

NHBC SERVICES LIMITED

DIRECTORS' REPORT AND ACCOUNTS
for the period ended
31 MARCH 1997
Registered No. 3067703



NHBC SERVICES LIMITED

**REPORT OF THE DIRECTORS
for the period ended 31 March 1997**

The directors present their report and accounts for the period ended 31 March 1997.

ACTIVITIES

The company's principal activities are the provision of energy rating, training and health and safety services to house builders and developers.

DIRECTORS

The members of the Board during the period were:

I P Davis	Chairman
A J Allen	ceased to be a director 12 December 1996
R V Walton	

I Farookhi was appointed as a director on 17 April 1997. R V Walton and I P Davis ceased to be directors on the 31 July 1997. R MacEachrane was appointed as a director on 17 July 1997.

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

REVIEW

During the year we became a leading supplier of SAP (Standard Assessment Procedure) energy ratings to housebuilders. However, as the number of type-approved ratings increased the volume of new ratings inevitably began to decline. Compensating increases in NHERs (National Home Energy Ratings) were not achieved as planned. Overall, the service continued to operate at a loss.

Builder training performed well during the year. After a slow start there was strong demand in the second half of the year for courses on customer care and defect prevention. Forward bookings have been taken into 1997/98 for these courses. Overall this service made a small loss.

The Planning Supervisor Service, whilst not achieving the planned growth, nevertheless saw encouraging progress. Whilst income was lower than expected, costs were also significantly lower and the loss for the year was considerably less than predicted. Demand for a wider range of health and safety services from major builders led to the introduction of health and safety consultancy services and, on a trial basis, site safety inspection services. In reflection of this the service changed its name in July 1997 to NHBC Health and Safety.

Overall the company made a loss of £549,228 before tax. As at 31 March 1997 the Company had accumulated after tax losses of £530,095.

OUTLOOK

Significant improvements in SAP energy rating volumes are unlikely despite an expected overall increase in the number of homes built. This is due to the impact of type approvals and competition. Some competing suppliers are still offering free SAP ratings.

The strong demand for Builder Training experienced in the latter part of 1996/97 is expected to continue and more staff are being recruited to service the demand.

NHBC Health and Safety is expected to continue its growth and again we expect significant staff recruitment to take place during the year. Depending on the outcome of pilot schemes for site safety inspections, there may be considerable expansion in the service in the final quarter of the year.

Overall, the outlook remains positive, and the company is forecasting a reduced loss for 1997/98.

DIVIDENDS

The directors do not recommend payment of a dividend for the year, (1996: 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.

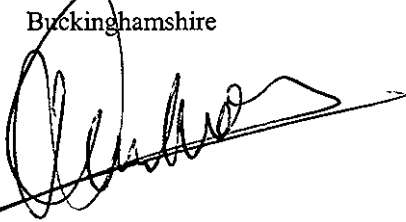
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company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

AUDITORS

A resolution will be submitted to the Annual General Meeting to re-appoint Coopers & Lybrand as auditors.

By Order of the Board

Buildmark House
Chiltern Avenue
Amersham
Buckinghamshire

A handwritten signature in black ink, appearing to be 'R S Pembroke', written over a horizontal line.

R S Pembroke

Secretary

24 September 1997

REPORT OF THE AUDITORS TO THE MEMBERS OF
NHBC SERVICES LIMITED

We have audited the financial statements on pages 5 to 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

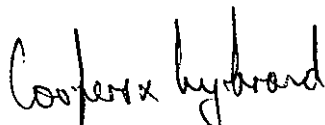
BASIS OF OPINION

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 1997 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants
and Registered Auditors

London

24 September 1997

NHBC SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
for the period ended 31 MARCH 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
Turnover	1(c)	472,420	82,981
Operating expenses		(1,001,043)	(318,671)
		_____	_____
Operating loss		(528,623)	(236,690)
Interest payable to holding company		(20,605)	(4,999)
		_____	_____
Loss on ordinary activities before taxation	2	(549,228)	(240,689)
Taxation	3	181,245	78,577
		_____	_____
Retained loss for the year		(367,983)	(162,112)
Profit & Loss account balance brought forward		(162,112)	-
		_____	_____
Profit & Loss account balance carried forward		(530,095)	(162,112)
		_____	_____

