

**Registered No: 320784**

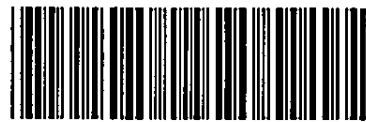
# **National House-Building Council**

**(a company limited by guarantee)**

## **Annual report**

**For the year ended 31 March 2009**

THURSDAY



\*ANF4LE4J\*

A31

15/10/2009

129

COMPANIES HOUSE

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

**Annual report**  
**for the year ended 31 March 2009**

	Page
<b>Directors</b>	<b>2</b>
<b>Advisors</b>	<b>3</b>
<b>Directors' report</b>	<b>4</b>
<b>Independent auditors' report</b>	<b>14</b>
<b>Consolidated profit and loss account, technical account - general business</b>	<b>16</b>
<b>Consolidated profit and loss account, non-technical account</b>	<b>17</b>
<b>Consolidated statement of total recognised gains and losses</b>	<b>17</b>
<b>Consolidated balance sheet</b>	<b>18</b>
<b>Parent company balance sheet</b>	<b>20</b>
<b>Consolidated cash flow statement</b>	<b>22</b>
<b>Notes to the financial statements</b>	<b>23</b>

**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

Sir John Harman B.Sc. Hons

1 January 2009 (appointed)

M R Harris FCMA

Sir Graham Hart KCB

T Hough FCIOB

S C Kelly ACA

Dame Yvonne Moores DBE RN RM

R A Nicholson CBE RIBA Hon FStructE

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** (a company limited by guarantee)

## **Directors' report for the year ended 31 March 2009**

The directors present their report and the audited financial statements for the year ended 31 March 2009.

### **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 home-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 home-building industry assess and manage risk during construction
- Providing a range of management, education and technical information and support to the home-building industry.

### **Business review**

#### **Results and performance**

NHBC was significantly affected by the fall in volumes in the new homes market with registrations 55% lower than last year. Costs have been significantly reduced and this unfortunately resulted in staff being made redundant during the year. This action will ensure that NHBC remains in a strong position to respond to the continuing challenges of the downturn as well as to prepare for the recovery when it comes.

The surplus before tax for the year was £35.8 million (2008: £91.8 million). After allowing for taxation there was a surplus of £25.4 million. (2008: £64.4 million) After incurring a reduction of £1.4 million to revaluation reserves and recognising net actuarial losses of £9.3 million on the pension scheme, total gains for the year of £14.7 million (2008: £61.6 million) were added to the Company's overall reserves, thereby increasing them to £260.1 million (2008: £245.4 million). The Company is a non-profit distributing body and therefore no dividend is payable.

Technical provisions before reinsurance recoveries decreased by £32.7 million (2008: increased £26.0 million) and the gross amount available to meet current and predicted future liabilities is now £1,448.6 million (2008: £1,481.3 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 £58.3 million (2008: £45.5 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.

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

**Directors' report**  
**for the year ended 31 March 2009 (continued)**

**Results and performance (continued)**

During the year, NHBC has supported the industry by providing ongoing skills development and training to help ensure the necessary skills are in place for the recovery when it arrives. This has involved providing a large range of free and subsidised training to help achieve this goal.

NHBC continues to engage with homeowners through its customer satisfaction surveys and has proactively assisted the Office of Fair Trading (OFT) whilst it undertook a Market Study into the UK home-building industry.

Their report, published in September 2008, gave the home-building industry a clean bill of health. It concluded that the home-building sector was broadly competitive but that home-buyers experienced faults and delays. As a result the industry has agreed to develop its own code of conduct and redress scheme for customers by March 2010. With regards to the provision of new home warranty the OFT concluded that "warranty provision in the UK is relatively robust" and government has publicly acknowledged that NHBC is leading the way in taking forward customer satisfaction recommendations and establishing a code of conduct.

NHBC has established a key role on the government sustainability agenda through

- The setting of Standards;
- Research provided by the NHBC Foundation;
- the Zero Carbon Hub; and
- Policy work

Our standards continue to be the key on-site reference document for new home construction in the UK. Following the new home market down turn, we issued guidance on closed and mothballed sites to ensure durability and performance of materials, products and systems already incorporated into build. In addition, we worked with the Timber Decking Association to develop a new code of practice for the construction of raised timber decks. These developments together with other revisions to our Standards continue to reinforce NHBC's core purpose of protecting consumers.

The NHBC Foundation, our research arm, has published a range of research findings throughout the year in relation to the sustainability agenda. This has included reports on effective site waste management, an introductory guide for home builders to clarify their zero carbon obligations ahead of 2016 and a guide to airtight construction.

The Zero Carbon Hub (ZCH) has been established with the support of NHBC and, through the 2016 Task Force, is leading in the delivery of the government's zero carbon homes policy. The ZCH hosted a series of industry seminars, providing feedback on the government consultation on the definition of zero carbon homes which will shape the way new homes of the future are constructed in the future.

NHBC has established an official All Party Parliamentary Group on sustainable housing to provide a platform in parliament to enable MPs to discuss and debate the issues around the low and zero carbon homes agenda.

