

Registered No: 320784

National House-Building Council

(a company limited by guarantee)

Annual report

For the year ended 31 March 2008



National House-Building Council
(a company limited by guarantee)

Annual report
for the year ended 31 March 2008

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National House-Building Council **(a company limited by guarantee)**

Directors

Sir John Carter MA FIA (Chairman of the Council)
I Farookhi BA MSc DipLib FRSA (Chief Executive)

S A Baseley

I P Davis MBA BEng CEng MICE

P J Foster FCCA

Lord Glentoran CBE DL

17 September 2007 (resigned)

M R Harris FCMA

Sir Graham Hart KCB

T Hough FCIOB

S C Kelly ACA

R N Lay CBE FRICS

11 June 2007 (resigned)

Dame Yvonne Moores DBE RN RM

R A Nicholson CBE RIBA Hon FStructE

12 June 2007 (appointed)

Dr D B B Smith OBE Dr hc MA LLB FRSA FInstD NP

R J Tamayo BSc FCA MBA

R G Werth BSc ACA

Secretary and registered office

J P Hastings FCIS

Buildmark House

Chiltern Avenue

Amersham

Buckinghamshire

HP6 5AP

National House-Building Council
(a company limited by guarantee)

Advisors

Registered auditors

PricewaterhouseCoopers LLP
1 Hay's Lane
Hay's Galleria
London
SE1 2RD

Bankers

HSBC Bank plc
70 Pall Mall
London
SW1Y 5EZ

Actuary

Watson Wyatt Limited
Watson House
London Road
Reigate
Surrey
RH2 9PQ

Investment managers

Invesco Asset Management Limited
30 Finsbury Square
London
EC2A 1AG

Baillie Gifford & Co
Calton Square
1 Greenside Row
Edinburgh
EH1 3AN

National House-Building Council

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Directors' report for the year ended 31 March 2008

The directors present their report and the audited financial statements for the year ended 31 March 2008

Principal Activities

With more than 70 years of experience and technical expertise, NHBC is the world's leading home warranty and insurance provider for new homes. As a non-profit distributing company NHBC's primary role and purpose is to work with the house-building and wider construction industry to raise the standard of new homes and to provide consumer protection for homeowners.

NHBC does this by

- Maintaining a register of builders who must comply with NHBC's Rules and Standards
- Setting and monitoring standards for new homes
- Providing consumer protection through "Buildmark", the most comprehensive 10-year warranty and insurance cover in the UK
- Inspecting homes at key stages of construction
- Helping the house-building industry assess and manage risk during construction
- Providing a range of management, education and technical information and support to the house-building industry

Business review

Results and performance

The operating result for the year was a retained surplus before taxation of £91.8 million (2007 £57.1 million). After allowing for taxation there was a surplus of £64.5 million (2007 £40.7 million). After adding £0.1 million to revaluation reserves and recognising net actuarial losses of £2.8 million on the pension scheme, total gains for the year of £61.8 million (2007 £41.4 million) were added to the Company's overall reserves, thereby increasing them to £245.6 million (2007 £183.8 million). The Company is a non-profit distributing body and therefore no dividend is payable.

Technical provisions before reinsurance recoveries were increased by £26.0 million (2007 decreased £41.3 million) and the gross amount available to meet current and predicted future liabilities is now £1,481.3 million (2007 £1,455.3 million). The provisions take account both of the prevailing interest rates and of the continuing uncertainty about the future level of claims.

This year approximately £45.5 million (2007 £36.0 million) was paid out in claims to the benefit of new homebuyers. This figure does not include the associated claims handling costs or reimbursements received from builders.

NHBC continues to engage with homeowners through its customer satisfaction surveys and has proactively assisted the Office of Fair Trading (OFT) whilst it undertakes a Market Study into the UK house-building industry. This has involved a number of submissions of information as well as providing knowledge and education, on topics such as customer satisfaction.

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Directors' report **for the year ended 31 March 2008 (continued)**

Results and performance (continued)

NHBC has established a key role on the government sustainability agenda through research and policy work and has services to support the industry in this area as well as assisting them to comply with new regulations through the provision of Predicted Energy Assessments (PEAs), Energy Performance Certificates (EPCs) and Code for Sustainable Homes assessments

The NHBC Foundation, a joint venture between NHBC and Building Research Establishment (BRE), has published a range of research findings throughout the year focused on issues from risk management and climate change for lenders, to hard data and information on the technologies available to achieve zero carbon homes. In 2008, in a landmark body of work, the Foundation delivered the largest study of its kind to date detailing understanding and concerns over zero carbon homes amongst homeowners and builders. The National Centre for Excellence in Housing, a further joint venture between NHBC and BRE has been appointed by the joint industry/Government-led 2016 Taskforce to oversee zero carbon research

Our Standards continue to be the key on-site reference document for new home construction in the UK. The CD version of the Standards now contains an electronic calculator to determine foundation depths when building near trees. In addition, with continuing growth in the number of timber frame homes being constructed and now that it is possible to build up to seven storeys, suitable detailing to accommodate the differential movement between the timber frame and other elements is critical. A major revision of the standards on timber frame construction provides guidance on how much movement is likely to occur and where. New certification procedures are also introduced. These major developments together with many other revisions continue to reinforce NHBC's core purpose of protecting consumers.

Business environment and Strategy

The market that NHBC operates in is becoming increasingly competitive and this, coupled with further Government policy and regulation relating to housing growth areas, sustainability targets for housing and the downturn experienced since the start of 2008, makes it a very challenging environment.

NHBC remains committed to its core purpose "To work with the house-building and wider construction industry to raise standards of new homes and to provide consumer protection for new homeowners" which will ensure its success.

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Directors' report **for the year ended 31 March 2008 (continued)**

Business environment and Strategy (continued)

NHBC aims to fulfil this purpose through the delivery of four Strategic Objectives

1. **Provider of Products and Services (CUSTOMER)** - Providing, profitably, effective consumer protection for homeowners by offering the most comprehensive range of home warranties and portfolio of services to the house-building industry supporting them in building high quality new homes
2. **A National and International Authority on Standards and Risk Management in house-building (REPUTATION)** - Protect and enhance the reputation of NHBC as THE most credible, respected and influential company in raising the standards in the house building industry
3. **Standards (STANDARDS)** - Continually improve standards and construction quality of new and newly converted homes
4. **Financial (PROFIT)** - Ensure that we have sufficient funds available to achieve NHBC's purpose

A set of tactical objectives are reviewed each year and these are developed, taking into consideration the changing market conditions, such that their achievement will ensure that NHBC maintains on course to achieve its strategic objectives. Detailed action plans are put in place and implemented each year which will deliver against the tactical objectives and these actions are tied into managers and staff reward schemes

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Group with the compliance team and Finance department take an oversight in this regard. The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to identify and manage financial risks and that controls operate effectively.

The Group has developed a framework for identifying the risks that each business sector, and the Group as a whole, are exposed to along with their impact on economic capital. The process is risk based and uses Individual Capital Assessment principles to manage our capital requirements and to ensure we have the financial strength and capital adequacy to support the growth of the business and to meet the requirements of policyholders and regulators.

