391	-	-	1,593	-
Percentage of Pension Scheme liabilities	5.9%	0.0%	0.0%	5.4%	0.0%
Actuarial gain/(loss) on Pension Scheme Liabilities:					
Amount	3,641	(12,843)	748	8,365	2,323
Percentage of Pension Scheme liabilities	9.0%	(29.1)%	2.5%	28.4%	6.4%

## Notes to the Financial Statements (continued)

### 19. Pension commitments (continued)

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

### 20. Contingent liabilities

#### Building and Civil Engineering Accident Benefit Scheme

The Company has undertaken to provide financial support, as and when required, to the Building and Civil Engineering Accident Benefit Scheme. There was no liability as at 31 March 2011 (2010 – £Nil).

#### Building and Civil Engineering Benefits Scheme

The Board of Directors periodically review the financing of the death benefits paid under the Building and Civil Engineering Benefits Scheme and determine the level of financial support based on the Company's resources. There was no liability as at 31 March 2011 (2010 – £Nil).

#### The Building and Civil Engineering Charitable Trust

The Board of Directors has agreed to donate up to £1.5m to The Building and Civil Engineering Charitable Trust to fund the charity's activities. At the year end £1,439,102 in total had been transferred to the Trust. On 5 November 2010 the Board of Directors gave an undertaking to the Trust that financial support will be provided to meet future grants.

### 21. Reinsurance arrangements

Reinsurance arrangements are in force as follows:

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

### 22. FRS27 'Life Assurance'

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

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

#### Restrictions on available capital resources

The available capital of B & C E Insurance Limited and B & C E Financial Services Limited is subject to certain restrictions as to its availability to meet capital requirements. In particular for B & C E Insurance Limited, no transfers from the Long Term Fund can take place without an up to date actuarial valuation.

The unrestricted Group capital held within reserves is generally available to meet any other requirements including meeting the requirements of the life business. However apart from the unrestricted capital of £22.955m (2010 – £20.967m) of B & C E Insurance Limited any transfers of unrestricted capital from other Group companies would be subject to a tax charge. The Directors of each Company therefore do not consider the unrestricted capital to be available to meet requirements of other parts of the Group. It remains the intention of management to ensure that there is adequate capital to exceed the Group's regulatory requirements. The Group also takes account of the Individual Capital Assessment which considers certain business risks not reflected in the statutory bases.

## Notes to the Financial Statements (continued)

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

The Group's total available capital resources are £85.127m (2010 – £64.310m) of which £52.767m (2010 – £43.381m) is held by B & C E Insurance Limited and £5.642m (2010 – £3.441m) is held by B & C E Financial Services Limited. The capital held by the insurance and financial services businesses is constrained by regulatory requirements. This means it may not be possible for the capital to be used to provide funding for other Group businesses.

	<b>Total Life Business Reserves</b>	<b>Other activities</b>	<b>Group Total</b>	<b>Total Life Business Reserves</b>	<b>Restated Other activities</b>	<b>Restated Group Total</b>
	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total Reserves	<b>30,508</b>	<b>57,035</b>	<b>87,543</b>	24,097	44,593	68,690
Adjustments onto Regulatory basis:						
Adjustment to assets	-	-	-	-	-	-
Other adjustments	<b>(666)</b>	<b>(1,750)</b>	<b>(2,416)</b>	(1,656)	(2,724)	(4,380)
<b>Total available Capital resources</b>	<b>29,842</b>	<b>55,285</b>	<b>85,127</b>	22,441	41,869	64,310

#### Liability analysis

	<b>2011 £000</b>	<b>Total Life business 2010 £000</b>
Unit-linked Annuities	<b>8,053</b>	9,787
Term Assurance: gross provision	<b>81,221</b>	73,027
	<b>217</b>	217
	<b>90,438</b>	83,031
Term Assurance: reinsurer's share	<b>(15)</b>	(15)
<b>Technical provisions in balance sheet</b>	<b>90,423</b>	83,016

#### Capital management

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

The Company's objectives in managing its capital are:

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

B & C E Insurance Limited is required to hold sufficient capital to meet the FSA's capital requirements. Management intends to maintain surplus capital in excess of the minimum solvency requirement, determined in accordance with FSA regulations, to absorb changes in both capital and capital requirements. At 31 March 2011, the available capital within the Long Term Fund was 276% (2010 – 215%) of the capital requirement of £10.8m (2010 – £10.4m).

## Notes to the Financial Statements (continued)

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

#### Movement in capital resources

	2011 £m	2010 £m
Balance as at 1 April	22.4	14.1
Impact of data changes	(0.6)	-
Effect of investment variations	3.4	13.5
Effect of annuity assumption changes	3.7	(4.3)
New business for annuities <sup>(1)</sup>	(0.9)	0.2
EasyBuild charges received	5.5	4.3
Effect of expenses (administration, claims and acquisition)	(2.3)	(3.6)
Change in EasyBuild non-unit reserve <sup>(2)</sup>	0.8	2.4
Term Assurance expense reserve	-	(0.2)
Corporation tax	(1.6)	(3.5)
Other	(0.6)	(0.5)
<b>Balance at 31 March</b>	<b>29.8</b>	<b>22.4</b>

#### Notes:

1. Excess of annuities single premiums over reserve set up for new business on 2009 basis.
2. Includes allowance for EasyBuild assumption changes and reserves established for new business.

#### Capital resource sensitivities

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

The most significant sensitivities arise from the following risks:

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

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

## Notes to the Financial Statements (continued)

### 23. Financial commitments

At 31 March 2011 the Group had annual commitments under non-cancellable operating leases for motor vehicle and plant and machinery assets expiring as follows:

	GROUP		COMPANY	
	2011 £000	2010 £000	2011 £000	2010 £000
Within one year	131	85	131	85
Within two to five years	124	9	124	9
After five years	16	-	16	-
	<u>271</u>	<u>94</u>	<u>271</u>	<u>94</u>
	=====	=====	=====	=====



## 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 £1.8 billion and provides financial benefits to more than 205,000 operatives on behalf of over 6,300 construction employers.

B&CE's current product offering includes a workplace pension, employee accident cover, employee life cover, employee healthcare and holiday pay. B&CE's workplace pension EasyBuild is a Group Stakeholder Pensions Scheme. Designed for the construction industry it is the largest in the UK with over 500,000 members and £690 million under management.

The above information is correct as at end March 2011.

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