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

## **Directors' report** **for the year ended 31 March 2009 (continued)**

### **Results and performance (continued)**

The end of 2008 saw NHBC form a strategic partnership with the Housing Forum in a move to further strengthen housing industry support. This is an important collaboration and an opportunity for both organisations to combine their skills, experience and influence to support the industry in whatever shape it emerges from the current downturn.

### **Business environment and Strategy**

The market that NHBC operates in continues to be extremely 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 home-building and wider construction industry to raise standards of new homes and to provide consumer protection for new homeowners".

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

1. **Provider of Products and Services (CUSTOMER)** - Profitably providing effective consumer protection for the UK homeowner by providing the most comprehensive range of home warranties and portfolio of services to the UK home-building industry.
2. **A National and International Authority on Standards and Risk Management in home-building (REPUTATION)** - Being a national and an international authority on standards and risk management in home-building.
3. **Standards (STANDARDS)** - Continually improving standards of new homes.
4. **Financial (PROFIT)** - Ensuring sufficient funds are available.

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 taking 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.

# **National House-Building Council**

**(a company limited by guarantee)**

## **Directors' report** **for the year ended 31 March 2009 (continued)**

### **Principal risks and uncertainties (continued)**

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.

### **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 challenging year as the impact of global economic downturn affected the new home-building industry. Despite this NHBC continued to build its financial strength and activity levels are summarised below:

	<b>31 March 2009</b>	<b>31 March 2008</b>	<b>Change on 2008</b>
Number of registered home builders	<b>20,300</b>	21,300	-5 %
Number of completed homes protected by 'Buildmark' Cover	<b>1,644,000</b>	1,658,000	-1 %
Number of new homes registered in year	<b>82,000</b>	186,000	-55 %
Number of completion certificates issued for new homes in year	<b>139,000</b>	178,000	-20 %

The outlook for the coming year for the home-building market remains extremely uncertain and together with the shortage of mortgage funds restricting the sale of new homes, it is expected that volumes for the 2010 financial year will be marginally lower than 2009.

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



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

## **Directors' report for the year ended 31 March 2009 (continued)**

### **Directors**

The directors of the Company during the year and at 31 March 2009 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.

### **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 1,160 (2008: 1,181) 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.

# **National House-Building Council**

**(a company limited by guarantee)**

## **Directors' report** **for the year ended 31 March 2009 (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 £32,000 (2008: £1,359,000).

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 loss of £281,000 (2008: Profit £190,000).

### **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.

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

**Directors' report**  
**for the year ended 31 March 2009 (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**

During the financial year all equities were disposed of by the investment managers and consequently the Group is no longer exposed to equity price risk as a result of its holdings in equity investments.

Investments that were held were 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.
- provision of road and sewer bonds to registered builders.

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 2009 (continued)**

#### **Charitable donations and corporate social responsibility**

NHBC remains committed to the development of its corporate and social responsibility and 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 and national level and this year has embarked upon a relationship with the UK homelessness charity Shelter whilst retaining its links with Habitat for Humanity.

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 £34,969 (2008: £29,834). In addition, NHBC contributed £338,087 (2008: £598,815) in support of the NHBC Foundation.

##### **Environment**

In the past 12 months NHBC has taken further steps to improve its environmental performance.

In 2007/08 we were assessed by Business in the Community (BitC) to evaluate the organisation's performance in relation to their Environment Index. NHBC targeted and achieved an improvement from 60% to 75% in 2008/09.

The Environment Index has been replaced by the Corporate Responsibility Index (CR Index), the CR Index aims to increase the scope of an organisation's corporate responsibility to more than just the immediate environment and now includes the community, workplace and the market in which we operate. We are in the process of being assessed and our results will be known soon.

In addition to the work above, NHBC has also joined the HRH Prince of Wales Mayday Network. By doing so, NHBC made six environmental pledges, which relate to measuring, reporting and reducing our carbon emissions, whilst engaging staff, customers and suppliers in the process. NHBC submitted a report in January 2009 to the network, demonstrating its adherence to the pledges and has recently been invited to remain in the network for the forthcoming year, re-affirming our commitment to the six pledges.

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

**Directors' report**  
**for the year ended 31 March 2009 (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 they ought to have taken as a director in order to make themselves 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.

NHBC's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review and Principle Risks and Uncertainties on pages 4 to 7. The directors believe that NHBC has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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.

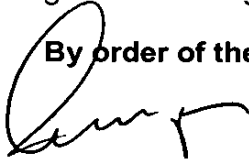
**National House-Building Council**  
(a company limited by guarantee)

**Directors' report**  
**for the year ended 31 March 2009 (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**

A handwritten signature in black ink, appearing to be 'J P Hastings', written over the text 'By order of the Board'.

**J P Hastings**  
**Company Secretary**  
**25 June 2009**

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

**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 2009 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, the Directors and Advisors pages and all of the other information listed on the contents page. 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.

