Registered No: 00320784
National House-Building Council
(a Company limited by guarantee)

Annual Report and Accounts 2024/2025

Contents

Strategic report

The directors present their strategic report for the year ended 31 March 2025.

Principal activities and operating model

The National House-Building Council ("NHBC", "the Company") is the UK's leading provider of warranty and insurance for new-build homes. As a non-profit distributing private company limited by guarantee with no shareholders, NHBC operates independently of government and the home-building industry. NHBC, along with its subsidiaries, forms part of the NHBC Group of companies ("the Group").

We are an insurance company authorised by the Prudential Regulation Authority (PRA) and dual regulated by the PRA and the Financial Conduct Authority (FCA).

NHBC's principal activities are the sale of products focused on warranty and insurance for new-build homes, training and quality services, and inspection and building control services. Profits generated from our trading activities are used to bolster our capital base and to reinvest in the business to support our purpose.

Our operating model

Our operating model is built on excellence in risk management, focused on value for money and service delivery. It ensures continuous improvement and the maintenance of the highest standards across all our products and services.

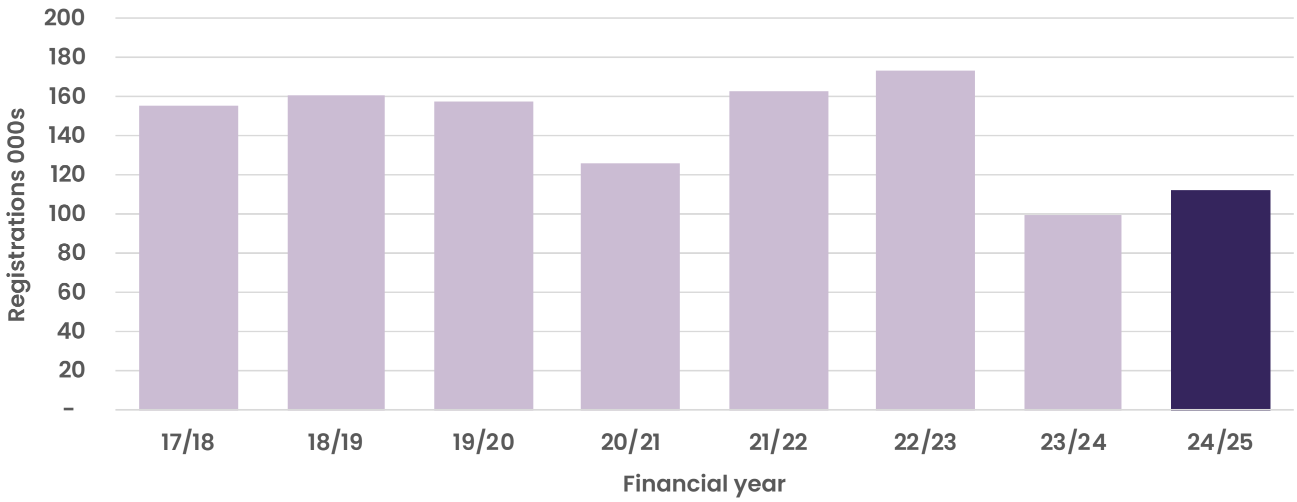
Key elements of our operating model include:

- a register of builders, all of whom commit to building to NHBC Standards
- homes inspected at key stages during construction
- provision of warranty and insurance protection to homeowners
- feedback loops and data analysis which help us develop NHBC Standards and create training and construction quality services for registered customers.

Business review

It has been another challenging year for the UK new home-building industry. The persistence of higher mortgage rates, economic uncertainties and dampened confidence levels amongst consumers and investors have continued to suppress demand for new homes. As a result, NHBC has seen lower new-build home registrations by historic standards.

Registrations



Challenges such as planning, materials supply chains and skills have also constrained the supply of new homes and remain barriers to growth.

Significant changes in the building control system were introduced under the Building Safety Regulator (BSR) this year, leading to extensive changes to NHBC's processes. As the largest private Registered Building Control Approver, NHBC has supported over 400 colleagues through the BSR registration process, ensuring they meet the necessary competence standards as registered building inspectors.

