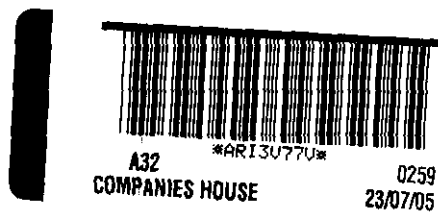


**NHBC BUILDING CONTROL SERVICES
LIMITED**

DIRECTORS' REPORT AND ACCOUNTS
for the year ended
31 MARCH 2005
Registered No. 1952969



NHBC BUILDING CONTROL SERVICES LIMITED**REPORT OF THE DIRECTORS
for the year ended 31 March 2005**

The directors present their report and accounts for the year ended 31 March 2005.

ACTIVITIES

The principal activity of the Company is that of inspecting buildings for Building Regulation purposes.

DIRECTORS

The members of the Board, all of whom served for the entire year unless stated, were:

M. Freshney	(Chairman)
I. Farookhi	
R. MacEachrane	
N.C. Smith	(resigned 21 st October 2004)
A. McCarthy	
E. Chandler	
C. Cole	

No director holds the beneficial interest of any shares in the Company.

REVIEW OF THE YEAR

House building remained buoyant in England and Wales which resulted in our strongest year on record for building control registration volumes. Homes completed during the year increased by 4.5% over the numbers seen in 2003/04. A pre-tax profit of £767k (2004: £740k) was achieved in the year. There were no dividends payable in the year (2004: nil) and, after allowing for corporation tax, shareholders funds have increased to £6,179k (2004: £5,642k). Growth in our building control service to the commercial sector continued and generated £924k turnover in the financial year 2004/05 (2004: £650k).

OUTLOOK

The slow down in the housing market is anticipated to result in slightly lower registration volumes in 2005/06. The company will strive to increase take up of NHBC building control services still further. This, together with a drive to increase revenue from the commercial sector and the continuing emphasis on containing costs, building on core competencies and satisfying customer needs, gives directors confidence that the company will trade profitably for the foreseeable future.

DIVIDENDS

The directors do not recommend payment of a dividend for the year (2004: nil).

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

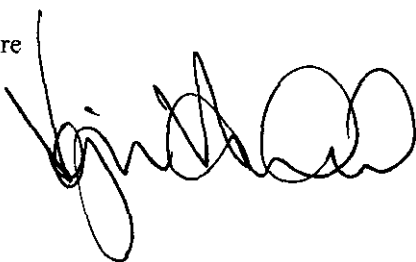
AUDITORS

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

By Order of the Board

Buildmark House
Chiltern Avenue
Amersham
Buckinghamshire

V Newbold
Secretary
5 July 2005

A handwritten signature in black ink, appearing to be 'V Newbold', written over a horizontal line.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NHBC BUILDING CONTROL SERVICES LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared in accordance with the accounting policies set out in the notes to the financial statements.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

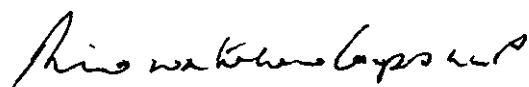
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 2005 and the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
5 July 2005

NHBC BUILDING CONTROL SERVICES LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 MARCH 2005

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
		£	£
Turnover	1(c)	13,025,340	12,165,555
Administrative expenses		(12,626,336)	(11,693,282)
Operating profit		399,004	472,273
Interest receivable from group undertakings		368,371	268,000
Profit on ordinary activities before taxation	2	767,375	740,273
Tax on profit on ordinary activities	3	(230,213)	(222,082)
Profit for the financial year		537,162	518,191
Profit and loss account balance brought forward		5,642,182	5,123,991
Profit and loss account balance carried forward		6,179,344	5,642,182

The Company had no gains or losses other than those which are reported in the profit and loss account and accordingly no statement of total recognised gains and losses is presented.

The results above are all derived from continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year, stated above, and their historical cost equivalents.

The notes on pages 6 to 8 form part of these financial statements

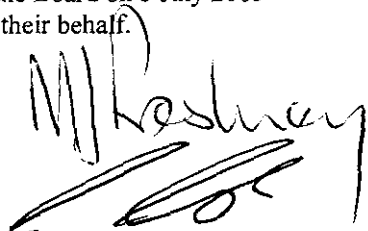
NHBC BUILDING CONTROL SERVICES LIMITED**BALANCE SHEET AS AT 31 MARCH 2005**

	<u>Notes</u>	<u>2005</u> £	<u>2004</u> £
CURRENT ASSETS			
Trade Debtors		147,790	98,712
Amounts owed by group undertakings		8,749,982	8,067,847
Cash at bank and in hand		25,647	5,088
		<hr/>	<hr/>
		8,923,419	8,171,647
CREDITORS (amounts falling due within one year)			
	4	(380,754)	(410,433)
Accruals and Deferred Income	5	(2,363,221)	(2,118,932)
		<hr/>	<hr/>
		(2,743,975)	(2,529,365)
NET CURRENT ASSETS		<hr/> 6,179,444	<hr/> 5,642,282
CAPITAL AND RESERVES			
Called up share capital	6	100	100
Profit and loss account		6,179,344	5,642,182
		<hr/>	<hr/>
TOTAL SHAREHOLDERS' FUNDS	7	<hr/> 6,179,444	<hr/> 5,642,282

Approved by the Board on 5 July 2005
and signed on their behalf.