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

**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 2009 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**

25 June 2009



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

**Consolidated profit and loss account, technical account - general business for the year ended 31 March 2009**

	Notes	2009 £'000	2008 £'000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	2	26,932	74,013
Outward reinsurance premiums		(3,164)	(5,810)
<b>Net premiums written</b>		<b>23,768</b>	<b>68,203</b>
Change in the gross provision for unearned premiums		18,449	(28,113)
Change in the provision for unearned premiums, reinsurers share		(1,396)	1,924
Change in the net provision for unearned premiums		17,053	(26,189)
<b>Earned premiums, net of reinsurance</b>		<b>40,821</b>	<b>42,014</b>
Allocated investment return transferred from the non-technical account		86,675	115,346
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
Gross amount		(63,249)	(49,491)
Reinsurers' share		3	168
<b>Net claims paid</b>		<b>(63,246)</b>	<b>(49,323)</b>
Change in the provision for claims			
Gross amount		(20,339)	(13,856)
Reinsurers' share		(7)	6
Change in the net provision for claims		(20,346)	(13,850)
<b>Claims incurred, net of reinsurance</b>		<b>(83,592)</b>	<b>(63,173)</b>
Changes in other technical provisions, net of reinsurance		8,085	(10,115)
Net operating expenses	4	(2,069)	(1,933)
<b>Balance on the technical account for general business</b>		<b>49,920</b>	<b>82,139</b>

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

**Consolidated profit and loss account, non-technical account  
for the year ended 31 March 2009**

	Notes	2009 £'000	2008 £'000
Balance on the general business technical account		49,920	82,139
Investment income	5.1	83,932	67,914
Unrealised gains on investments		56,231	72,150
Unrealised loss on investments		(52,521)	(23,506)
Unrealised gains/(loss) on investments	5.2	3,710	48,644
Investment expenses and charges	6	(728)	(721)
Allocated investment return transferred to the general business technical account		(86,675)	(115,346)
Other income	2	50,467	71,901
Other charges		(64,808)	(62,758)
<b>Surplus on ordinary activities before tax</b>	9	<b>35,818</b>	<b>91,773</b>
Tax on surplus on ordinary activities	10	(10,422)	(27,328)
<b>Retained surplus for the financial year</b>		<b>25,396</b>	<b>64,445</b>

**Consolidated statement of total recognised gains and losses**

	Notes	2009 £'000	2008 £'000
Surplus for the financial year		25,396	64,445
Actuarial (loss) relating to pension scheme	22.2.4	(13,002)	(3,973)
Deferred taxation relating to pension scheme actuarial (loss)	22.2.5	3,641	1,076
Transfer to profit and loss account reserve	16	16,035	61,548
Revaluation reserve movement	16	(1,371)	84
<b>Total gains recognised since last annual report</b>		<b>14,664</b>	<b>61,632</b>

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

**Consolidated balance sheet  
at 31 March 2009**


	Notes	2009 £'000	2008 £'000
<b>Assets</b>			
<b>Investments</b>			
Land and buildings	12.1	11,920	15,737
Other financial investments	12.2	1,407,179	1,409,853
		<b>1,419,099</b>	<b>1,425,590</b>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums		34,033	35,429
Claims outstanding		12	19
Other technical provisions	18	276,137	302,642
		<b>310,182</b>	<b>338,090</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations	14	1,646	3,664
Deferred tax	19	538	594
Other debtors	14	8,407	11,894
		<b>10,591</b>	<b>16,152</b>
<b>Other assets</b>			
Tangible assets	15	6,799	8,503
Cash at bank and in hand		21,050	12,806
		<b>27,849</b>	<b>21,309</b>
<b>Prepayments and accrued income</b>			
Accrued interest and rent		17,920	18,527
Deferred acquisition costs		7,840	7,720
Other prepayments and accrued income		1,656	225
		<b>27,416</b>	<b>26,472</b>
<b>Total assets</b>		<b>1,795,137</b>	<b>1,827,613</b>

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

**Consolidated balance sheet**  
**at 31 March 2009 (continued)**

	Notes	2009 £'000	2008 £'000
<b>Liabilities</b>			
<b>Reserves</b>			
Revaluation reserve	16	4,343	5,714
Profit and loss account	16	255,722	239,687
<b>Accumulated reserves</b>	17	260,065	245,401
<b>Technical provisions</b>			
Provision for unearned premiums		435,924	454,373
Claims outstanding		124,807	104,468
Other technical provisions – provision for unexpired risks	18	887,862	922,452
		1,448,593	1,481,293
<b>Creditors</b>			
Creditors arising out of direct insurance operations	20	26,254	28,360
Other creditors including taxation and social security	21	6,877	21,398
		33,131	49,758
<b>Accruals and deferred income</b>	23	43,017	46,985
<b>Total liabilities excluding pension deficit</b>		1,784,806	1,823,437
Defined benefit pension plan deficit	22.2.3	10,331	4,176
<b>Total liabilities</b>		1,795,137	1,827,613

The financial statements on pages 16 to 49 were approved by the Board of Directors on 25 June 2009 and were signed on its behalf by: -