Whilst the Government's ambition to significantly increase new housing volumes is welcomed, policy action and solutions to unlock delivery will take time to have an impact. NHBC is well positioned to respond to the changing nature of the new-build market, to manage inherent risks and to respond to the opportunities that will be presented.

Strategic priorities

Our purpose is to raise standards in house building by championing high-quality homes and protecting homeowners.

NHBC's strategy is designed to support our purpose and maintain our position as the leading provider of warranty and insurance in the new-build homes sector, whilst growing our construction quality and training services.

Our strategy concentrates on sustaining and growing business from customers across private, social, affordable and rental sectors, and ensuring NHBC is operationally and financially structured to deliver value to these customers. We will support customers to deliver growth whilst relentlessly championing quality and raising standards in house building.

Our strategy is focused on continuing to influence home-building quality in the largest volume areas, without jeopardising our financial resilience, thus enabling us to fulfil our longstanding purpose of raising standards in home building. A financially sound NHBC that supports enhancements to construction quality through products and services designed for their target markets is also the best means for us to protect homeowners.

To achieve these goals, our strategy is to:

- enhance our stakeholder engagement to understand and respond to the needs of our customers
- invest in digital infrastructure to modernise our business and better serve the needs of customers and homeowners
- grow our commercial services, particularly training, to provide the skilled resources needed by the industry to deliver high-quality homes in greater volumes, demonstrating NHBC's long-term commitment to closing the skills gap in UK home building.

Results, performance and key performance indicators

In 2023/2024 NHBC's registration volumes were at their lowest level since the global financial crisis. 2024/2025 has seen c.12% year-on-year growth as the economy began to stabilise, mortgage rates eased and wage growth outstripped inflation. New homes registered with NHBC in the year ended 31 March 2025 rose to 111,934 (2024: 99,507), indicating signs of recovery, although still not at historic levels, reflecting challenges in the construction market.

Gross written premiums (GWP) increased to £161.4m (2024: £144.1m) due to higher registration volumes compared with the prior year. Other income increased to £87.4m (2024: £81.2m) due to rising new home registrations, increased inspection activity and building control fee income.

The Group profit before tax for the financial year was £89.4m (2024: £156.4m). The technical account profit was £75.8m (2024: £115.6m) and non-technical account £13.6m (2024: £40.8m). The favourable technical account result was due to higher volumes than the prior year, improving warranty margins and better claims experience driven by our ongoing focus on construction quality. Note that the prior year result was boosted by releases from the unexpired risk reserve. Excluding investment returns, the non-technical account posted a loss of £13.5m (2024: loss £12.8m) due to suppressed registration and income volumes relative to prior years. Our surplus asset investment return was £27.2m (2024: £7.1m).

Net assets grew to £771.9m (2024: £689.3m) due to profits in the year.

Invested assets grew to £1,593.8m (2024: £1,520.0m) as a result of favourable returns across the investment base, particularly allocations to credit, reflecting a higher yield environment.

Net technical provisions remained broadly unchanged at £708.9m (2024: £708.1m).

The NHBC Defined Benefit Pension Scheme (the "Scheme") had an accounting surplus of £11.7m (2024: £1.8m surplus). Funding contributions of £8.0m (2024: £8.0m) were made, which reflect the Company's funding commitment for the next financial year.

Continued strong performance has led to an increase in our regulatory standard formula solvency ratio to 267% (2024: 262%), with own funds rising to £913m (2024: £844m).

Chief Executive Officer announcement

In February 2025 Steve Wood announced his intention to step down as Chief Executive Officer of the Company during the calendar year. The NHBC Board has appointed Paul Turner as Chief Executive Office effective from 1 September 2025 subject to requisite regulatory approvals. Paul Turner joins from Just Group plc where he is Managing Director of Retail and has significant experience in the insurance and financial services sector.

Future outlook

The UK home-building market is expected to grow over the next three years after a period of reduced activity.

