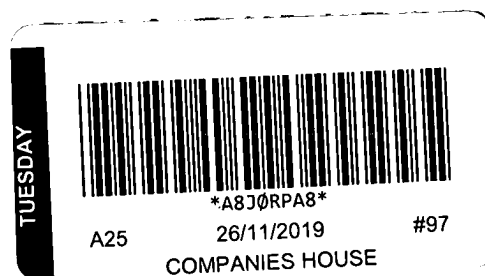


**NHBC Building Control Services Limited**  
**Annual Report and Financial Statements**  
**31 March 2019**



# **NHBC Building Control Services Limited**

## **Annual Report and Financial Statements**

**Year ended 31 March 2019**

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# **NHBC Building Control Services Limited**

## **Strategic Report**

**Year ended 31 March 2019**

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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**

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 competition from other building control bodies, business loss as result of builder defection, and adverse legislative changes introduced by the government.

The vote for the United Kingdom to leave the European Union and the subsequent exit negotiations continue to create uncertainty in the construction industry which have bearing on activity levels. The UK Government and other political parties continue to focus on house-building policies and initiatives to address both demand and supply-side concerns.

The Independent Review of Building Regulations and Fire Safety led by Dame Judith Hackitt has been published. The review is an independent review into building regulations and fire safety and was commissioned following the Grenfell Tower tragedy. The review has made detailed recommendations that Government will now consider and consult on further. The implications of the report on Government strategy on building regulations is not yet clear but has potential to affect the Company's activities.

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.

The Company's risks and uncertainties are considered and reviewed by the BCS Board at each Board meeting with action being recommended and taken as appropriate.

### **Review of the year**

The number of new homes registered with the Company for residential building control was 3.7% higher than last year (2018: 0.5% higher). Finalling volumes increased by 1.8% on last year (2018: 5.9% increase). Total turnover increased by 2.7% (2018: 3.6% increase). The Company recorded a profit before taxation of £2,404,517 (2018: profit of £2,236,695) in the financial year. After allowing for corporation tax and dividends paid, shareholders' funds have decreased to £4,098,588 (2018: £4,194,071).

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

# NHBC Building Control Services Limited

## Strategic Report *(continued)*

Year ended 31 March 2019

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### Outlook

The effect of the economic uncertainty introduced by the decision to leave the European Union still remains and has yet to be played out. Any consequential impact upon the house-building market will affect the activity levels of the Company. The Board continues to monitor market activity levels and to place emphasis on customer service 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 a satisfactory level of profit to the National House-Building Council.

The Company was not involved with the refurbishment of Grenfell Tower. However, the implications of the Grenfell Tower fire are yet to be fully understood along with the consequences which are likely to affect building regulations, construction standards and social policy.

### 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 4 July 2019 and signed on behalf of the board by:



P Hosking  
Director

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

# NHBC Building Control Services Limited

## Directors' Report

Year ended 31 March 2019

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The directors present their report and the financial statements of the company for the year ended 31 March 2019.

### Directors

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

P Hosking  
D Marshall  
A Rothrie  
S Wood

Resigned 30 June 2019

The directors listed above all served up to the date of the sign off of the accounts, except Andy Rothrie who resigned on 30 June 2019.

### Dividends

Particulars of recommended dividends are detailed in note 10 to the financial statements.

### Disclosure of information in the strategic report

The company has disclosed information on future developments and use of financial instruments in the strategic report.

### 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.

# NHBC Building Control Services Limited

## Directors' Report *(continued)*

Year ended 31 March 2019

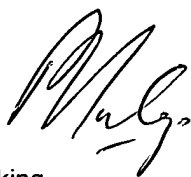
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### Auditor

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.

This report was approved by the board of directors on 4 July 2019 and signed on behalf of the board by:



P Hosking  
Director

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

# NHBC Building Control Services Limited

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

Year ended 31 March 2019

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### Opinion

In our opinion the financial statements of NHBC Building Control Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of income and retained earnings;
- the statement of financial position; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

# NHBC Building Control Services Limited

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

Year ended 31 March 2019

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### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



# NHBC Building Control Services Limited

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

Year ended 31 March 2019

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### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

#### Use of our report

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.



Adam Addis (Senior statutory auditor)

For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

4 July 2019

# NHBC Building Control Services Limited

## Statement of Income and Retained Earnings

Year ended 31 March 2019

	Note	2019 £	2018 £
Turnover	4	14,911,293	14,517,688
Gross profit		14,911,293	14,517,688
Administrative expenses		12,553,726	12,313,288
Operating profit	5	2,357,567	2,204,400
Other interest receivable and similar income	8	46,950	32,295
Profit before taxation		2,404,517	2,236,695
Tax on profit	9	–	(293,136)
Profit for the financial year and total comprehensive income		2,404,517	2,529,831
Dividends paid and payable	10	(2,500,000)	(7,000,000)
Retained earnings at the start of the year		4,144,071	8,614,240
Retained earnings at the end of the year		4,048,588	4,144,071

All the activities of the company are from continuing operations.