  
**Sir John Carter**  
(Chairman of the Council)

  
**I Farookhi**  
(Chief Executive)

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

**Parent company balance sheet  
at 31 March 2009**

	Notes	2009 £'000	2008 £'000
<b>Assets</b>			
<b>Investments</b>			
Land and buildings	12.1	11,920	15,737
Investments in group undertakings and participating interests	13	2,563	3,213
Other financial investments	12.2	1,407,179	1,409,853
		<b>1,421,662</b>	<b>1,428,803</b>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums		34,033	35,429
Claims outstanding		12	19
Other technical provisions	18	276,137	302,642
		<b>310,182</b>	<b>338,090</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations	14	1,646	3,664
Deferred tax	19	525	577
Other debtors	14	9,054	10,688
		<b>11,225</b>	<b>14,929</b>
<b>Other assets</b>			
Tangible assets	15	6,799	8,503
Cash at bank and in hand		20,665	12,228
		<b>27,464</b>	<b>20,731</b>
<b>Prepayments and accrued income</b>			
Accrued interest and rent		17,920	18,527
Deferred acquisition costs		7,840	7,720
Other prepayments and accrued income		1,645	225
		<b>27,405</b>	<b>26,472</b>
<b>Total assets</b>		<b>1,797,938</b>	<b>1,829,025</b>

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

**Parent company balance sheet**  
**at 31 March 2009 (continued)**

	Notes	2009 £'000	2008 £'000
<b>Liabilities</b>			
<b>Reserves</b>			
Revaluation reserve	16	6,805	8,826
Profit and loss account	16	253,260	236,575
<b>Accumulated reserves</b>	17	<b>260,065</b>	<b>245,401</b>
<b>Technical provisions</b>			
Provision for unearned premiums		435,924	454,373
Claims outstanding		124,807	104,468
Other technical provisions – provisions for unexpired risks	18	887,862	922,452
		<b>1,448,593</b>	<b>1,481,293</b>
<b>Creditors</b>			
Creditors arising out of direct insurance operations	20	26,254	28,360
Other creditors including taxation and social security	21	12,666	26,902
		<b>38,920</b>	<b>55,262</b>
<b>Accruals and deferred income</b>	23	<b>40,029</b>	<b>42,893</b>
<b>Total liabilities excluding pension deficit</b>		<b>1,787,607</b>	<b>1,824,849</b>
Defined benefit pension plan deficit	22.2.3	10,331	4,176
<b>Total liabilities</b>		<b>1,797,938</b>	<b>1,829,025</b>

The financial statements on pages 16 to 49 were approved by the Board of Directors on 25 June 2009 and were signed on its behalf by: -



**Sir John Carter**  
(Chairman of the Council)



**I Farookhi**  
(Chief Executive)

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

**Consolidated cash flow statement  
for the year ended 31 March 2009**

	Notes	2009 £'000	2008 £'000
<b>Consolidated cash flow statement</b>			
<b>Operating activities</b>			
Net cash inflow from operating activities	24	4,068	86,009
<b>Taxation</b>			
Corporation tax paid		(21,207)	(19,860)
Tax refunds received		-	-
<b>Net cash outflow from taxation</b>		<b>(21,207)</b>	<b>(19,860)</b>
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(2,912)	(3,890)
Sale of tangible fixed assets		1,385	665
Purchase of land and buildings		(10)	(281)
<b>Net cash outflow from capital expenditure</b>		<b>(1,537)</b>	<b>(3,506)</b>
<b>(Decrease)/increase in cash in the period</b>	26	<b>(18,676)</b>	<b>62,643</b>
<b>Cash flows were invested as follows:</b>			
<b>Net portfolio investment</b>			
Purchase of ordinary shares		17,131	25,090
Sale of ordinary shares		(42,627)	(31,422)
	26	<b>(25,496)</b>	<b>(6,332)</b>
Purchase of fixed income securities		1,820,613	1,965,623
Sale of fixed income securities		(1,856,125)	(1,831,007)
	26	<b>(35,512)</b>	<b>134,616</b>
<b>Net cash outflow on portfolio investments</b>		<b>(61,008)</b>	<b>128,284</b>
<b>Increase/(Decrease) in cash holdings</b>	25	<b>42,332</b>	<b>(65,641)</b>
<b>Net investment of cash flows</b>	26	<b>(18,676)</b>	<b>62,643</b>

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

**Notes to the financial statements  
for the year ended 31 March 2009**

**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 inception 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**  
(a company limited by guarantee)

**Notes to the financial statements**  
**for the year ended 31 March 2009 (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**  
(a company limited by guarantee)

**Notes to the financial statements**  
**for the year ended 31 March 2009 (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.

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.

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (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. Where valuations are below cost such loss in value is directly charged to the profit and loss account. 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. There has been no significant impact on the net assets or the profit of the Company for either years resulting from the change in the valuation basis.

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (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 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**  
(a company limited by guarantee)

**Notes to the financial statements**  
**for the year ended 31 March 2009 (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.

**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	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Insurance activities	26,932	74,013	49,920	82,139	128,751	121,094
Other activities	50,467	71,901	(14,102)	9,634	131,314	124,307
<b>Total</b>	<b>77,399</b>	<b>145,914</b>	<b>35,818</b>	<b>91,773</b>	<b>260,065</b>	<b>245,401</b>

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**3 Movements in prior year's claims provisions –**

	2009 £'000	2008 £'000
Net claims provisions brought forward as at 1 April	104,449	90,599
Net payments during the year in respect of these provisions	(48,174)	(38,914)
Net claims provisions carried forward in respect of claims provided at 1 April	(64,409)	(52,517)
<b>Movement in prior year's provision</b>	<b>(8,134)</b>	<b>(832)</b>