The Labour Government's ambition to deliver 1.5m new homes in England within five years has been well received by the industry. Reform of the National Planning Policy Framework and reintroduction of mandatory house-building targets for local authorities are expected to unlock development potential. Greater funding and policy commitments from the Government are anticipated to promote social and affordable homes development, although public purse constraints could delay this growth. The private sale market is also expected to grow. NHBC's key focus will be on supporting major builders and large contractors across multiple sectors and tenures.

Despite the numerous demand and supply-side challenges that exist, our expectations in the coming years are for steady growth in the industry. There is uncertainty regarding the pace and scale of economic recovery, and the industry must navigate labour shortages, cost inflation, and constraints in the supply chain and planning system.

Market volatility triggered by US tariff announcements bring uncertainty for the UK and global economies, which could impact the home-building and financial services industries. Whilst the uncertainty is not expected to significantly disrupt UK home-building supply chains, which are largely UK-based, confidence levels amongst consumers, businesses and investors could be affected. Impacts on NHBC's asset portfolio are not expected to be material.

As well as a supportive policy environment, underlying demand for private and affordable housing remains strong, which gives grounds for cautious optimism against the expected backdrop of improving economic performance and lower interest rates.

Actions taken in recent years to strengthen our financial resilience and capital base position us well to support the industry through the expected growth in home-building activity. We are investing in our business to modernise our technology infrastructure and in areas such as training and construction quality, supporting the industry in maintaining a focus on construction quality and helping to address skills shortages. We will maintain our disciplined approach to underwriting and risk management and focus on our partnership model with registered builders and developers.

Principal risks and uncertainties

Our approach to risk management and risk governance

NHBC's Risk Management Framework seeks to ensure that all material risks are identified, assessed, managed, monitored and reported. Our risk appetite defines the amount of risk that we are willing to accept in the pursuit of our objectives and sets the boundaries within which we are prepared to operate. These are supported by quantitative and qualitative measures, used by management and the Board to understand risk exposure and to implement measures where exposure falls outside of appetite.

We aim to identify and assess key risks that might impact the business in advance of them crystallising. Activities supporting this include horizon scanning, the anticipation of emerging risks, risk and control assessments carried out by risk owners, and the identification and response to risk incidents. This is supported by a policy framework that specifies minimum standards in relevant risk areas.

The risk operating model

Risk responsibilities across the organisation reflect the 'three lines of defence' model, with ownership of risk in the first line. Oversight, guidance, challenge and assurance are provided by the second line Risk and Compliance function, with independent assurance activity carried out by Internal Audit acting as our third line of defence.

Our risk profile and key risks

The key risks to achieving our strategic objectives are reviewed and reported on a quarterly basis to the Board Risk Committee. Internal Audit also reviews the adequacy of the key controls designed to mitigate these risks as part of its risk-based audit cycle. Our overarching risks fall into four categories – strategic, financial, insurance and operational.

Strategic risk

NHBC's business model is derived from the purpose of the organisation: to raise standards in home building by championing high-quality homes and to protect homeowners. The focus on our core purpose exposes NHBC to risks attendant with being a specialist, monoline firm, and exposure due to unanticipated external factors.

NHBC accepts this but seeks to maintain sufficient financial and operational resilience so that it can continue to support its builder and homeowner customers through periods of stress. Financial performance is stressed as part of our business planning cycles.

Financial risk

The risk of reductions in earnings or value can be due to market movements, lack of liquidity, or counterparty behaviour, resulting in an inability to meet policy obligations and regulatory capital requirements.

We adopt a buy and maintain approach within our investment portfolio, with a focus on high-quality fixed income and government or quasi-government holdings. Assets are closely matched with insurance liabilities to manage potential basis risk. The investment position for both the liability matching portfolio and our surplus assets is monitored actively to ensure exposure remains within agreed appetites.

Insurance risk

The drivers of NHBC's insurance risk profile include the propensity of registered customers to self-repair building defects, issues with a building system or common components, the insolvency of one or more large registered customers, inadequate pricing or the failure of a reinsurance counterparty.