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 loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents

NHBC SERVICES LIMITED**BALANCE SHEET AS AT 31 MARCH 1997**

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
CURRENT ASSETS			
Trade debtors		108,838	13,736
Work in progress		28,032	-
VAT recoverable		16,039	-
Cash at bank and in hand		19,763	7,705
		<hr/>	<hr/>
		172,672	21,441
 CREDITORS (amounts falling due within one year)	 4	 (702,667)	 (183,453)
		<hr/>	<hr/>
 NET CURRENT ASSETS		 (529,995)	 (162,012)
		<hr/>	<hr/>
 CAPITAL AND RESERVES			
Called up share capital	5	100	100
Profit and loss account		(530,095)	(162,112)
		<hr/>	<hr/>
 TOTAL SHAREHOLDER'S FUNDS	 6	 (529,995)	 (162,012)
		<hr/>	<hr/>

Approved by the Board on 24 September 1997
and signed on their behalf.

I Farookhi

I. Farookhi

)

R MacEachrane

R. MacEachrane

)

Directors

NHBC SERVICES LIMITED**NOTES TO THE ACCOUNTS
for the period ended 31 MARCH 1997****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 Services Limited is a wholly owned subsidiary undertaking of 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 Financial Reporting Standard Number 1 (revised) from publishing a cash flow statement.

(c) Turnover

Turnover represents invoiced income adjusted, where appropriate, for work in progress reflecting the expected value of work done during the period.

(d) Taxation

UK Corporation Tax is provided at the rate applicable to the results for the period.

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1997</u>	<u>1996</u>
	£	£
Loss is stated after charging:		
Directors' emoluments (see note 9)	17,888	10,668
Auditors' remuneration	5,000	5,000

3. TAXATION

The current year taxation credit represents payment by other group companies for group relief at 33% on losses to be surrendered.

4. CREDITORS (AMOUNTS DUE WITHIN ONE YEAR)

	<u>1997</u>	<u>1996</u>
	£	£
Amount due to holding company	545,863	153,758
Accruals	25,632	17,390
VAT payable	-	12,305
Deferred income	130,587	-
Sundry creditors	585	-
	<hr/>	<hr/>
	702,667	183,453
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NHBC SERVICES LIMITED

NOTES TO THE ACCOUNTS
for the period ended 31 MARCH 1997
 (continued)

5.	CALLED UP SHARE CAPITAL	<u>1997</u>	<u>1996</u>
		£	£
	100 Ordinary shares of £1:		
	Authorised, allotted and fully paid during the period	100	100

6. **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<u>1997</u>	<u>1996</u>
	£	£
Balance at 1 April	(162,012)	-
Loss for the period	(367,983)	(162,012)
	<hr/>	<hr/>
Balance at 31 March	(529,995)	(162,012)
	<hr/>	<hr/>

7. **ULTIMATE HOLDING COMPANY**

National House-Building Council, a Company limited by guarantee and registered in England, is regarded by the directors as being the Company's ultimate holding company. Copies of the financial statements of the National House-Building Council for the year ended 31 March 1997 can be obtained from The Secretary, NHBC, Buildmark House, Chiltern Avenue, Amersham, Bucks HP6 5AP.

8. **SUPPORT OF ULTIMATE HOLDING COMPANY**

The directors of the Company have received assurance from the directors of the National House-Building Council, the ultimate holding Company, that, in the event of any liquidity problems in the foreseeable future, a financing facility of one million pounds will be available at commercial rates of interest. Repayment of any amounts drawn down under this facility will not be made to the detriment of third party creditors.

9. **INFORMATION REGARDING DIRECTORS**

	<u>1997</u>	<u>1996</u>
	£	£
Aggregate emoluments	17,888	10,668

All directors are employees of The National House-Building Council which makes a recharge to the Company in respect of their services. The amount of the recharge is included in the table above as aggregate emoluments. Benefits under a defined benefit pension scheme accrued to 3 directors (1996: 3) during the year.