**4 Net operating expenses**

	2009 £'000	2008 £'000
Acquisition costs	1,369	1,818
Increase in deferred acquisition costs	(120)	(510)
Administrative expenses	820	625
<b>Net operating expenses</b>	<b>2,069</b>	<b>1,933</b>

**5.1 Investment income**

	2009 £'000	2008 £'000
<b>Income from investments other than participating interests</b>		
Income from land and buildings	95	73
Income from listed investments	60,013	55,437
Income from other investments and deposits	3,288	4,712
Net gains on realisation of listed investments	20,536	7,692
	<b>83,932</b>	<b>67,914</b>

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**5.2 Unrealised gains on investments**

The Company's financial investments appreciated in value by £24.2 million (2008: appreciated by £56.3 million). After realising £20.5 million of gains on investments (2008: £7.7 million), the portfolio's unrealised gains at the year-end increased by £3.7 million (2008: increased by £48.6 million).

	Note	2009 £'000	2008 £'000
Unrealised gains brought forward 1 April		65,289	16,645
Net realised gains during the year		(20,536)	(7,691)
Increase in the value of other financial investments held during the year	26	24,246	56,335
Increase in unrealised gains		3,710	48,644
Unrealised gains carried forward 31 March		68,999	65,289

**6 Investment expenses and charges**

	2009 £'000	2008 £'000
Investment management expenses	728	721

**7 Employee information**

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

	2009	2008
Insurance activities	221	200
Other direct activities	767	762
Administration	172	219
	1,160	1,181

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

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**7 Employee information (continued)**

**Staff costs for the above persons were:**

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Wages and salaries	<b>42,401</b>	39,766
Social security costs	<b>4,327</b>	4,132
Pension costs	<b>4,008</b>	4,325
	<b>50,737</b>	48,223

**8 Directors' emoluments**

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Aggregate emoluments	<b>1,238</b>	1,289

During the year retirement benefits accrued to 1 director (2008: 1 director) under a defined benefit scheme and 3 directors (2008: 3 directors) under money purchase schemes.

The following amounts were earned by the highest paid director: -

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Aggregate emoluments	<b>259</b>	293
Pension contributions to money purchase scheme	<b>42</b>	34



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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (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 2009 £	Benefits 2009 £	Bonus 2009 £	Total emoluments 2009 £	Total emoluments 2008 £
<b>Non-Executive Chairman</b>						
Sir John Carter		115,000	-	-	115,000	100,000
<b>Executive Directors</b>						
Imtiaz Farookhi		201,932	1,066	56,348	259,346	293,251
Ian P Davis		145,785	533	21,651	167,969	191,032
Sandra C Kelly		141,520	-	32,049	173,569	182,054
Richard J Tamayo		137,495	12,782	34,150	184,427	206,852
<b>Non-Executive Directors</b>						
Stewart A Baseley		32,000	-	-	32,000	28,000
Peter J Foster		39,000	-	-	39,000	35,000
Lord Glentoran	1	-	-	-	-	23,333
Sir John Harman	2	8,000	-	-	8,000	-
Malcolm R Harris		39,000	-	-	39,000	35,000
Sir Graham Hart		39,000	-	-	39,000	35,000
Timothy Hough		39,000	-	-	39,000	35,000
Richard N Lay	3	-	-	-	-	6,775
Dame Yvonne Moores		39,000	-	-	39,000	33,465
Robin E Nicholson	4	32,000	-	-	32,000	21,000
Dr David B B Smith		39,000	-	-	39,000	35,000
Richard G Werth		32,000	-	-	32,000	28,000
		<b>1,079,732</b>	<b>14,381</b>	<b>144,198</b>	<b>1,238,311</b>	<b>1,288,762</b>

No retirement benefits accrued to any non-executive directors during this year (2008: nil).

- Notes
1. Lord Glentoran retired 17 September 2007
  2. Sir John Harman was appointed on 1 January 2009
  3. R N Lay retired 7 June 2007
  4. R E Nicholson was appointed 12 June 2007

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (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.

Three of the executive directors participated in the MTIP scheme maturing this year earning £60,990. (2008: Two executive directors earning £55,343). No amount is finally determined on the two MTIP schemes maturing in the next two years until the end of the three year period to which the scheme relates. A provision for amounts payable on all three schemes has been made in the accounts of £383,000. (2008: £260,000)

The Company does not have a share option scheme.

**9 Surplus on ordinary activities before tax**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Surplus on ordinary activities before tax is stated after:</b>		
Depreciation charge for year:		
Other land and buildings	<b>315</b>	330
Tangible owned fixed assets	<b>3,602</b>	3,705
<i>Auditors' remuneration for audit services:</i>		
Fees payable to the Company's auditor for the audit of the Company and Group accounts	<b>120</b>	115
<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	<b>11</b>	11
Other services pursuant to legislation, including the audit of the regulatory return	<b>14</b>	14
Taxation services	<b>126</b>	103
Other services not included above	<b>22</b>	49
Operating lease rentals:		
Land and buildings	<b>140</b>	160

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**10 Tax on surplus on ordinary activities**