To manage these risks, NHBC has well-defined mechanisms in place to monitor registered customers and reinsurer performance. Claims and inspection trends are fed back to ensure root causes are identified and addressed in our acceptance standards and operational practices, with pricing reflecting the underlying risk.

Operational risk

NHBC is exposed to the risk of failing to maintain adequate processes, sufficient or sufficiently experienced people and systems capability. Crystallisation of these risks would be operationally or financially disruptive, as well as potentially impacting on compliance with regulatory or legal obligations. NHBC is also exposed to the risk that ineffective technical risk management results in low-quality homes being built, potentially leading to increased claims, reputational damage and consumer dissatisfaction.

NHBC accepts that operational risks are inherent to our business model, and we seek to manage these in line with Board risk appetites. We take a robust approach to technical risk management which includes setting standards, site inspections, technical assessments and delivering Construction Quality Reviews. We have made changes to the way we deliver technical risk management activities, utilising technology to enhance our processes and following a more flexible, risk-based approach.

Non-financial and sustainability information statement (NFSIS)

People, communities and environment

We are committed to operating responsibly, embedding sustainability across our operations, and positively impacting our people and communities.

Our people

Our business is built on talented people with stand-out expertise. We work together as one connected team to deliver exceptional outcomes for our registered customers and homeowners. We live our values: excellent, human, connected and progressive.

Current workforce

Our workforce stands at approximately 1,350 full-time equivalent employees, with around 600 based in Milton Keynes and London, and 750 field and home-based employees across the UK.

Gender pay gap

We continue to focus on narrowing the gender pay gap, which now stands at 14.9% (mean) (2024: 14.3%) and 16.3% (median) (2024: 15.6%) as of April 2025. The current gap is primarily due to under-representation of women in higher-paid senior leadership and technical positions, a challenge which is faced by many organisations in the financial services and home-building sectors.

We are committed to addressing the gender pay gap through comprehensive initiatives that support inclusion and equity. Our Remuneration Committee has reviewed pay practices to ensure fairness, while senior management has set gender and ethnicity targets linked to pay and increased female representation in technical roles. We have implemented strategies to enhance career development opportunities and flexible working options across our workforce. To promote inclusion, managers are encouraged to nominate diverse candidates for development programmes and to support career mentoring and women's development initiatives.

Female to male employee ratio

Our female to male ratio averaged 1:2 (2024: 1:2), with females making up 57% (2024: 57%) of our workforce in non-construction roles. We engage in initiatives to improve our gender mix, including reverse mentoring, career mentoring and our development programme for female colleagues.

People with a disability

We provide a safe and inclusive work environment for all, taking a positive approach to disability and long-term health conditions. We are members of the Government's Disability Confident employer scheme.

We ask all applicants whether they need any particular arrangements or adjustments for any part of the recruitment and selection process, making it clear that adjustments are available – for the application process, the interview, the job itself and any training they may undertake. All new starters complete a pre-employment medical questionnaire and, where required, a risk assessment, and any necessary adjustments are put in place before they start work and kept under continuous review.

Mandatory training is given to all employees which includes the provisions under the Equality Act 2010. Education on disability inclusion is available through events, awareness communications and signposting to resources for all colleagues, plus a variety of e-learning modules for managers.

For people who advise that they have a disability or long-term health condition, we monitor and measure data on their hiring, development, promotion and leaving, which informs our strategy and action plan.

Employee networks

We have four Be Me: Employee Networks – Proud, Race Equality, Women and Enabled. The networks are formally governed with nominated network chairs; they promote inclusivity and provide support and education to colleagues to make NHBC a more inclusive business.

We have also formed six smaller, more informal employee-led groups, or 'Circles' (Armed Forces, Christian, Neurodiversity Support, Women in Construction, Menopause Support and Fertility Support). These self-governed groups enable people to connect on common experiences and provide mutual support.