The principal risks from our insurance arise from inaccurate pricing, fluctuations in the timing, frequency and severity of claims compared to our expectations, inadequate reinsurance protection, and inadequate reserving. Our underwriting and reinsurance strategies are approved by the Board and communicated clearly throughout the business through policy statements and guidelines.

National House-Building Council

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Directors' report **for the year ended 31 March 2008 (continued)**

Corporate governance

The directors remain committed to high standards of corporate governance and recognise the best practice principles set out in the revised Combined Code. As a private company NHBC is not bound to comply with the Combined Code, however the directors have adopted those sections appropriate to the Company, its Board and Committee structure.

The directors have reviewed the Company's approach to risk management and internal controls and consider that this is in full compliance with the relevant provisions of the Combined Code.

Key performance indicators and future outlook

NHBC had a successful year, continuing to build its financial strength and registering more than 180,000 new homes for the fifth consecutive year. Activity levels are summarised below.

	31 March 2008	31 March 2007	Change on 2007
Number of registered house builders	21,300	21,300	0 %
Number of completed homes protected by 'Buildmark' Cover	1,658,000	1,639,000	1 %
Number of new homes registered in year	186,000	181,000	3 %
Number of completion certificates issued for new homes in year	178,000	186,000	(4) %

NHBC registration volumes remained strong throughout 2007 but since the start of 2008, these have fallen in line with the changes being experienced by the wider house building market. The outlook for the coming year for the house building market is uncertain and together with the severe shortage of mortgage funds restricting the sale of new homes, it is expected that volumes for the 2009 financial year will be significantly lower than the previous year volumes presented above.

However, with the housing supply targets being set by government and the continuing shortage of housing supply, it is expected that market volumes will return to levels experienced in the recent past, but it may take a few years. Any changes in future market size may have a corresponding effect on NHBC's volumes.

Directors

The directors of the Company during the year and at 31 March 2008 are listed on page 2 of the Annual Report.

The Company maintains liability insurance cover on behalf of directors and named officers of the Company and its subsidiary undertakings.

National House-Building Council **(a company limited by guarantee)**

Directors' report **for the year ended 31 March 2008 (continued)**

Employees

The Company remains committed to providing personal and career development opportunities to all employees

The average number of employees during the year (including executive directors) was 1,181 (2007 1,133) full time equivalents

The Company's policies provide for equality of treatment for all staff in training, development and career progression. Applications for employment are given unbiased consideration and are welcome from all sectors of the community. The policies are founded on fair practices which aim to ensure that all employment decisions are based on aptitude and ability irrespective of sex, sexual orientation, religion or beliefs, marital status, age or disability.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should as far as possible be identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. All employees are aware of the financial and economic performance of their business units and of the Group as a whole, and are rewarded according to the results through our annual bonus scheme.

Communication with all employees continues through an Intranet based employee information system, the company magazine, distribution of the annual report and regular group briefings covering business progress against plan.

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Directors' report **for the year ended 31 March 2008 (continued)**

Subsidiary undertakings

The two trading subsidiaries during the financial year were

NHBC Building Control Services Limited - provides a Building Control service for residential and commercial buildings in England and Wales. The Company made a pre-tax profit of £1,359,000 (2007 £793,000)

NHBC Services Limited - provides a range of construction industry related services. These services centre around the provision of health and safety consultancy, energy and sustainability services, engineering, training and acoustic consultancy. The Company made a pre-tax profit of £190,000 (2007 Loss £58,000)

Financial risk management

Financial risk management objectives

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from policies as they fall due. The most important components of this financial risk are interest rate risk, equity price risk, credit risk and liquidity risk. The Group has no material financial assets or liabilities denominated in currency other than sterling and does not therefore have any material exposure to currency risk.

The Group manages its funds within an asset liability management framework that has been developed to ensure, as far as possible that the Group is in a position to meet its insurance liabilities as they fall due. The Group outsources the investment management of its financial assets (other than operational cash balances) to the two investment managers listed on page 3 of the accounts. Both managers are given Investment Portfolio Guidelines ("IPG") which set parameters for asset allocation, maturity, liquidity, and counterparty and other concentration risks. The investment managers are then required to maximise investment returns within these parameters and their performance is regularly reviewed against industry benchmarks. The IPG are selected to ensure an appropriate match of assets to the Group's insurance liabilities. The guidelines require the Group to invest predominantly in good quality fixed interest and index-linked securities which it believes represent a good match for the Group's insurance liabilities.

The Group has continued its policy of recent years of putting in place substantial reinsurance cover against the risk of exceptional claim events. However, this year there is a decrease in the reinsurers' share of technical provisions as the proportion of total insurance reserves subject to reinsurance has declined slightly. The Group models its insurance liabilities, both gross and net of reinsurance, using both deterministic and stochastic methods.

The Group does not have any derivatives and therefore does not use hedge accounting.

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Directors' report
for the year ended 31 March 2008 (continued)

Financial risk management (continued)

Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk.

The Group manages interest rate risk by setting parameters within its IPG for the mean duration of the investment portfolio. These parameters are approximately matched to the estimated mean duration of policyholder liabilities.

Equity price risk

The Group is exposed to equity price risk as a result of its holdings in equity investments and the Group's IPG restricts exposures to equities both in aggregate and individual stock concentration. These limits are regularly monitored.

Investments held are listed and traded on the UK stock exchange.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- exposure to corporate bonds,
- reinsurers' share of insurance liabilities, and
- amounts due from reinsurers' in respect of claims already paid.

The Group's IPG sets limits on its investment exposure to a single counterparty or group of counterparties and sets minimum acceptable credit ratings for all bonds.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers' is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. Reinsurance assets are regularly reviewed for collectability and appropriate provision is made for potential future credit default.

Liquidity risk

The Group's IPG has been set to minimise the risk that cash may not be available to pay obligations as they fall due while remaining mindful of the need to obtain a reasonable return on its assets.

National House-Building Council **(a company limited by guarantee)**

Directors' report **for the year ended 31 March 2008 (continued)**

Charitable donations and corporate social responsibility

NHBC remains committed to the development of its corporate and social responsibility and has not only been involved in charitable work across the globe but has also invested in modifying our systems, processes and behaviour to benefit the environment and the community at large

Charitable work

NHBC's charitable work helps communities at a local, national and international level and has embarked upon a long-term relationship with international housing charity Habitat for Humanity (HFH) which aims to eliminate poverty housing and homelessness world-wide

As part of our commitment to HFH, last year NHBC pledged to raise funds of £123,500 to build 100 Habitat homes in the developing world. Following a series of fundraising activities, including staff taking part in sponsored builds in India and Romania and the industry-wide HopeBuilder Charity Challenge event in the UK, more than £200,000 was raised, providing funding for an additional 60 homes over that originally pledged.

NHBC is also increasing its support of a variety of UK-based charities and local community projects through fundraising and supporting staff engagement in community work.

NHBC made direct charitable donations of £29,834 (2007 £39,323). The donation to Habitat for Humanity since we started in 2006 to support the charity has been £72,377. In addition, NHBC contributed £598,815 (2007 £646,876) in support of the NHBC Foundation.