	Note	2009 £'000	2008 £'000
<b>Tax on surplus on ordinary activities:</b>			
UK Corporation tax			
Current at 28% (2008: 30%)		9,367	27,131
Deferred at 28% (2008: 28%)		1,075	(26)
(Over)/under provision in respect of prior years			
Current		(248)	256
Deferred		228	(33)
		<b>10,422</b>	<b>27,328</b>
<b>Comprising</b>			
Current taxation		9,119	27,387
Deferred taxation	19	56	(436)
Deferred taxation on pension contributions in excess of pension charges	22.2.5	1,247	377
		<b>10,422</b>	<b>27,328</b>

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**10 Tax on surplus on ordinary activities (continued)**

The current tax charge for the year is lower (2008: lower) than the standard rate of corporation tax in the UK (28%) for the following reasons: -

	2009 £'000	2008 £'000
<b>Surplus on ordinary activities before tax</b>	<b>35,818</b>	<b>91,773</b>
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)	10,029	27,532
Marginal Relief	17	(6)
<b>Effects of:-</b>		
Income not chargeable for tax purposes	(324)	(611)
Expenses not deductible for tax purposes	540	281
Adjustments to tax charge in respect of previous periods	(248)	256
Depreciation for period in excess of capital allowances	353	196
Other short term timing differences	(1)	116
Pension contributions in excess of pension charges	(1,247)	(377)
<b>Current corporation tax charge on surplus on ordinary activities for the year</b>	<b>9,119</b>	<b>27,387</b>

**11 Parent company**

The retained profit dealt with in the profit and loss account of the Company for the year ended 31 March 2009 is £26,046,000 (2008: £67,313,000). 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**  
(a company limited by guarantee)

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**12.1 Investments: land and buildings**

	The Group and the Company
	£'000
<b>Cost or valuation</b>	
At 1 April 2008	15,737
Additions	10
Deficit on revaluation	(3,827)
As at 31 March 2009	11,920
<b>Depreciation</b>	
At 1 April 2008	0
Charge for the year	315
Revaluations	(315)
As at 31 March 2009	0
<b>Net book value at 31 March 2009</b>	<b>11,920</b>
Net book value at 31 March 2008	15,737

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	
	2009	2008
	£000	£000
Freeholds	11,325	14,987
Long Leaseholds	595	750
	<b>11,920</b>	<b>15,737</b>

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (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 1.3.4). 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	
	2009 £'000	2008 £'000
Cost	13,651	13,641
Accumulated depreciation based on cost	(2,864)	(2,588)
Net book value based on cost	10,787	11,053

**12.2 Investments: other financial investments**

	The Group and the Company			
	2009		2008	
	Market Value £'000	Cost £'000	Market Value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	0	0	42,657	44,287
Debt securities and other fixed interest securities	1,357,856	1,288,857	1,351,961	1,285,042
Deposits with credit institutions	49,323	49,323	15,235	15,235
	1,407,179	1,338,180	1,409,853	1,344,564

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

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (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 £2,563,000 (2008: £3,213,000) in accordance with the Company's accounting policies. The resulting gain over book value of £2,462,000 (2008: £3,112,000) 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 2009 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 home-building and related industries.

**14 Debtors**

Debtors arising out of direct insurance operations			The Group and the Company	
			2009 £'000	2008 £'000
Due from reinsurers			9	179
Other debtors			1,637	3,485
			1,646	3,664
Other debtors	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Amount owed by subsidiary undertakings	-	-	2,713	2,674
Other debtors	8,407	11,894	6,341	8,014
	8,407	11,894	9,054	10,688

Included in the other debtors figure above for both the Group and the Company are £2,962,000 (2008: £1,750,000) 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**  
(a company limited by guarantee)

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**15 Tangible assets –**

<b>The Group and the Company:</b>	<b>Motor vehicles £'000</b>	<b>Computer equipment £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April 2008	10,759	2,127	3,873	16,759
Additions	2,146	464	302	2,912
Disposals	(4,072)	(1)	(5)	(4,078)
As at 31 March 2009	8,833	2,590	4,170	15,593
<b>Depreciation</b>				
At 1 April 2008	4,772	1,527	1,957	8,256
Charge for the year	2,447	429	726	3,602
Disposals	(3,062)	-	(2)	(3,064)
As at 31 March 2009	4,157	1,956	2,681	8,794
<b>Net book value at 31 March 2009</b>	<b>4,676</b>	<b>634</b>	<b>1,489</b>	<b>6,799</b>
Net book value at 31 March 2008	5,987	600	1,916	8,503

**16 Reserves**

	<b>Group</b>		<b>Company</b>	
	<b>Profit and loss account £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Revaluation Reserve £'000</b>
At 1 April 2008	239,687	5,714	236,575	8,826
Retained surplus for the year	25,396	-	26,046	-
Net actuarial loss on pension scheme	(9,361)	-	(9,361)	-
Revaluation of land and buildings	-	(1,371)	-	(1,371)
Revaluation surplus, net of tax on group undertakings and participating interests	-	-	-	(650)
<b>As at 31 March 2009</b>	<b>255,722</b>	<b>4,343</b>	<b>253,260</b>	<b>6,805</b>



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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**17 Reconciliation of movements in accumulated reserves**