Armed forces covenant and veterans' network

We are committed to the Armed Forces Covenant and are Silver Award holders under the Defence Employer Recognition Scheme. Our Armed Forces Circle connects our 29 former service people.

Employee engagement

High levels of engagement and employee satisfaction are crucial. Our latest Peakon employee engagement survey showed an overall engagement score of 8.6 out of 10, putting us in the top 5% of companies using the same survey platform.

The executive directors engage with colleagues throughout the year providing operational updates, and insights on financial and economic factors affecting the Company's performance. They also regularly engage with the Staff Association, helping to bring company and employee interests together.

NHBC encourages employee involvement in the Company's performance through its annual bonus scheme, which is an important part of NHBC's overall reward framework.

Our employees are the backbone of our success. We prioritise their wellbeing, professional development and job satisfaction. Our policies ensure a safe, inclusive and supportive work environment, promoting diversity and equal opportunities. We invest in continuous training and development to empower our employees and enhance their skills. The positive outcomes of these policies are reflected in our high employee retention rates and overall job satisfaction. For more details on our employee policies, please visit our company website.

Further details on how the executive directors engage with colleagues is set out under 'Our people' in the Section 172(1) statement on page 18.

Learning and development

We continue to progress the learning and development of our people, including targeted training on Consumer Duty, governance, health and safety, and management and leadership development. We also launched our graduate scheme in 2024, securing six graduates with permanent job offers, a scheme that will be repeated in 2025.

Health, safety and wellbeing

We promote a culture of continuous improvement in health and safety, achieving Gold Award status from the Royal Society for the Prevention of Accidents for eight consecutive years. We support colleagues with their physical, mental, financial and social wellbeing through various targeted initiatives, including a 24/7 employee assistance programme.

Anti-corruption and anti-bribery

We maintain high standards of ethical behaviour and have implemented a Risk Management Framework to prevent bribery and corruption. These clearly define employees' roles and responsibilities while complying with relevant legislation and regulation such as the UK Bribery Act 2010. Our Employee Handbook also sets out our zero tolerance of bribery or corruption.

Processes have been implemented to control the risk of bribery and corruption, including regular risk assessments, mandatory training for employees, due diligence of third-party relationships, gifts and entertainment and conflicts of interest procedures and a whistleblowing portal. These support the outcomes of maintaining a culture of integrity and ethics, and seeking to prevent, detect and report financial crime, including bribery and corruption. Our chief risk officer is accountable to the Board, providing regular reporting on financial crime matters, including a quarterly report to the Audit Committee evidencing the effectiveness of controls and the management of financial crime risk associated with our activities.

Respect for human rights

We respect the human rights of all those impacted, directly or indirectly, by our actions. This includes the supply chain for NHBC's operational expenditure and for remediation work undertaken on homeowners' properties in relation to our Buildmark warranty and insurance product. We have a Procurement Code of Conduct to ensure our people are aware of our responsibilities, and our Modern Slavery Statement is published annually on our website. Our suppliers must complete a due diligence questionnaire which includes confirmation that they have read our Modern Slavery Statement and are compliant with the Modern Slavery Act. We request copies of our suppliers' own Modern Slavery Statements and details of how their organisation mitigates the risks of slavery and human trafficking within their business. These are reviewed by our Procurement team, and any concerns are addressed prior to engagement with the supplier.

Community

The 'our Communities' programme delivers initiatives that make a real difference to the communities in which we operate. We support national and local charity partners, including Crisis, Marie Curie, Youthbuild UK and various charities across Milton Keynes, through corporate sponsorship, fundraising, matched funding, organised events and by providing each colleague with two days of paid volunteering leave each year.

NHBC is committed to making a positive impact on society. Our policies on social matters are designed to foster inclusivity, support local communities and contribute to societal wellbeing. Detailed information about our social policies can be found on our company website.

Policy outcomes

By implementing and adhering to company policies, we have seen positive outcomes in social matters, employee relations and environmental matters, which in turn support our business objectives and enhance our corporate responsibility.