Environment

In the past 12 months NHBC has taken steps to improve its environmental performance. As well as operating a low-emission car fleet, CSR 'champions' have been appointed to help implement and promote social responsibility initiatives and more recycling facilities and energy saving measures have been introduced across NHBC's offices. The most recent independent audit of our performance showed we scored 60% on the Business in the Community (BiTC) Environment Index and we aim to increase this score to 75% in 2008/9.

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Directors' report
for the year ended 31 March 2008 (continued)

Statement of disclosure of information to auditors

The directors confirm that

- as far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each director has taken all the relevant steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK 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, in which case there should be supporting assumptions or qualifications as necessary

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

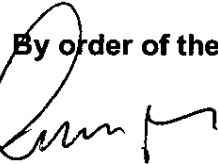
National House-Building Council
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Directors' report
for the year ended 31 March 2008 (continued)

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and accordingly a resolution to propose their re-appointment will be submitted to the annual general meeting

By order of the Board



J P Hastings
Company Secretary
26 June 2008

National House-Building Council
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Independent auditors' report to the members of the National House-Building Council

We have audited the Group and parent company financial statements (the "financial statements") of the National House-Building Council for the year ended 31 March 2008 which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements 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 law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 into 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 report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Group's and Company's circumstances, consistently applied and adequately disclosed.

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Independent auditors' report to the members of the National House-Building Council (continued)

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 March 2008 and of the Group's profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

26 June 2008

National House-Building Council
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Consolidated profit and loss account, technical account - general business for the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Earned premiums, net of reinsurance			
Gross premiums written	2	74,013	73,816
Outward reinsurance premiums		(5,810)	(5,141)
Net premiums written		68,203	68,675
Change in the gross provision for unearned premiums		(28,113)	(29,102)
Change in the provision for unearned premiums, reinsurers share		1,924	1,244
Change in the net provision for unearned premiums		(26,189)	(27,858)
Earned premiums, net of reinsurance		42,014	40,817
Allocated investment return transferred from the non-technical account		115,346	34,514
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(49,491)	(41,859)
Reinsurers' share		168	50
Net claims paid		(49,323)	(41,809)
Change in the provision for claims			
Gross amount		(13,856)	(15,426)
Reinsurers' share		6	13
Change in the net provision for claims		(13,850)	(15,413)
Claims incurred, net of reinsurance		(63,173)	(57,222)
Changes in other technical provisions, net of reinsurance		(10,115)	40,318
Net operating expenses	4	(1,933)	(1,485)
Balance on the technical account for general business		82,139	56,942

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**Consolidated profit and loss account, non-technical account
for the year ended 31 March 2008**

	Notes	2008 £'000	2007 £'000
Balance on the general business technical account		82,139	56,942
Investment income	5 1	67,914	97,302
Unrealised gains on investments		72,150	8,490
Unrealised loss on investments		(23,506)	(70,190)
Unrealised gains/(loss) on investments	5 2	48,644	(61,700)
Investment expenses and charges	6	(721)	(688)
Allocated investment return transferred to the general business technical account		(115,346)	(34,514)
Other income	2	71,901	64,683
Other charges		(62,758)	(64,952)
Surplus on ordinary activities before tax	9	91,773	57,073
Tax on surplus on ordinary activities	10	(27,328)	(16,392)
Retained surplus for the financial year		64,445	40,681

Consolidated statement of total recognised gains and losses

	Notes	2008 £'000	2007 £'000
Surplus for the financial year		64,445	40,681
Actuarial (loss)/gain relating to pension scheme	22 2 4	(3,973)	757
Deferred taxation relating to pension scheme actuarial (loss)/gain	22 2 5	1,076	(227)
Transfer to profit and loss account reserve	16	61,548	41,211
Revaluation reserve movement	16	84	233
Total gains recognised since last annual report		61,632	41,444

National House-Building Council
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**Consolidated balance sheet
at 31 March 2008**

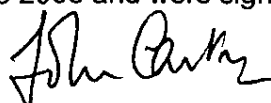
	Notes	2008 £'000	2007 £'000
Assets			
Investments			
Land and buildings	12 1	15,737	15,702
Other financial investments	12 2	1,409,853	1,287,595
		1,425,590	1,303,297
Reinsurers' share of technical provisions			
Provision for unearned premiums		35,429	33,505
Claims outstanding		19	13
Other technical provisions	18	302,642	328,770
		338,090	362,288
Debtors			
Debtors arising out of direct insurance operations	14	3,664	3,383
Deferred tax	19	594	158
Other debtors	14	11,894	11,562
		16,152	15,103
Other assets			
Tangible assets	15	8,503	8,720
Cash at bank and in hand		12,806	16,086
		21,309	24,806
Prepayments and accrued income			
Accrued interest and rent		18,527	12,442
Deferred acquisition costs		7,720	7,210
Other prepayments and accrued income		225	603
		26,472	20,255
Total assets		1,827,613	1,725,749

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Consolidated balance sheet
at 31 March 2008 (continued)

	Notes	2008 £'000	2007 £'000
Liabilities			
Reserves			
Revaluation reserve	16	5,714	5,630
Profit and loss account	16	239,687	178,139
Accumulated reserves	17	245,401	183,769
Technical provisions			
Provision for unearned premiums		454,373	426,260
Claims outstanding		104,468	90,612
Other technical provisions – provision for unexpired risks	18	922,452	938,465
		1,481,293	1,455,337
Creditors			
Creditors arising out of direct insurance operations	20	28,360	25,894
Other creditors including taxation and social security	21	21,398	16,661
		49,758	42,555
Accruals and deferred income	23	46,985	41,930
Total liabilities excluding pension deficit		1,823,437	1,723,591
Defined benefit pension plan deficit	22 2 3	4,176	2,158
Total liabilities		1,827,613	1,725,749

The financial statements on pages 16 to 49 were approved by the Board of Directors on 26 June 2008 and were signed on its behalf by -



Sir John Carter
(Chairman of the Council)



I Farookhi
(Chief Executive)

National House-Building Council
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**Parent company balance sheet
at 31 March 2008**


	Notes	2008 £'000	2007 £'000
Assets			
Investments			
Land and buildings	12 1	15,737	15,702
Investments in group undertakings and participating interests	13	3,213	6,030
Other financial investments	12 2	1,409,853	1,287,595
		1,428,803	1,309,327
Reinsurers' share of technical provisions			
Provision for unearned premiums		35,429	33,505
Claims outstanding		19	13
Other technical provisions	18	302,642	328,770
		338,090	362,288
Debtors			
Debtors arising out of direct insurance operations	14	3,664	3,383
Deferred tax	19	577	150
Other debtors	14	10,688	10,486
		14,929	14,019
Other assets			
Tangible assets	15	8,503	8,720
Cash at bank and in hand		12,228	15,130
		20,731	23,850
Prepayments and accrued income			
Accrued interest and rent		18,527	12,442
Deferred acquisition costs		7,720	7,210
Other prepayments and accrued income		225	603
		26,472	20,255
Total assets		1,829,025	1,729,739

National House-Building Council
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Parent company balance sheet
at 31 March 2008 (continued)