	<b>Group</b>		<b>Company</b>	
	<b>2009 £'000</b>	<b>2008 £'000</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Retained surplus for the financial year	<b>25,396</b>	64,445	<b>26,046</b>	67,313
Net actuarial (loss)/gain on pension scheme	<b>(9,361)</b>	(2,897)	<b>(9,361)</b>	(2,897)
Other recognised (losses) and gains relating to the year (net)	<b>(1,371)</b>	84	<b>(2,021)</b>	(2,784)
Net addition to accumulated reserves	<b>14,664</b>	61,632	<b>14,664</b>	61,632
Opening accumulated reserves	<b>245,401</b>	183,769	<b>245,401</b>	183,769
<b>Closing accumulated reserves</b>	<b>260,065</b>	245,401	<b>260,065</b>	245,401

**18 Other technical provisions**

**Unexpired risks provision**

	<b>The Group and the Company</b>	
	<b>2009 £'000</b>	<b>2008 £'000</b>
Gross	<b>887,862</b>	922,452
Reinsurance	<b>(276,137)</b>	(302,642)
<b>Net</b>	<b>611,725</b>	619,810

The unexpired risk provision is stated after taking account of future investment income of £174 million (2008: £296 million).

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**19 Provisions for other risks and charges**

	<b>Group</b>	<b>Company</b>
	<b>2009</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Deferred tax</b>		
As at 1 April 2008	(594)	(577)
Credited to the profit and loss account	56	52
<b>As at 31 March 2009</b>	<b>(538)</b>	<b>(525)</b>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£000s</b>	<b>£'000</b>
Unrealised gains on property	49	49	49	49
Unrealised gains on investments	337	337	337	337
Other short term differences	(73)	(379)	(73)	(379)
Excess of depreciation over capital allowances	(851)	(601)	(838)	(584)
	<b>(538)</b>	<b>(594)</b>	<b>(525)</b>	<b>(577)</b>

Deferred tax has been provided in full in the current year.

**20 Creditors arising out of direct insurance operations**

	<b>The Group and the Company</b>	
	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due in less than one year	<b>26,254</b>	<b>28,360</b>

Included in the above are £22,734,000 (2008: £23,061,000) of builders' deposits. These monies are deposited with the Company as surety by individual builders.

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**21 Other creditors including taxation and social security**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amount owing to subsidiary undertakings	-	-	5,852	7,272
Corporation tax	3,127	15,215	3,179	14,739
Other creditors	3,750	6,183	3,635	4,891
	<b>6,877</b>	<b>21,398</b>	<b>12,666</b>	<b>26,902</b>

**22 Pensions and retirement benefits**

**22.1 Defined contribution scheme**

The Group operated a stakeholder defined contribution scheme during the year. Pension contributions in respect of this scheme were £713,000 (2008: £460,000). 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 2008 and at that date the market value of the relevant assets was £111.2 million and the level of funding as at that date was 88%, representing a deficit of £14.5 million on an actuarial basis. The company made one lump sum contributions of £3,500,000 during the year ended 31 March 2009 (2008: Nil). To eliminate this funding deficit, the Trustee and NHBC have agreed that contributions will be paid to the scheme in addition to the cost of benefit accrual and expenses such that the historic deficit, based on current assumptions, is expected to be fully funded by April 2010.

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**22 Pension and retirement benefits (continued)**

**22.2.1 Defined benefit scheme (continued)**

The defined benefit current service cost for the period was £2,516,000 (2008: £3,454,000). The valuation used has been based on the most recent actuarial valuation at 31 March 2008, 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 2009.

**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 2009 %	31 March 2008 %
Discount rate	6.25	6.25
Inflation rate	3.00	3.25
Increase to deferred benefits during deferment	3.00	3.25
Increases to pensions in payment	3.25	3.75
Rate of inservice evaluation pension entitlements	3.00	3.25

The assumed rates of mortality in retirement are based on the S1 series of mortality tables, published by the UK Actuarial Profession, including an allowance for improvements in mortality between 2003 and 2009 at a rate of 1% per annum. A further allowance is made for mortality rates to improve at a rate of 1% per annum from 2009. The resulting average remaining life expectancy for a male and female aged 65 as at 31 March 2009 are 20 years (2008: 20 years) and 22 years (2008: 22 years) respectively.

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (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 2009 and expected rates of return were:

	Longer term rate of return expected at 31 March 2009 %	Value at 31 March 2009 £'000	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
Equities	8.00	57,163	7.65	64,842	7.7	71,808
Bonds	5.50	26,471	5.75	33,220	4.9	34,534
Property	6.70	4,816	6.45	6,069	6.0	8,124
Other	7.20	4,038	5.25	2,651	4.4	2,256
Total market value of assets		92,488		106,782		116,722
Present value of scheme liabilities		(106,837)		(112,582)		(119,805)
Deficit in the scheme		(14,349)		(5,800)		(3,083)
Related deferred tax asset		4,018		1,624		925
Net pension deficit		(10,331)		(4,176)		(2,158)

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**22 Pension and retirement benefits (continued)**

**22.2.4 Reconciliation of present values of schemes liabilities**

	31 March 2009 £'000	31 March 2008 £'000
Deficit in the scheme at the beginning of the year	(5,800)	(3,083)
Contributions paid	6,481	3,186
Current service cost	(2,516)	(3,454)
Other finance income	488	1,524
Actuarial (loss)/gain	(13,002)	(3,973)
Deficit in the scheme at the end of the year	(14,349)	(5,800)