Looking ahead to 2025/2026

We are committed to operating responsibly, embedding sustainability across our operations and positively impacting our people and communities. We will continue to maintain our levels of sponsorship and support, and introduce new initiatives to give back to our communities, local schools and our charity partners.

Other information required to be disclosed in the non-financial and sustainability information statement section can be found in the following sections of the Annual Report:

Information	Section of the Annual Report	Page
Company's business model	Principal activities and operating model	2
Principal risks relating to non-financial and sustainability information in connection with operational risk	Principal risks and uncertainties	5
Environmental matters	Climate-related financial disclosures	10

Climate-related financial disclosures

We are already seeing some of the physical effects of climate change as our climate evolves, as well as the practical and operational impacts of greater regulation. We continue to work with the industry to help make the requirements to develop low-energy homes technically and commercially viable. We are committed to supporting the Government's ambition to achieve net zero carbon by 2050 and recognise the important role we play in influencing and supporting the home-building industry to transition to net zero.

NHBC's Sustainability Strategy commits us to being net zero from our own operations and those of our suppliers by 2040 (Scope 1 and 2 emissions, and Scope 3 emissions related to operational activities), and to be fully net zero by 2050 (including Scope 3 emissions from invested assets). This means reducing our Greenhouse Gas (GHG) emissions by at least 90% against our baseline year of 2019 and neutralising any residual GHG emissions on an ongoing basis.

There are five key areas of strategic focus within our Sustainability Strategy:

1 - Investments: NHBC believes that investing responsibly and achieving strong long-term returns are not mutually exclusive, seeking to achieve sustainable long-term returns by investing in well- governed and sustainable assets. We pay due regard to our stewardship responsibilities and employ environmental, social and governance (ESG) screening across our segregated bond portfolios as part of our approach to responsible investing (for example, highly carbon-intensive entities cannot be purchased). Our liability matching investments are primarily held in UK government bonds (gilts), creating reliance on the UK Government's net zero transition.

2 - Operations: NHBC has a target to be net zero from its operations and supply chain by 2040. Significant progress has been made in respect of Scope 1 and 2 emissions, decarbonising the vehicle fleet and reducing emissions from our properties and supply chain.

3 - Industry engagement: to influence and support the industry in meeting government targets and regulatory requirements concerning climate change and environmental responsibilities, including working with key industry stakeholders such as the Future Homes Hub.

4 - Effectively managing evolving insurance risk: to identify and effectively mitigate future insurance risk connected with new-build methodologies, technologies and climate change.

5 - Monitoring and collaboration: ensuring NHBC remains well informed, adaptive and a respected industry voice in the evolving climate landscape.

NHBC recognises the importance of disclosure as part of our journey to achieve net zero carbon and to support our position in influencing the industry in which we operate. In this section, we provide an overview of the multi-faceted climate-related risks facing our business and our strategies in managing those risks.

Governance

NHBC has a defined governance structure for assessing and managing climate-related risks and opportunities and making related decisions. The key decision-making bodies are highlighted below:

Board and Board committees

- Board: oversight and approval of NHBC's sustainability and investment strategies, including our approach to responsible investment; approval of Board-level risk appetites
- Board Risk Committee: oversight of NHBC's exposure in managing financial risks from climate change and sustainability risks
- Remuneration Committee: ensuring appropriate sustainability elements are included within NHBC's remuneration framework
- Audit Committee: oversight of the integrity of NHBC's financial statements and related public statements, including in respect of climate change.

Management committees

- Executive Committee: responsible for management oversight of all sustainability-related matters, including strategy, risk and exposure management, pricing, NHBC Standards development, NHBC carbon footprint reduction and the meeting of reporting requirements, and for recommending sustainability strategies for approval by the Board
- Environmental Steering Committee: responsible for the development and implementation of the NHBC Sustainability Strategy, and for oversight of all environmental activity to ensure appropriate prioritisation and identification and management of climate-related risks
- Asset and Liability Committee: oversight of adherence to the Responsible Investment Policy
- Pricing Committee: ensuring we price for expected future claims, including climate-related risks
- Underwriting Committee: oversight of product development and policy wording in relation to climate change risks, including how evolving regulations affect new homes as they adapt to climate change
- Technical Quality Strategy Board: responsible for the development of NHBC Standards, including future climate-related considerations.