	Notes	2008 £'000	2007 £'000
Liabilities			
Reserves			
Revaluation reserve	16	8,826	11,610
Profit and loss account	16	236,575	172,159
Accumulated reserves	17	245,401	183,769
Technical provisions			
Provision for unearned premiums		454,373	426,260
Claims outstanding		104,468	90,612
Other technical provisions – provisions for unexpired risks	18	922,452	938,465
		1,481,293	1,455,337
Creditors			
Creditors arising out of direct insurance operations	20	28,360	25,894
Other creditors including taxation and social security	21	26,902	24,018
		55,262	49,912
Accruals and deferred income	23	42,893	38,563
Total liabilities excluding pension deficit		1,824,849	1,727,581
Defined benefit pension plan deficit	22 2 3	4,176	2,158
Total liabilities		1,829,025	1,729,739

The financial statements on pages 16 to 49 were approved by the Board of Directors on 26 June 2008 and were signed on its behalf by -


Sir John Carter
(Chairman of the Council)


I Farookhi
(Chief Executive)

National House-Building Council
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**Consolidated cash flow statement
for the year ended 31 March 2008**

	Notes	2008 £'000	2007 £'000
Consolidated cash flow statement			
Operating activities			
Net cash inflow from operating activities	24	86,009	85,433
Taxation			
Corporation tax paid		(19,860)	(13,219)
Tax refunds received		-	264
Net cash outflow from taxation		(19,860)	(12,955)
Capital expenditure			
Purchase of tangible fixed assets		(3,890)	(3,626)
Sale of tangible fixed assets		665	866
Purchase of land and buildings		(281)	(184)
Net cash outflow from capital expenditure		(3,506)	(2,944)
Increase in cash in the period	26	62,643	69,534
Cash flows were invested as follows			
Net portfolio investment			
Purchase of ordinary shares		25,090	12,248
Sale of ordinary shares		(31,422)	(19,967)
	26	(6,332)	(7,719)
Purchase of fixed income securities		1,965,623	1,707,205
Sale of fixed income securities		(1,831,007)	(1,633,272)
	26	134,616	73,933
Net cash outflow on portfolio investments		128,284	66,214
(Decrease)/increase in cash holdings	25	(65,641)	3,320
Net investment of cash flows	26	62,643	69,534

National House-Building Council
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**Notes to the financial statements
for the year ended 31 March 2008**

1 Accounting policies

1.1 Basis of Presentation

The Group financial statements have been prepared in accordance with the provisions of Section 255A of, and Schedule 9A to, the Companies Act 1985, with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 2005. The balance sheet of the Company has been prepared in accordance with Section 255 of, and the special provisions of Schedule 9A to, the Companies Act 1985.

The financial statements have been prepared in accordance with applicable accounting standards.

1.2 Basis of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the Company and its subsidiary undertakings drawn up to 31 March each year.

1.3 Basis of Accounting

1.3.1 Insurance Technical Result

The Technical Result is determined on an annual basis whereby the incurred cost of claims and related expenses, together with any change in other technical provisions, is charged against the earned proportion of premiums, net of reinsurance, as follows:

(i) Premiums written

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued.

Premiums written are shown net of those premium refunds to registered builders who were approved in respect of the financial year. Premiums written also exclude insurance premium taxes, with any unpaid taxes included within other creditors in the balance sheet.

(ii) Unearned premiums

The Company's insurance policies provide protection to policyholders for periods of ten years or more. Premiums are earned over the period of the policy commensurate with the expected incidence of risk. In reaching its assessment of the pattern of risk the Company makes reference to past claims experience. Unearned premiums represent the proportion of premiums written in the year and in previous years that relate to unexpired terms of policies in force at the balance sheet date.

National House-Building Council
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Notes to the financial statements
for the year ended 31 March 2008 (continued)

1 Accounting policies (continued)

1.3 Basis of Accounting (continued)

1.3.1 Insurance Technical Result (continued)

(iii) *Acquisition costs*

Acquisition costs, which represent the direct and indirect costs incurred in the conclusion of insurance contracts, are deferred and amortised over the period in which the related premiums are earned

(iv) *Claims incurred*

Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage, reinsurance and other recoveries. Claims are typically reported relatively quickly after the claims event and are therefore subject to significantly less uncertainty than future claims events.

In estimating the cost of claims notified but not paid, the Company has regard to the claim circumstances as reported, information available from surveyors, loss adjusters or other relevant professionals and the cost of settling claims with similar characteristics in previous periods.

(v) *Unexpired risk provisions*

An unexpired risk provision is made where the estimated costs of claims, related expenses and deferred acquisitions costs exceed unearned premiums, after taking account of future investment income.

An assessment is made at the year-end for the estimated cost of claims which may arise during the unexpired terms of policies in force at the balance sheet date. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. Provisions are calculated gross of any related reinsurance recoveries which are estimated separately and disclosed as part of reinsurers share of technical provisions.

The provisions are inevitably subject to inherent uncertainties because of the range of factors which could give rise to potentially significant claims over the ten-year or greater period covered by the unexpired risk provision. The time expected to elapse between the inception of policies, the manifestation of events giving rise to claims, and the notification to and settlement by the Company of such claims accentuate these uncertainties.

National House-Building Council
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Notes to the financial statements
for the year ended 31 March 2008 (continued)

1 Accounting Policies (continued)

1.3.1. Insurance Technical Result (continued)

(v) *Unexpired risk provisions* (continued)

In calculating the estimated cost of future claims, actuarial and statistical projections of the frequency and severity of future claims events are used to project ultimate settlement costs. Such projections are based upon both current facts and circumstances, and a subjective analysis of a range of factors including future inflation, the impact of competition and its effect on builder behaviour in making repairs which would otherwise fall as insurance claims to the company, the impact of large losses including those made evident by extreme weather or latent defects caused by defective building materials, the effect of increases in cover and changes in consumer expectations and in the legal environment. Because of these inherent uncertainties a significant degree of caution has been included in exercising the judgement required for setting the unexpired risk provision at a level such that the directors are confident that it is not understated.

The Company takes all reasonable steps to ensure that it has appropriate information regarding the assessment of claims in this regard. However, given the inherent uncertainty in estimating the cost of future claims, it is likely that the final outcome will prove to be different from the estimate established at the balance sheet date. Any consequential adjustments to amounts previously reported will be reflected in the results of the year in which they are identified.

The Company in setting its unexpired risk provisions takes account of the future investment income that will be generated between the balance sheet date and settlement of the expected claims on the assets held to cover such provision.

The methods used in the calculation of the Company's overall technical provisions have been reviewed by Watson Wyatt LLP, independent actuaries, and found to be appropriate.

(vi) *Reinsurance recoveries*

Reinsurance recoveries are the amounts which will be recovered under the reinsurance policies in force at the balance sheet date, assuming that the estimates of claims outstanding and future claims in respect of the unexpired risks prove to be correct. An assessment is made of the recoverability of reinsurance having regard to market data on the financial strength of each of the Company's reinsurers.

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

1 Accounting Policies (continued)

1.3.2 Tangible assets

The cost of tangible assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The expected useful economic lives used are

Motor vehicles	4 Years
Computer equipment	3 Years
Fixtures and fittings	5 Years

1.3.3 Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences including revaluation gains and losses on investments. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. Deferred tax balances are not discounted.