Director

Director



NHBC BUILDING CONTROL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 MARCH 2005**

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Company's financial statements.

(a) Accounting convention

These financial statements have been prepared under the historical cost convention and according to the accruals concept.

(b) Cash flow

NHBC Building Control Services Limited is a wholly owned subsidiary undertaking of the National House-Building Council. The cash flows of the Company are included in the consolidated group cash flow statement of the holding company. Consequently the Company is exempt under the terms of FRS 1 (revised) from publishing a cash flow statement.

(c) Turnover

Turnover represents the inspection fees receivable in the period less that portion set aside to be released on completion of inspection of the relevant dwellings, together with the appropriate release of fees set aside in previous years. In the balance sheet inspection fees in advance represent the deferred element of inspection fees received. The amounts so deferred are recognised as turnover when inspection is completed.

(d) Taxation

UK Corporation Tax is provided at the rate applicable to the profits for the year.

NHBC BUILDING CONTROL SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 MARCH 2005
(continued)****2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<u>2005</u> £	<u>2004</u> £
Profit is stated after charging:		
Directors' emoluments (see note 10)	70,014	70,229
Auditors' remuneration	5,000	5,000

There were no fees payable to the auditors for non-audit purposes in the year (2004: nil).

3. TAXATION

	<u>2005</u> £	<u>2004</u> £
UK Corporation Tax at 30% (2004: 30%)	230,213	222,082

There is no current tax reconciliation as the effective rate of tax is 30% and there are no reconciling items.

There is no deferred tax provision at 31 March 2004 and 31 March 2005.

4. CREDITORS (AMOUNTS DUE WITHIN ONE YEAR)

	<u>2005</u> £	<u>2004</u> £
UK Corporation Tax	230,213	222,082
VAT	150,541	188,351
	<hr/> 380,754 <hr/>	<hr/> 410,433 <hr/>

5. ACCRUALS AND DEFERRED INCOME

	<u>2005</u> £	<u>2004</u> £
Accruals	13,425	16,606
Inspection fees in advance (deferred income)	2,349,796	2,102,326
	<hr/> 2,363,221 <hr/>	<hr/> 2,118,932 <hr/>

6. CALLED UP SHARE CAPITAL

	<u>2005</u> £	<u>2004</u> £
100 Ordinary shares of £1:		
Authorised, allotted and fully paid	100	100

NHBC BUILDING CONTROL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 MARCH 2005**

7. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2005</u> £	<u>2004</u> £
Balance at 1 April	5,642,282	5,124,092
Retained profit for the year	537,162	518,190
	<hr/>	<hr/>
Balance at 31 March	<u>6,179,444</u>	<u>5,642,282</u>

8. ULTIMATE PARENT COMPANY

The National House-Building Council, a company limited by guarantee and registered in England, is the Company's ultimate parent company. Copies of the financial statements of the National House-Building Council can be obtained from The Secretary, NHBC, Buildmark House, Chiltern Avenue, Amersham, Bucks HP6 5AP.

9. EMPLOYEE INFORMATION

There were no direct employees of the Company during the year (2004: nil). The salary costs incurred in the year relate to employees of the National House-Building Council which makes a recharge to the Company in respect of their services.

10. INFORMATION REGARDING DIRECTORS

	<u>2005</u> £	<u>2004</u> £
Aggregate emoluments	70,014	70,229

Three directors (2004: 3 directors) who served during the year were employees of the National House-Building Council which makes a recharge to the Company in respect of their services. The amount of this recharge is included in the table above as aggregate emoluments. During the year, in respect of their service with the parent company, retirement benefits under a defined benefit scheme accrued to two directors (2004: 2 directors) and under a money purchase pension scheme to one director (2004: 1 director). The amount of contributions made under a money purchase scheme in respect of the director's service to the Company totalled £1,813 (2004: £1,760). Included within aggregate emoluments above is £19,014 payable to third parties for director's services (2004: £25,859).

11. RELATED PARTY TRANSACTIONS

As consolidated accounts are publicly available the Company has taken advantage of the exemption in FRS8 from the requirement to disclose transactions with related parties who are 90% or more owned within the same group.