The notes on pages 10 to 13 form part of these financial statements.

# NHBC Building Control Services Limited

## Statement of Financial Position

31 March 2019

	Note	2019 £	2018 £
<b>Current assets</b>			
Debtors	11	15,033,340	14,577,687
Cash at bank and in hand		217,482	114,863
		<u>15,250,822</u>	<u>14,692,550</u>
<b>Creditors: amounts falling due within one year</b>	12	11,152,234	10,498,479
<b>Net current assets</b>		<u>4,098,588</u>	<u>4,194,071</u>
<b>Total assets less current liabilities</b>		<u>4,098,588</u>	<u>4,194,071</u>
<b>Net assets</b>		<u>4,098,588</u>	<u>4,194,071</u>
<b>Capital and reserves</b>			
Called up share capital	13	50,000	50,000
Profit and loss account	14	4,048,588	4,144,071
<b>Shareholder funds</b>		<u>4,098,588</u>	<u>4,194,071</u>

These financial statements were approved by the board of directors and authorised for issue on 4 July 2019, and are signed on behalf of the board by:

  
P Hosking  
Director

Company registration number: 1952969

The notes on pages 10 to 13 form part of these financial statements.

# NHBC Building Control Services Limited

## Notes to the Financial Statements

Year ended 31 March 2019

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### 1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is NHBC House, Davy Avenue, Knowlhill, Milton Keynes, Bucks, MK5 8FP.

### 2. 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'.

### 3. Accounting policies

#### Basis of preparation

The financial statements have been prepared on the historical cost basis.

#### 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.

#### 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, Knowlhill, 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 2019

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### 3. 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.

### 4. Turnover

Turnover arises from:

	2019 £	2018 £
Rendering of services	<u>14,911,293</u>	<u>14,517,688</u>

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

### 5. Operating profit

Operating profit or loss is stated after charging:

	2019 £	2018 £
Fees payable for the audit of the financial statements	<u>5,000</u>	<u>4,250</u>

### 6. Employee information

There were no direct employees of the Company during the year (2018: 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.

### 7. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2019 £	2018 £
Remuneration	<u>148,700</u>	<u>137,800</u>

# NHBC Building Control Services Limited

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

Year ended 31 March 2019

### 7. Directors' remuneration *(continued)*

There were a maximum of four directors (2018: five) serving NHBC Building Control Services Limited at any one time during the financial year. All directors were paid for by National House-Building Council and then recharged to the Company.

### 8. Other interest receivable and similar income

	2019 £	2018 £
Interest from group undertakings	<u>46,950</u>	<u>32,295</u>

### 9. Tax on profit

#### Major components of tax income

	2019 £	2018 £
<b>Current tax:</b>		
Adjustments in respect of prior periods	–	(293,558)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	–	422
<b>Tax on profit</b>	<u>–</u>	<u>(293,136)</u>

#### Reconciliation of tax income

The tax assessed on the profit on ordinary activities for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Profit on ordinary activities before taxation	<u>2,404,517</u>	<u>2,236,695</u>
Profit on ordinary activities by rate of tax	456,858	424,972
Adjustment to tax charge in respect of prior periods	–	(293,558)
Utilisation of tax losses	(456,858)	(424,887)
Deferred tax written-off	–	346
Effect of tax rate differences between current and deferred taxes	–	(9)
<b>Tax on profit</b>	<u>–</u>	<u>(293,136)</u>

### 10. Dividends

	2019 £	2018 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	2,500,000	7,000,000
Dividends proposed after the year end and not recognised as a liability	<u>2,000,000</u>	<u>2,500,000</u>

# NHBC Building Control Services Limited

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

Year ended 31 March 2019

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### 11. Debtors

	2019 £	2018 £
Trade debtors	696,216	871,711
Amounts owed by group undertakings	9,188,786	8,828,721
Prepayments and accrued income	5,148,338	4,877,255
	<u>15,033,340</u>	<u>14,577,687</u>

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

	2019 £	2018 £
Accruals and deferred income	10,301,385	9,746,756
Social security and other taxes	734,112	694,520
Other creditors	116,737	57,203
	<u>11,152,234</u>	<u>10,498,479</u>

### 13. Called up share capital

#### Issued, called up and fully paid

	2019		2018	
	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.