1.3.4 Investments

Land and buildings predominantly occupied by the Company for its own purposes are valued at open market valuation. Full valuations are made by external professionally qualified valuers at least every three years. In the intervening years these valuations are updated by directors with the assistance of independent professional advice as required. Any increases or decreases in values are transferred to the revaluation reserve. Such properties are then depreciated over the lower of 50 years, the remaining term of the lease, or an estimate made by an external professionally qualified valuer of their remaining useful economic life.

Investments in Group undertakings are valued in the Company's accounts by reference to the net assets of those undertakings, with the aggregate surplus or deficit on revaluation taken to the revaluation reserve.

Other financial investments are stated at market value (valued on a bid basis) excluding any accrued interest, with any realised or unrealised appreciation or diminution in value during the year being accounted for separately in the non-technical account. In the prior year investments were valued on a mid basis. There has been no significant impact on the net assets or the profit of the Company for either years resulting from this change in the valuation basis.

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

1 Accounting Policies (continued)

1.3.5 Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. Income from investments is included, together with the related income tax credit, in the non-technical account on an accruals basis. Account is taken of dividend income at the "ex-dividend" date of the related investment.

Realised investment gains and losses are taken through the profit and loss account in the period in which the transaction occurs. They represent the difference between the sales proceeds and purchase price (in both cases excluding accrued interest).

Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the previous balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

1.3.6 Transfer of investment return

A transfer of investment return, net of expenses and charges, is made from the non-technical account to the general business technical account to reflect the return made on those assets directly attributable to the insurance business.

1.3.7 Other income

Other income represents sales of goods and services relating to the efficient construction of good quality housing. Other income is stated excluding Value Added Tax. Other income is recognised on an accruals basis.

1.3.8 Pension costs

Defined benefit scheme

The Group operates a defined benefit pension scheme. The pension liability recognised in the balance sheet is the value of the scheme's assets less the present value of the scheme's liabilities.

The pension cost for the scheme is analysed between current service cost, past service cost and net return on pension scheme assets. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period.

Net expected return on the pension asset comprises the expected return on the pension scheme assets less interest on scheme liabilities.

The actuarial gains and losses which arise from a valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the statement of total recognised gains and losses for the period. The attributable deferred taxation is shown separately in the statement of total recognised gains and losses.

National House-Building Council
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Notes to the financial statements
for the year ended 31 March 2008 (continued)

1 Accounting Policies (continued)

1.3.8 Pension costs (continued)

Defined contribution scheme

The Group also operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable. The assets of this scheme are held separately from those of the Group in independently administered funds.

1.3.9 Operating leases

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

1.3.10 Change in Accounting Policies

The Group has adopted the amendment to FRS 17 'Retirement benefits' in full in these financial statements. As well as changing certain disclosures the adoption of this amendment has given rise to a change in accounting policy in respect of the valuation of listed equity investments and bonds which are held in scheme assets which are valued at the current bid price, having previously been valued at mid-market value. The effect of this change in accounting policy has been to decrease the value of the fund by £586,000. Further details can be found in Note 22 Pension and retirement benefits.

2 Segmental information

Group activities consist of two main segments within the United Kingdom, being insurance activities and other activities relating to the efficient construction of good quality housing. The direct underwriting operations of the Group consist primarily of one class of business, being pecuniary loss insurance. Turnover, which is gross insurance premiums written and other income, and surplus before tax are derived wholly from continuing operations.

	Turnover		Surplus before tax		Net assets	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Insurance activities	74,013	73,816	82,139	56,942	121,094	88,870
Other activities	71,901	64,683	9,634	131	124,307	94,899
Total	145,914	138,499	91,773	57,073	245,401	183,769

National House-Building Council
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Notes to the financial statements
for the year ended 31 March 2008 (continued)

3 Movements in prior year's claims provisions

	2008 £'000	2007 £'000
Net claims provisions brought forward as at 1 April	90,599	75,186
Net payments during the year in respect of these provisions	(38,914)	(32,274)
Net claims provisions carried forward in respect of claims provided at 1 April	(52,517)	(46,272)
Movement in prior year's provision	(832)	(3,360)

4 Net operating expenses

	2008 £'000	2007 £'000
Acquisition costs	1,818	1,307
Increase in deferred acquisition costs	(510)	(460)
Administrative expenses	625	638
Net operating expenses	1,933	1,485

5.1 Investment income

	2008 £'000	2007 £'000
Income from investments other than participating interests		
Income from land and buildings	73	47
Income from listed investments	55,437	50,403
Income from other investments and deposits	4,712	4,501
Net gains on realisation of listed investments	7,692	42,351
	67,914	97,302

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

5.2 Unrealised gains on investments

The Company's financial investments appreciated in value by £56.3 million (2007 depreciated by £19.3 million). After realising £7.7 million of gains on investments (2007 £42.4 million), the portfolio's unrealised gains at the year-end increased by £48.6 million (2007 decreased by £61.7 million).

	Note	2008 £'000	2007 £'000
Unrealised gains brought forward 1 April		16,645	78,345
Net realised gains during the year		(7,691)	(42,351)
Increase/(decrease) in the value of other financial investments held during the year	26	56,335	(19,349)
Increase/(decrease) in unrealised gains		48,644	(61,700)
Unrealised gains carried forward 31 March		65,289	16,645

6 Investment expenses and charges

	2008 £'000	2007 £'000
Investment management expenses	721	688

7 Employee information

The average number of persons (including executive directors) employed by the Company during the year by activity was:

	2008 £'000	2007 £'000
Insurance activities	200	199
Other direct activities	762	733
Administration	219	201
	1,181	1,133

Other direct activities relate to the efficient construction of good quality housing.

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

7 Employee information (continued)

Staff costs for the above persons were:

	2008 £'000	2007 £'000
Wages and salaries	39,766	37,170
Social security costs	4,132	3,889
Pension costs	4,325	4,371
	48,223	45,430

8 Directors' emoluments

	2008 £'000	2007 £'000
Aggregate emoluments	1,289	1,122

During the year retirement benefits accrued to 1 director (2007 1 director) under a defined benefit scheme and 3 directors (2007 3 directors) under a money purchase scheme

The following amounts were paid to the highest paid director -

	2008 £'000	2007 £'000
Aggregate emoluments	293	297
Pension contributions to money purchase scheme	34	30

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

8 Directors' emoluments (continued)

The aggregate emoluments of the Directors of the Company for services to the Company and its subsidiary undertakings were as follows

	Notes	Salary/ Fees 2008 £	Benefits 2008 £	Bonus 2008 £	Total emoluments 2008 £	Total emoluments 2007 £
Non-Executive Chairman						
Sir John Carter		100,000	-	-	100,000	100,000
Executive Directors						
I Farookhi		192,911	1,065	99,275	293,251	296,761
I Davis	1	140,625	532	49,875	191,032	45,977
S C Kelly		133,775	-	48,279	182,054	166,012
R MacEachrane	2	-	-	-	-	2,305
R J Tamayo		132,294	11,668	62,890	206,852	181,762
Non-Executive Directors						
S A Baseley		28,000	-	-	28,000	28,000
P J Foster		35,000	-	-	35,000	35,000
Lord Glentoran	3	23,333	-	-	23,333	35,000
M R Harris	4	35,000	-	-	35,000	35,000
Sir Graham Hart		35,000	-	-	35,000	35,000
T Hough	5	35,000	-	-	35,000	20,417
R N Lay	6	6,775	-	-	6,775	35,000
G R McCallum	7	-	-	-	-	14,583
Dame Yvonne Moores		33,465	-	-	33,465	28,000
R E Nicholson	8	21,000	-	-	21,000	-
Dr D B B Smith		35,000	-	-	35,000	35,000
R G Werth		28,000	-	-	28,000	28,000
		1,015,178	13,265	260,319	1,288,762	1,121,817