Risk framework and climate-related risks

Identification and assessment of climate-related risks

NHBC has classified climate change as an emerging risk and has increased its focus and integration into the risk management framework and risk taxonomy over the last three years. NHBC treats climate risk as a cross-cutting risk that can emerge through changing the frequency, severity and correlation between existing risk types and outcomes.

During 2023, NHBC undertook a cross-business review supported by consultancy to identify climate-related risks specific to our business. This is reviewed and reassessed at least annually through our Environmental Steering Committee and supporting forums, which includes members of our Risk, Strategy, Government Affairs, Procurement and Underwriting teams. In the financial year, a maturity and materiality assessment was completed, supported by professional advisors, to reassess climate-related risks and opportunities which are most material to our business. NHBC has categorised potential climate-related risk impacts as:

- **Short term** – the period up to the end of 2027, based on NHBC's existing three-year business planning process
- **Medium term** – 2028 to 2036, aligned to the duration of our warranty product and a reasonable business planning horizon
- **Long term** – the period from 2036 onwards.

The table below outlines examples of potential impacts of climate change on physical and transitional risk within NHBC's current risk profile, and the actions being taken to mitigate them:

Potential impacts and opportunities driven by physical and transition risk factors	NHBC impacted risk areas	Time horizon	Actions to mitigate
Increased costs and/or volume of claims and impacts on the time to settle claims resulting from greater severity and frequency of claims caused by weather events.	Insurance risk (underwriting and reserving)	Medium to long term	Our Sustainability Strategy includes work to identify future insurance risks from climate change and mitigating actions, including relating to the impact of changing weather patterns and severity on our claims experience. Supplier relationship management is undertaken for NHBC's remedial works contractors and supplier network to ensure performance against service-level agreements. Capacity planning and operational resilience plans are in place to support the Claims function with increased workload resulting from a weather event driving a surge in claims contacts.

Potential impacts and opportunities driven by physical and transition risk factors	NHBC impacted risk areas	Time horizon	Actions to mitigate
Rebuild and repair costs of claims increasing, combined with an inability to reprice and adjust premiums quickly enough in response to: carbon taxes more stringent Building Regulations new or low carbon technology or materials not sufficiently monitored or appropriately adopted by the industry.	Insurance risk (underwriting and reserving)	Medium to long term	NHBC's pricing analysis includes review of factors such as Modern Methods of Construction (MMC), claims cost inflation and future regulation/ Standards changes. Our Sustainability Strategy includes work to identify and mitigate future insurance risk. Our Standards Innovation and Research and Underwriting departments are resourced to consider new technologies, methods and materials used in home building and to set appropriate standards and underwriting criteria in line with NHBC's risk appetites.
NHBC Standards not adequately supporting the home-building industry to transition to net zero compromising its influence and standing in the industry, potentially damaging reputation with various stakeholders (builders, customers, consumers, industry and government) and impacting our technical risk management capabilities.	Strategic risk/ operational risk	Medium to long term	Strong links with government, the Future Homes Hub and other key organisations are maintained via regular engagement. Close monitoring through our Environmental Steering Committee will ensure we maintain our position appropriately in the areas where we have specific expertise ie, Standards, regulations, quality and claims. Our Standards, Innovation and Research team is appropriately resourced to ensure we proactively work with the industry to develop appropriate standards for MMC and climate technologies, and provide guidance to our customers.
NHBC is exposed in parts of its asset portfolio to potential collective failure and/or lack of support for net zero transition. This may result in failure or underperformance. The allocation to impact and green investments is modest and unlikely to significantly effect overall solvency.	Financial risk	Long term	Our overall investment portfolio is largely UK fixed income (with a large proportion in gilts), reflecting our liability matching strategy, with surplus assets invested in a mixture of public and private investments. There are limited exposures to long-term climate transition and physical risks beyond UK Government exposure. Through our selection, ongoing, assessment and due diligence of asset managers, we ensure that ESG factors are integrated into our Responsible Investment Policy, mandate and processes, and those of our asset managers.
Risk of lack of data availability and/or transparency for externally sourced data (eg from our supply chain) and for NHBC invested assets from investment managers and general market to mandate, monitor and demonstrate alignment to net zero ambition.	Operational risk	Short term	Investment managers have all major data licences to gain best possible access to relevant information. NHBC is transparent with, and accountable for, the investment managers we invest in, providing robust selection criteria in line with our responsible investment principles and ensuring these are adhered to. During the year 2024/2025 we completed work to benchmark and analyse our supply chain carbon emission data using a third-party tool, Normative.

