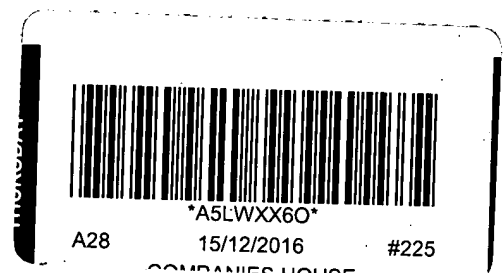


**NHBC Building Control Services Limited**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2016**



# **NHBC Building Control Services Limited**

## **Financial Statements**

**Year ended 31 March 2016**

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# NHBC Building Control Services Limited

## Strategic Report *(continued)*

Year ended 31 March 2016

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### Who we are and what we do

NHBC Building Control Services Limited ("BCS") is the largest single building control body throughout England and Wales with over 30 years of experience. BCS provides building control on residential, mixed-use and commercial projects of all sizes and complexities, providing dedicated support and technical advice for builders and their agents and is central to the National House-Building Council's purpose of helping to maintain and raise standards across the industry. BCS also supports Government and the wider construction industry on regulation changes and other industry issues.

### Our strategy and objectives

The outlook for house-building remains positive but the effect of the vote for the United Kingdom to leave the European Union has introduced a level of future uncertainty. The UK Government and other political parties continue to focus on house-building policies and initiatives to address both demand and supply-side concerns. Our business strategy remains focussed on providing services that support the National House-Building Council to achieve its objectives of working with the house-building and wider construction industry to raise the standard of new homes and to provide consumer protection for homeowners.

### Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties.

The key business and financial risks and uncertainties affecting the Company are considered to relate to the recruitment and retention of skilled and experienced staff, competition from other building control bodies and the risk associated with the management of financial assets. The Company's risks and uncertainties are considered and reviewed by the BCS Board at each Board meeting with action being taken as appropriate.

Financial risk management objectives and policy have not been disclosed as the directors believe the disclosure is not material to users' understanding of the Company's financial statements.

### Review of the year

The number of new homes registered for residential building control was 2.3% lower than last year, (2015: 22.0% increase). Finalling volumes increased by 12.9% on last year (2015: 8.4% increase). Total turnover decreased by 0.9% (2015: 15.0% increase). The Company recorded a profit before taxation of £971,129 (2015: profit of £1,014,269) in the financial year. After allowing for corporation tax and dividends, shareholders' funds have increased to £4,775,329 (2015: £4,604,333).

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### Outlook

The effect of the economic uncertainty introduced by the decision to leave the European Union has yet to be played out and any consequential impact upon the house-building market will affect the activity levels of BCS. The Board will continue to monitor market activity levels and to place emphasis on satisfying customer needs and building on core competences. The business will continue to invest in resources which will allow it to meet future challenges as they arise and to continue to return satisfactory level of profit to the National House-Building Council.

# NHBC Building Control Services Limited

## Strategic Report *(continued)*

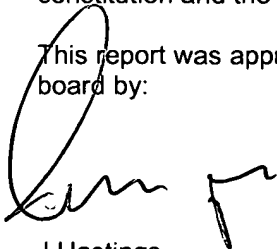
Year ended 31 March 2016

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### Corporate governance

The Company is a wholly owned subsidiary of the National House-Building Council. The Board of BCS ensures that the Company achieves an appropriate standard of governance having regard to its constitution and the regulatory framework in which the Company operates.

This report was approved by the board of directors on 28 September 2016 and signed on behalf of the board by:



J Hastings  
Company Secretary

Registered office:  
NHBC House  
Davy Avenue  
Knowlhill  
Milton Keynes  
Bucks  
MK5 8FP

# NHBC Building Control Services Limited

## Directors Report

### Year ended 31 March 2016

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The directors present their report and the financial statements of the company for the year ended 31 March 2016.

#### Directors

The directors who served the company during the year were as follows:

I Davis  
D Marshall  
M Quinton  
C Rash  
A Rothrie

#### Dividends

Particulars of recommended dividends are detailed in note 9 to the financial statements.