No retirement benefits accrued to any non-executive directors during this year (2007 nil)

- Notes
- 1 I Davis was appointed 1 December 2006
 - 2 R MacEachrane retired 7 April 2006
 - 3 Lord Glentoran retired 17 September 2007
 - 4 This sum was paid to a third party for the director's service
 - 5 T Hough was appointed 1 September 2006
 - 6 R N Lay retired 7 June 2007
 - 7 G R McCallum retired 31 August 2006
 - 8 R E Nicholson was appointed 12 June 2007

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

8 Directors' emoluments (continued)

Each executive director is eligible to participate in the Company's medium term incentive plan ("MTIP"). The remuneration committee annually agrees the MTIP objectives and targets for a three-year period.

Four of the executive directors participated in the MTIP (2007 three) and, whilst no amount is finally determined until the end of the three year period, a provision of £260,000 (2007 £119,000) has been made in the accounts.

The Company does not have a share option scheme.

9 Surplus on ordinary activities before tax

	2008 £'000	2007 £'000
Surplus on ordinary activities before tax is stated after.		
Depreciation charge for year		
Other land and buildings	330	320
Tangible owned fixed assets	3,705	3,419
<i>Auditors' remuneration for audit services</i>		
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated accounts	115	134
<i>Non-audit services fees payable to the Company's auditor and its subsidiary companies for other services</i>		
The audit of the Company's subsidiaries, pursuant to legislation	11	12
Other services pursuant to legislation, including the audit of the regulatory return	14	15
Taxation services	103	96
Other services not included above	49	9
Operating lease rentals		
Land and buildings	160	170

National House-Building Council
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Notes to the financial statements
for the year ended 31 March 2008 (continued)

10 Tax on surplus on ordinary activities

	Note	2008 £'000	2007 £'000
Tax on surplus on ordinary activities*			
UK Corporation tax			
Current at 30% (2007 30%)		27,131	16,744
Deferred at 28% (2007 30%)		(26)	(417)
(Over)/under provision in respect of prior years			
Current		256	145
Deferred		(33)	(80)
		27,328	16,392
Comprising			
Current taxation		27,387	16,889
Deferred taxation	19	(436)	(805)
Deferred taxation on pension contributions in excess of pension charges	22 2 5	377	308
		27,328	16,392

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

10 Tax on surplus on ordinary activities (continued)

The current tax charge for the year is lower (2007 lower) than the standard rate of corporation tax in the UK (30%) for the following reasons -

	2008 £'000	2007 £'000
Surplus on ordinary activities before tax	91,773	57,073
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2007 30%)	27,532	17,122
Marginal Relief	(6)	-
Effects of:-		
Income not chargeable for tax purposes	(611)	(530)
Expenses not deductible for tax purposes	281	46
Adjustments to tax charge in respect of previous periods	256	145
Depreciation for period in excess of capital allowances	196	90
Other short term timing differences	116	696
Pension contributions in excess of pension charges	(377)	(308)
Other items	-	(372)
Current corporation tax charge on surplus on ordinary activities for the year	27,387	16,889

11 Parent company

The retained profit dealt with in the profit and loss account of the Company for the year ended 31 March 2008 is £67,313,000 (2007 £40,178,000) As permitted by section 230 of the Companies Act 1985 the profit and loss account of the Company has not been included in these financial statements

National House-Building Council
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Notes to the financial statements
for the year ended 31 March 2008 (continued)

12.1 Investments: land and buildings

	The Group and the Company
	£'000
Cost or valuation	
At 1 April 2007	16,345
Additions	281
Deficit on revaluation	(889)
As at 31 March 2008	15,737
Depreciation	
At 1 April 2007	643
Charge for the year	330
Revaluations	(973)
As at 31 March 2008	0
Net book value at 31 March 2008	15,737
Net book value at 31 March 2007	15,702

All land and buildings are predominantly occupied by the Company for its own activities

Land and buildings at net book value comprise

	The Group and the Company	
	2008	2007
	£000	£000
Freeholds	14,987	14,952
Long Leaseholds	750	750
	15,737	15,702

National House-Building Council
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Notes to the financial statements
for the year ended 31 March 2008 (continued)

12.1 Investments: land and buildings (continued)

All land and buildings are regularly revalued in accordance with the Company's stated investments accounting policy (as set out in note 13.4). If land and buildings had not been revalued in this manner they would have been included at the following amounts:

	The Group and the Company	
	2008 £'000	2007 £'000
Cost	13,641	13,359
Accumulated depreciation based on cost	(2,588)	(2,309)
Net book value based on cost	11,053	11,050

12.2 Investments: other financial investments

	The Group and the Company			
	2008		2007	
	Market Value £'000	Cost £'000	Market Value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	42,657	44,287	55,319	44,532
Debt securities and other fixed interest securities	1,351,961	1,285,042	1,154,680	1,148,822
Deposits with credit institutions	15,235	15,235	77,596	77,596
	1,409,853	1,344,564	1,287,595	1,270,950

The market valuation of other financial investments for the year ended 31 March 2008 is on a bid price basis whilst in the financial year ended 31 March 2007 the basis of valuation is on a mid price basis. The effect of this change in the current financial year has been to decrease the value of the investments by £573,000. The effect of the change on the 2007 numbers is not considered material and therefore no adjustment has been made to these market values.

All shares and debt securities held are listed on a recognised investment exchange.

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

13 Investment in group undertakings and participating interests

In the parent company balance sheet, investments in group undertakings and participating interests are valued at their net asset value of £3,213,000 (2007 £6,030,000) in accordance with the Company's accounting policies. The resulting gain over book value of £3,112,000 (2007 £5,979,000) is included in the Company's revaluation reserve.

The Company's subsidiary undertakings were wholly owned and registered in England and Wales. At 31 March 2008 they were as follows -

NHBC Building Control Services Limited - issued and fully paid 50,000 £1 ordinary shares. The Company is an Approved Inspector for Building Regulation purposes in England and Wales.

PRC Homes Limited - issued and fully paid 100 £1 ordinary shares. The Company did not trade during the year.

NHBC Pension Trustee Limited - issued and fully paid 100 £1 ordinary shares. The Company arranges the provision of pensions to many of NHBC's present and past employees. The Company did not trade during the year.

NHBC Services Limited - issued and fully paid 50,000 £1 ordinary shares. The Company provides services to the house-building and related industries.

14 Debtors

Debtors arising out of direct insurance operations	The Group and the Company			
	2008		2007	
	£'000		£'000	
Due from reinsurers	179		91	
Other debtors	3,485		3,292	
	3,664		3,383	
Other debtors	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Amount owing to subsidiary undertakings	-	-	2,674	2,656
Other debtors	11,894	11,562	8,014	7,830
	11,894	11,562	10,688	10,486

Included in the other debtors figure above for both Group and Council are £1,750,000 (2007 £4,524,000) representing the cost of properties which have either been purchased from policyholders or purchased to provide alternative accommodation for policyholders. Expected future claims costs related to these properties are included within the provision for claims outstanding.

