

**NHBC BUILDING CONTROL SERVICES
LIMITED**

DIRECTORS' REPORT AND ACCOUNTS
for the year ended
31 MARCH 2001
Registered No. 1952969



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NHBC BUILDING CONTROL SERVICES LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 March 2001

The directors present their report and accounts for the year ended 31 March 2001.

ACTIVITIES

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

DIRECTORS

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

W.C. Gair	Chairman
C.E. Heard	
I. Farookhi	
R. MacEachrane	
N.C. Smith	
A. McCarthy	

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

REVIEW OF THE YEAR

House building output in England and Wales reduced slightly compared with the previous year and this is reflected in the reduced turnover. Building Control completions volumes at 69,200 (2000: 74,500) were also materially lower.

Cost savings, resulting from a review of operating expenditure, have produced a significant improvement in profitability.

OUTLOOK

Economic indicators and, more worryingly, continuing capacity restraints created by the planning system are likely to produce a steady level of house building in 2001/2002. Nevertheless, the directors believe that the company will continue to trade profitably for the foreseeable future. A number of opportunities to generate additional income streams will be explored over the coming year.

DIVIDENDS

The directors do not recommend payment of a dividend for the year (2000: 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 policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable financial reporting and 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.

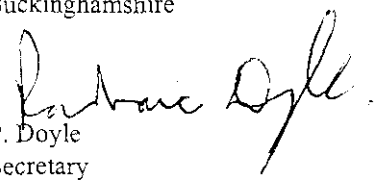
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company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

AUDITORS

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the Annual General Meeting.

By Order of the Board

Buildmark House
Chiltern Avenue
Amersham
Buckinghamshire


P. Doyle
Secretary
19th July 2001

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.

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.

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 the company's affairs at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
19th July 2001

NHBC BUILDING CONTROL SERVICES LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 MARCH 2001

	<u>Notes</u>	<u>2001</u>	<u>2000</u>
		£	£
Turnover	1(c)	8,703,213	9,395,345
Administrative expenses		(7,975,930)	(9,231,489)
Operating profit		<u>727,283</u>	<u>163,856</u>
Interest receivable from group undertakings		<u>282,472</u>	<u>209,834</u>
Profit on ordinary activities before taxation	2	1,009,755	373,690
Tax on profit on ordinary activities	3	(302,926)	(112,107)
Profit for the financial year		<u>706,829</u>	<u>261,583</u>
Profit and loss account balance brought forward		<u>3,062,114</u>	<u>2,800,531</u>
Profit and loss account balance carried forward		<u>3,768,943</u>	<u>3,062,114</u>

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.

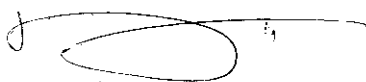
The notes on pages 6 to 8 form part of these financial statements

NHBC BUILDING CONTROL SERVICES LIMITEDBALANCE SHEET AS AT 31 MARCH 2001

	<u>Notes</u>	<u>2001</u> £	<u>2000</u> £
CURRENT ASSETS			
Trade Debtors		2,514	-
Amounts owed by group undertakings		5,640,121	4,242,832
Cash at bank and in hand		129	397
		<hr/>	<hr/>
		5,642,764	4,243,229
CREDITORS (amounts falling due within one year)	4	(1,873,721)	(1,181,015)
		<hr/>	<hr/>
NET CURRENT ASSETS		3,769,043	3,062,214
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	5	100	100
Profit and loss account		3,768,943	3,062,114
		<hr/>	<hr/>
TOTAL SHAREHOLDERS' FUNDS	6	3,769,043	3,062,214
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Approved by the Board on 19th July 2001
and signed on their behalf.

Director



Director



NHBC BUILDING CONTROL SERVICES LIMITED

**NOTES TO THE ACCOUNTS
for the year ended 31 MARCH 2001**

1. ACCOUNTING POLICIES

The accounts 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 accounts.

(a) Accounting convention

These accounts 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.

(d) Taxation

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

(e) Inspection fees in advance

Profits on the inspection of dwellings are recognised in proportion to the inspection work completed at the balance sheet date. In the balance sheet inspection fees in advance represent the appropriate proportion deferred and the amounts so deferred are released to the profit and loss account when inspection is completed.

NHBC BUILDING CONTROL SERVICES LIMITED

NOTES TO THE ACCOUNTS
for the year ended 31 MARCH 2001
(continued)

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>2001</u>	<u>2000</u>
	£	£
Profit is stated after charging:		
Directors' emoluments (see note 9)	62,170	59,838
Auditors' remuneration	5,000	5,000

3. TAXATION

	<u>2001</u>	<u>2000</u>
	£	£
UK Corporation Tax at 30% (2000: 30%)	302,926	112,107

4. CREDITORS (AMOUNTS DUE WITHIN ONE YEAR)

	<u>2001</u>	<u>2000</u>
	£	£
UK Corporation Tax	302,926	112,107
VAT	108,442	95,561
Accruals	54,258	23,064
Inspection fees in advance	1,408,095	950,283
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	1,873,721	1,181,015
	<hr/>	<hr/>

5. CALLED UP SHARE CAPITAL

	<u>2001</u>	<u>2000</u>
	£	£
100 Ordinary shares of £1:		
Authorised, allotted and fully paid	100	100
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6. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2001</u>	<u>2000</u>
	£	£
Balance at 1 April	3,062,214	2,800,631
Retained profit for the year	706,829	261,583
	<hr/>	<hr/>
Balance at 31 March	3,769,043	3,062,214
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NHBC BUILDING CONTROL SERVICES LIMITED

**NOTES TO THE ACCOUNTS
for the year ended 31 MARCH 2001
(continued)**

7. ULTIMATE HOLDING COMPANY

The National House-Building Council, a company limited by guarantee and registered in England, is the Company's ultimate holding 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.

8. EMPLOYEE INFORMATION

There were no direct employees of the Company during the year (2000: 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.

9. INFORMATION REGARDING DIRECTORS

	<u>2001</u>	<u>2000</u>
	£	£
Aggregate emoluments	62,170	59,838

Two 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, benefits under a defined benefit pension scheme accrued to one director (2000: 1) and under a money purchase pension scheme to one director (2000: 1). The amount of contributions made under a money purchase pension scheme in respect of the director's service to the Company totalled £2,667 (2000: £1,956)

10. 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.