#### Directors responsibilities statement

The directors are responsible for preparing the strategic report, directors report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
  - they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.
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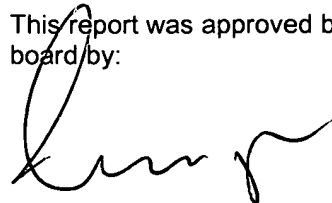
# NHBC Building Control Services Limited

## Directors Report *(continued)*

**Year ended 31 March 2016**

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This report was approved by the board of directors on 28 September 2016 and signed on behalf of the board by:



J Hastings  
Company Secretary

Registered office:  
NHBC House  
Davy Avenue  
Knowlhill  
Milton Keynes  
Bucks  
MK5 8FP

# **NHBC Building Control Services Limited**

## **Independent Auditor's Report to the Members of NHBC Building Control Services Limited**

**Year ended 31 March 2016**

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We have audited the financial statements of NHBC Building Control Services Limited for the year ended 31 March 2016 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and the related notes 1 to 16. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

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 and express an opinion on 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.

### **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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit 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 strategic report and the directors report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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# NHBC Building Control Services Limited

## Independent Auditor's Report to the Members of NHBC Building Control Services Limited *(continued)*

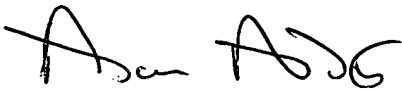
Year ended 31 March 2016

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### 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Adam Addis (Senior Statutory Auditor)

For and on behalf of  
Deloitte LLP  
Chartered accountant & statutory auditor  
London, UK

28 September 2016



# NHBC Building Control Services Limited

## Statement of Income and Retained Earnings

Year ended 31 March 2016

	Note	2016 £	2015 £
Turnover	3	13,045,490	13,159,288
Gross profit		<u>13,045,490</u>	<u>13,159,288</u>
Administrative expenses		<u>12,117,256</u>	<u>12,186,676</u>
Operating profit		928,234	972,612
Other interest receivable and similar income	7	<u>42,895</u>	<u>41,657</u>
Profit on ordinary activities before taxation		971,129	1,014,269
Tax on profit on ordinary activities	8	<u>133</u>	<u>213,357</u>
Profit for the financial year and total comprehensive income		<u>970,996</u>	<u>800,912</u>
Dividends paid and payable	9	(800,000)	(800,000)
Retained earnings at the start of the year		<u>4,554,333</u>	<u>4,553,421</u>
Retained earnings at the end of the year		<u>4,725,329</u>	<u>4,554,333</u>

All the activities of the company are from continuing operations.

The notes on pages 9 to 13 form part of these financial statements.

# NHBC Building Control Services Limited

## Statement of Financial Position

31 March 2016

	Note	2016 £	2015 £
<b>Current assets</b>			
Debtors	10	9,312,718	9,280,657
Cash at bank and in hand		6,526	3,374
		<u>9,319,244</u>	<u>9,284,031</u>
<b>Creditors: amounts falling due within one year</b>	11	4,543,915	4,679,698
<b>Net current assets</b>		<u>4,775,329</u>	<u>4,604,333</u>
<b>Total assets less current liabilities</b>		<u>4,775,329</u>	<u>4,604,333</u>
<b>Net assets</b>		<u>4,775,329</u>	<u>4,604,333</u>
<b>Capital and reserves</b>			
Called up share capital	13	50,000	50,000
Profit and loss account	14	4,725,329	4,554,333
<b>Shareholder funds</b>		<u>4,775,329</u>	<u>4,604,333</u>

These financial statements were approved by the board of directors and authorised for issue on 28 September 2016, and are signed on behalf of the board by:

I Davis  
Director



M Quinton  
Director



Company registration number: 1952969

The notes on pages 9 to 13 form part of these financial statements.

# NHBC Building Control Services Limited

## Notes to the Financial Statements

Year ended 31 March 2016

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### 1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### 2. Accounting policies

#### Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

#### Going concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

#### Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 April 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 16.

#### Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of National House-Building Council which can be obtained from The Secretary, NHBC, NHBC House, Davy Avenue, Knowhill, Milton Keynes, Bucks, MK5 8FP. As such, advantage has been taken of the disclosure exemptions available under paragraph 1.12 of FRS 102.

No cash flow statement has been presented for the company.

Disclosures in respect of financial instruments have not been presented.

#### Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

# NHBC Building Control Services Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2016

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### 2. Accounting policies *(continued)*

#### Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

### 3. Turnover

Turnover arises from:

	2016 £	2015 £
Rendering of services	<u>13,045,490</u>	<u>13,159,288</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

### 4. Auditor's remuneration

	2016 £	2015 £
Fees payable for the audit of the financial statements	<u>4,000</u>	<u>4,000</u>

### 5. Employee information

There were no direct employees of the Company during the year (2015: Nil). The salary costs incurred in the year relate to employees of the National House-Building Council ("NHBC"), which makes a recharge to the Company in respect of their services.

### 6. Directors remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2016 £	2015 £
Remuneration	<u>123,692</u>	<u>154,744</u>

# NHBC Building Control Services Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2016

### 6. Directors remuneration *(continued)*

There were a maximum of five directors (2015: seven) serving NHBC Building Control Services Limited at any one time during the financial year. All directors were paid for by National House-Building Council ("NHBC") and then recharged to the Company.

### 7. Other interest receivable and similar income

	2016 £	2015 £
Interest from group undertakings	<u>42,895</u>	<u>41,657</u>

### 8. Tax on profit on ordinary activities

#### Major components of tax expense

	2016 £	2015 £
<b>Current tax:</b>		
UK current tax expense	–	213,060
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<u>133</u>	<u>297</u>
<b>Tax on profit on ordinary activities</b>	<u>133</u>	<u>213,357</u>

#### Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 21%).

	2016 £	2015 £
Profit on ordinary activities before taxation	<u>971,129</u>	<u>1,014,269</u>
Profit on ordinary activities by rate of tax	194,226	212,996
Effect of expenses not deductible for tax purposes	40	234
Effect of capital allowances and depreciation	(130)	(170)
Utilisation of tax losses	(194,136)	–
Origination and reversal of timing differences	<u>133</u>	<u>297</u>
<b>Tax on profit on ordinary activities</b>	<u>133</u>	<u>213,357</u>

### 9. Dividends

	2016 £	2015 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year )	800,000	800,000
Dividends proposed after the year end and not recognised as a liability	<u>800,000</u>	<u>800,000</u>

# NHBC Building Control Services Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2016

### 10. Debtors

	2016 £	2015 £
Trade debtors	614,281	1,065,757
Amounts owed by group undertakings	8,689,729	8,173,422
Deferred tax asset	606	739
Prepayments and accrued income	8,102	40,739
	<u>9,312,718</u>	<u>9,280,657</u>

### 11. Creditors: amounts falling due within one year

	2016 £	2015 £
Accruals and deferred income	3,800,698	3,674,738
Corporation tax	–	213,060
Social security and other taxes	659,002	765,457
Other creditors	84,215	26,443
	<u>4,543,915</u>	<u>4,679,698</u>

### 12. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2016 £	2015 £
Included in debtors (note 10)	<u>606</u>	<u>739</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2016 £	2015 £
Accelerated capital allowances	<u>606</u>	<u>739</u>

### 13. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No	£	No	£
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

### 14. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

### 15. Controlling party

National House-Building Council ("NHBC"), a Company limited by guarantee and registered in England, is the Company's immediate, ultimate, smallest and largest parent company. NHBC is the parent of the Group into whose consolidated accounts the Company is consolidated. Copies of the financial statements of the NHBC can be obtained from The Secretary, NHBC, NHBC House, Davy Avenue, Knowlhill, Milton Keynes, Bucks, MK5 8FP.

# **NHBC Building Control Services Limited**

## **Notes to the Financial Statements** *(continued)*

**Year ended 31 March 2016**

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### **16. Transition to FRS 102**

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1 April 2014.

No transitional adjustments were required in equity or profit or loss for the year.