National House-Building Council
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Notes to the financial statements
for the year ended 31 March 2008 (continued)

15 Tangible assets

The Group and the Company	Motor vehicles £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2007	9,508	1,856	3,337	14,701
Additions	3,083	271	536	3,890
Disposals	(1,832)	-	-	(1,832)
As at 31 March 2008	10,759	2,127	3,873	16,759
Depreciation				
At 1 April 2007	3,663	1,031	1,287	5,981
Charge for the year	2,538	496	670	3,704
Disposals	(1,429)	-	-	(1,429)
As at 31 March 2008	4,772	1,527	1,957	8,256
Net book value at 31 March 2008	5,987	600	1,916	8,503
Net book value at 31 March 2007	5,845	825	2,050	8,720

16 Reserves

	Group		Company	
	Profit and loss account £'000	Revaluation Reserve £'000	Profit and loss account £'000	Revaluation Reserve £'000
At 1 April 2007	178,139	5,630	172,159	11,610
Retained surplus for the year	64,445	-	67,313	-
Net actuarial gain on pension scheme	(2,897)	-	(2,897)	-
Transfer of valuation on land and buildings	-	84	-	84
Revaluation surplus, net of tax on group undertakings and participating interests	-	-	-	(2,868)
As at 31 March 2008	239,687	5,714	236,575	8,826

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

17 Reconciliation of movements in accumulated reserves

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Retained surplus for the financial year	64,445	40,681	67,313	40,178
Net actuarial (loss)/gain on pension scheme	(2,897)	530	(2,897)	530
Other recognised (losses) and gains relating to the year (net)	84	233	(2,784)	736
Net addition to accumulated reserves	61,632	41,444	61,632	41,444
Opening accumulated reserves	183,769	142,325	183,769	142,325
Closing accumulated reserves	245,401	183,769	245,401	183,769

18 Other technical provisions

Unexpired risks provision

	The Group and the Company	
	2008 £'000	2007 £'000
Gross	922,452	938,465
Reinsurance	(302,642)	(328,770)
Net	619,810	609,695

The unexpired risk provision is stated after taking account of future investment income of £296 million (2007 £353 million)

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Notes to the financial statements
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19 Provisions for other risks and charges

	Group	Company
	2008	2008
	£'000	£'000
As at 1 April 2007	(158)	(150)
Credited to the profit and loss account	(436)	(427)
As at 31 March 2008	(594)	(577)

Deferred tax has been fully provided in the financial statements as follows

	The Group		The Company	
	2008	2007	2008	2007
	£'000	£'000	£000s	£'000
Unrealised gains on property	49	52	49	52
Unrealised gains on investments	337	499	337	499
Other short term differences	(379)	(173)	(379)	(173)
Excess of depreciation over capital allowances	(601)	(536)	(584)	(528)
	(594)	(158)	(577)	(150)

Deferred tax has been provided in full in the current year

20 Creditors arising out of direct insurance operations

	The Group and the Company	
	2008	2007
	£'000	£'000
Amounts due in less than one year	28,360	25,894

Included in the above are £23,061,000 (2007 £17,800,000) of builders' deposits. These monies are deposited with the Company as surety by individual builders.

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

21 Other creditors including taxation and social security

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Amount owing to subsidiary undertakings	-	-	7,272	8,858
Corporation tax	15,215	7,686	14,739	7,445
Other creditors	6,183	8,975	4,891	7,715
	21,398	16,661	26,902	24,018

22 Pensions and retirement benefits

22.1 Defined contribution scheme

The Group operated a stakeholder defined contribution scheme during the year. Pension costs in respect of this scheme were £337,000 (2007: £327,000). There were no prepaid or accrued contributions to this scheme at the year-end.

22.2.1 Defined benefit scheme

The NHBC Pension Scheme is a funded defined benefit scheme. Pension cost and provision figures are assessed in accordance with the advice of a professionally qualified actuary. The actuarial method used for valuations of the NHBC Pension Scheme is the projected unit method.

The scheme closed to new entrants from 31 December 2003. The closure of the scheme would be expected to be followed by a gradual ageing of the active membership and consequential increases to the projected unit method contribution rate.

The most recent formal actuarial valuation was at 31 March 2005. However, it has been agreed with the pension scheme trustees that, with effect from 1 April 2006, future benefits will accrue on a career-averaging basis by reference to the pensionable salary earned in each year. In addition, accrued benefits will be revalued broadly in line with inflation other than with reference to future pensionable salary. The effects of these changes are so significant that account has been taken of them in the actuarial valuations for the purposes of assessing the funding required to clear the deficit.

The market value of the relevant assets as at 31 March 2005 was £82.3 million and the level of funding as at that date was 86%, representing a deficit of £13.1 million on an actuarial basis. The company made no lump sum contributions during the year ended 31 March 2008 (2007: Nil) but agreed to keep company contributions at 17.6% of pensionable salaries and employee contributions at 6.5% to March 2016. At this contribution level and based on current assumptions the deficit is expected to be funded by March 2016.

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

22 Pension and retirement benefits (continued)

22.2.1 Defined benefit scheme (continued)

The defined benefit current service cost for the period was £3,454,000 (2007 £3,650,000). The valuation used has been based on the most recent actuarial valuation at 31 March 2005 adjusted for the changes in assumptions referred to above, updated to take account of the requirements of Financial Reporting Standard 17 ("Retirement Benefits") in order to assess the liabilities of the scheme at 31 March 2008.

22.2.2 Principal financial assumptions

The financial assumptions used to calculate scheme liabilities under FRS 17 on the projected unit basis are

	31 March 2008 %	31 March 2007 %
Discount rate	6.25	5.30
Inflation rate	3.25	3.00
Increase to deferred benefits during deferment	3.25	3.00
Increases to pensions in payment	3.75	3.50
Rate of inservice evaluation pension entitlements	3.25	3.00

The assumed rates of mortality in retirement have been based on the standard "PA92 series" tables, updated to 2005 (the date of the latest formal valuation) along with an additional allowance for further increases in life expectancy in the future. The resulting average remaining life expectancy for a male and female aged 65 as at 31 March 2008 are 20 years (2007 19 years) and 22 years (2007 21 years) respectively.

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

22 Pension and retirement benefits (continued)

22.2.3 Market value of assets and expected rate of return

The fair value of the assets at 31 March 2008 and expected rates of return were

	Longer term rate of return expected at 31 March 2008 %	Value at 31 March 2008 £'000	Longer term rate of return expected at 31 March 2007 %	Value at 31 March 2007 £'000	Longer term rate of return expected at 31 March 2006 %	Value at 31 March 2006 £'000
Equities	7.65	64,842	7.7	71,808	7.6	62,288
Bonds	5.75	33,220	4.9	34,534	4.5	30,189
Property	6.45	6,069	6.0	8,124	6.0	6,948
Other	5.25	2,651	4.4	2,256	4.0	9,791
Total market value of assets		106,782		116,722		109,216
Present value of scheme liabilities		(112,582)		(119,805)		(114,080)
Deficit in the scheme		(5,800)		(3,083)		(4,864)
Related deferred tax asset		1,624		925		1,460
Net pension deficit		(4,176)		(2,158)		(3,404)

The valuation of the pension fund for this year has been calculated on an "assumed bid valuation basis" whilst in the financial year ended 31 March 2007, the basis of calculation was a "mid price basis". The effect of this in the current financial year has been to decrease the value of the fund by £586,000. The 2007 numbers quoted above are based on the mid price basis, if an adjustment was made to these numbers to reflect the assumed bid valuation a decrease in the value of the fund would arise, equating to £630,000.