**22.2.5 Deferred taxation**

	£'000
Deferred taxation asset on scheme deficit at 1 April	1,624
Amount charged to the statement of recognised gains and losses	3,641
Amount charged to the profit and loss account	(1,247)
Deferred taxation asset on scheme deficit at 31 March	4,018

**22.2.6 Amounts charged to operating profit**

An operating charge of £2,516,000 (2008: £3,454,000) 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 2009 £'000	31 March 2008 £'000
Interest on pension scheme liabilities	(6,886)	(6,039)
Expected return on pension scheme assets	7,374	7,563
<b>Net income credited to other finance income</b>	<b>488</b>	<b>1,524</b>

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (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 2009 £'000	31 March 2008 £'000
Actual return less expected return on pension scheme assets	(27,139)	(13,376)
Experience profit/(loss) arising on scheme liabilities	10,417	(773)
Change in assumptions underlying the scheme liabilities	3,720	10,176
Actuarial (loss)/gain	(13,002)	(3,973)

**22.2.9 History of experience gains and losses:**

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
(Loss)/gain on scheme assets	(27,139)	(13,376)	(354)	10,751	2,876
Percentage of scheme assets	29.34%	12.53%	0.31%	10.13%	3.63%
Experience (loss)/gain on scheme liabilities	10,417	(773)	(2,298)	(2,399)	(349)
Percentage of the present value of scheme liabilities	9.75%	0.69%	1.98%	2.16%	0.32%
Total (loss)/gain recognised in statement of total recognised gains and losses before adjustment					
for tax	(13,002)	(3,973)	757	5,745	9,128
Percentage of the present value of scheme liabilities	12.16%	3.53%	0.65%	5.18%	8.33%

**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 £68,000 (2008: £58,000) payable into their personal money purchase pension scheme. One Director is in the Company stakeholder scheme and had employer's contributions during the year of £24,000 (2008: £23,000) paid into the NHBC stakeholder scheme.

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (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 inflation rate had been 0.25% per annum higher the balance sheet position as at 31 March 2009 would have been £3.8 million less favourable. If the discount rate had been 0.5% per annum higher the balance sheet position as at 31 March 2009 would have been £8.7 million more favourable.

**23 Accruals and deferred income**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Accruals	<b>21,128</b>	17,978	<b>21,110</b>	17,917
Certificate fees in advance	<b>20,972</b>	27,592	<b>18,919</b>	24,976
Other deferred income	<b>917</b>	1,415	-	-
	<b>43,017</b>	46,985	<b>40,029</b>	42,893

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.



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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**24 Reconciliation of surplus on ordinary activities before tax to net cash flow from operating activities**

	2009 £'000	2008 £'000
Surplus on ordinary activities before tax	35,818	91,773
Net depreciation of tangible assets	6,058	4,034
Increase in technical provisions	(4,792)	50,154
Realised gains on investments and fixed assets	(20,907)	(7,954)
(Increase)/decrease in unrealised gains on investments	(3,710)	(48,644)
Increase in insurance debtors	2,018	(281)
Increase in other debtors	3,487	(332)
Increase in prepayments and accrued income	(944)	(6,217)
Increase in insurance creditors	(2,106)	2,466
Decrease in other creditors	(2,433)	(2,790)
Increase in accruals and deferred income	(3,968)	5,055
Difference between pension charge and cash contributions	(4,453)	(1,255)
<b>Net cash inflow from operating activities</b>	<b>4,068</b>	<b>86,009</b>

**25 Increase/(decrease) in cash holdings**

	At 31 March 2009 £000's	Cash Flow £000's	At 31 March 2008 £000's	Cash Flow £000's	At 31 March 2007 £000's
Cash at bank in hand	21,050	8,244	12,806	(3,280)	16,086
Deposits with credit institutions	49,323	34,088	15,235	(62,361)	77,596
	<b>70,373</b>	<b>42,332</b>	<b>28,041</b>	<b>(65,641)</b>	<b>93,682</b>

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

**Notes to the financial statements**  
**for the year ended 31 March 2009 (continued)**

**26 Movement in cash, portfolio investments and financing**

	At 31 March 2009	Cash Flow	Changes to market Value	At 31 March 2008	Cash Flow	Changes to market Value	At 31 March 2007
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Ordinary shares	0	(25,496)	(17,161)	42,657	(6,332)	(6,330)	55,319
Fixed income securities	1,357,856	(35,512)	41,407	1,351,961	134,616	62,665	1,154,680
Deposits with credit Institutions	,	34,088	0	15,235	(62,361)	-	77,596
Other financial investments	1,407,179	(26,920)	24,246	1,409,853	65,923	56,335	1,287,595
Cash at bank and in hand	21,050	8,244	0	12,806	(3,280)	-	16,086
<b>TOTAL</b>	<b>1,428,229</b>	<b>(18,676)</b>	<b>24,246</b>	<b>1,422,659</b>	<b>62,643</b>	<b>56,335</b>	<b>1,303,681</b>

**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:

	2009 £'000	2008 £'000
Operating leases on land and buildings which expire:-		
Within one year	0	14
Between one and five years	139	109
	139	123

**28 Liability of members**

At 31 March 2009 there were 69 (2008: 74) 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.