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

22 Pension and retirement benefits (continued)

22.2.4 Reconciliation of present values of schemes liabilities

	31 March 2008 £'000	31 March 2007 £'000
Deficit in the scheme at the beginning of the year	(3,083)	(4,864)
Contributions paid	3,186	3,309
Current service cost	(3,454)	(3,650)
Curtailment gain	-	-
Other finance income	1,524	1,365
Actuarial (loss)/gain	(3,973)	757
Deficit in the scheme at the end of the year	(5,800)	(3,083)

22.2.5 Deferred taxation

	£'000
Deferred taxation asset on scheme deficit at 1 April	925
Amount charged to the statement of recognised gains and losses	1,076
Amount charged to the profit and loss account	(377)
Deferred taxation asset on scheme deficit at 31 March	1,624

22.2.6 Amounts charged to operating profit

An operating charge of £3,454,000 (2007 £3,650,000) has been charged to operating profit in respect of the defined benefit scheme

22.2.7 Amount charged to other finance expense

Analysis of amounts that have been (charged)/credited to other finance income in respect of the defined benefit scheme under the requirements of FRS17

	31 March 2008 £'000	31 March 2007 £'000
Interest on pension scheme liabilities	(6,039)	(5,352)
Expected return on pension scheme assets	7,563	6,717
Net income credited to other finance income	1,524	1,365

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

22 Pension and retirement benefits (continued)

22.2.8 Statement of total recognised gains and losses

Analysis of amounts recognised in the statement of total recognised gains and losses in respect of defined benefit scheme

	31 March 2008 £'000	31 March 2007 £'000
Actual return less expected return on pension scheme assets	(13,376)	(354)
Experience (loss) arising on scheme liabilities	(773)	(2,298)
Change in assumptions underlying the scheme liabilities	10,176	3,409
Actuarial (loss)/gain	(3,973)	757

22.2.9 History of experience gains and losses:

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
(Loss)/gain on scheme assets	(13,376)	(354)	10,751	2,876	7,249
Percentage of scheme assets	12.53%	0.31%	10.13%	3.63%	10.44%
Experience (loss)/gain on scheme liabilities	(773)	(2,298)	2,399	(349)	(693)
Percentage of the present value of scheme liabilities	0.69%	1.98%	2.16%	0.32%	0.74%
Total (loss)/gain recognised in statement of total recognised gains and losses before adjustment for tax	(3,973)	757	5,745	9,128	5,338
Percentage of the present value of scheme liabilities	3.53%	0.65%	5.18%	8.33%	5.72%

22.3.1 Money purchase pension scheme

Two Directors elected to be responsible for their own pension arrangements and had employer's contributions during the year of £58,063 (2007 £52,084) paid into their personal money purchase pension scheme. One Director is in the Company stakeholder scheme and had employer's contributions during the year of £22,520 (2007 £7,240) paid into the NHBC stakeholder scheme.

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

22 Pension and retirement benefits (continued)

22.3.2 Sensitivity Analysis of the Pension Scheme Liabilities

The sensitivity of the present value of the scheme's liabilities is explained below,

If the discount rate had been 0.25% per annum higher (or if the rates of inflation and pension increases had been 0.25% per annum lower) the balance sheet position as at 31 March 2008 would have been £5.4 million more favourable. If the discount rate had been 0.25% per annum lower (or if the rates of inflation and pension increases had been 0.25% per annum higher) the balance sheet position as at 31 March 2008 would have been £5.8 million less favourable.

23 Accruals and deferred income

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Accruals	17,978	16,558	17,917	16,533
Certificate fees in advance	27,592	24,328	24,976	22,030
Other deferred income	1,415	1,044	-	-
	46,985	41,930	42,893	38,563

Certificate fees received in advance represents amounts set aside to cover the cost of inspection of homes under construction and their subsequent certification. These amounts are released from the balance sheet to the non-technical account in approximately the same periods as the related inspection costs are incurred.

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Notes to the financial statements
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24 Reconciliation of surplus on ordinary activities before tax to net cash flow from operating activities

	2008 £'000	2007 £'000
Surplus on ordinary activities before tax	91,773	57,073
Net depreciation of tangible assets	4,034	3,739
Increase in technical provisions	50,154	2,953
Realised gains on investments and fixed assets	(7,954)	(42,581)
(Increase)/decrease in unrealised gains on investments	(48,644)	61,700
Increase in insurance debtors	(281)	(428)
Increase in other debtors	(332)	(430)
Increase in prepayments and accrued income	(6,217)	(1,324)
Increase in insurance creditors	2,466	4,135
Decrease in other creditors	(2,790)	(1,861)
Increase in accruals and deferred income	5,055	3,481
Difference between pension charge and cash contributions excluding exceptional pension credit	(1,255)	(1,024)
Net cash inflow from operating activities	86,009	85,433

25 Increase/(decrease) in cash holdings

	At 31 March 2008 £000's	Cash Flow £000's	At 31 March 2007 £000's	Cash Flow £000's	At 31 March 2006 £000's
Cash at bank in hand	12,806	(3,280)	16,086	4,468	11,618
Deposits with credit institutions	15,235	(62,361)	77,596	(1,148)	78,744
	28,041	(65,641)	93,682	3,320	90,362

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Notes to the financial statements
for the year ended 31 March 2008 (continued)

26 Movement in cash, portfolio investments and financing

	At 31 March 2008	Cash Flow	Changes to market Value	At 31 March 2007	Cash Flow	Changes to market Value	At 31 March 2006
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ordinary shares	42,657	(6,332)	(6,330)	55,319	(7,719)	2,806	60,232
Fixed income securities	1,351,961	134,616	62,665	1,154,680	73,933	(22,155)	1,102,902
Deposits with credit Institutions	15,235	(62,361)	-	77,596	(1,148)	-	78,744
Other financial investments	1,409,853	65,923	56,335	1,287,595	65,066	(19,349)	1,241,878
Cash at bank and in hand	12,806	(3,280)	-	16,086	4,468	-	11,618
TOTAL	1,422,659	62,643	56,335	1,303,681	69,534	(19,349)	1,253,496

27 Guarantees and financial commitments

Annual commitments in respect of non-cancellable operating leases on land and buildings for both the Group and Council are as follows

	2008 £'000	2007 £'000
Operating leases on land and buildings which expire -		
Within one year	14	30
Between one and five years	109	137
	123	167

28 Liability of members

At 31 March 2008 there were 74 (2007 76) members of the Council Under the Articles of Association the liability of each of the members is limited by guarantee to a maximum of £1

29 Related party transactions

Advantage has been taken of the exemption in Financial Reporting Standard 8 ("Related Party Disclosures") not to disclose transactions with entities that are part of the Group