Potential impacts and opportunities driven by physical and transition risk factors	NHBC impacted risk areas	Time horizon	Actions to mitigate
Costs and other resource impacts associated with the transition to a lower-carbon economy may increase over time.	Operational risk	Short to medium term	Annual business planning and quarterly reforecasting cycle. Our government affairs advisors keep us informed of any expected changes in carbon taxation/levies etc in advance of any taxes being introduced. Regular assessment of the requirements of Climate-related Financial Disclosures (CFD) reporting, including training and continuing professional development for relevant staff.
Failure to meet NHBC's carbon reduction targets due to differing emissions targets between NHBC and suppliers.	Strategic risk/ operational risk	Medium to long term	We have invested in third-party tools to better understand the CO_2 of our key suppliers and help them to identify their carbon emission levels and how they can reduce them. Our procurement tender decisions have an environmental element against which suppliers are assessed.

The outcome of the analysis feeds into the Sustainability Strategy and priorities, identifying where further activities, including modelling, may be required.

Integration of climate risks within NHBC's risk management framework

Risk strategy and appetite

Climate change is considered a cross-cutting risk that can influence many existing risk types. We continue to consider whether to develop a specific climate risk appetite, including potential metrics which could be used to ensure monitoring through our risk taxonomy.

Policies and control framework

Policies are revisited on a scheduled cycle to ensure they are aligned to the framework and to ensure appropriate content is included for material climate risk exposures.

Risk management process and activities

Materiality and maturity assessments were undertaken during 2023 and 2024 considering risk categories which would be impacted from a climate change perspective. These risks are reviewed at least annually by business owners and reported through the Environmental Steering Committee.

Risk enablers

Climate risk is not considered a standalone risk, as it can potentially impact all risk categories underlying the risk taxonomy and associated risk outcomes. Further information on our risk framework, risk categories and key risks is available in the Risk section of this report.

Governance and risk culture

Governance for climate change is led by the Board supported by the Executive Committee, the Environmental Steering Committee and supporting management committees. The Board provides oversight and approval of the Sustainability Strategy, including responsible investment.

The three lines of defence model has been adopted to ensure that there is clear accountability within the business to manage risks, including climate risk, in an effective and efficient manner.

Scenario analysis

The nature of NHBC's business model and products results in several challenges in establishing an effective climate risk management framework. The risks associated with the asset side of our balance sheet are well understood and consistent with other insurance undertakings and, as such, there are various risk management approaches that can be applied.

We have considered the impact of a range of qualitative climate scenarios, based on the Climate Biennial Exploratory Scenario (CBES), on the NHBC business model. The scenarios include:

- early action: global warming is successfully limited to 1.8°C by 2050 and 1.5°C by the end of the century, with an orderly transition to a lower-carbon world
- late action: global warming is limited to 1.8°C by 2050 but then remains at this level, representing a delayed and more disorderly transition
- no additional action: global warming reaches 3.3°C by 2050, rising to 4.1°C by the end of the century, representing a lessening of government ambition on emissions with no additional actions taken to address climate change.

As part of these scenarios, we considered both risks arising from physical impacts of changes in weather and climate extremes, and risks arising from transition of the economy and public policy in response to climate change.

The key considerations for our business model fundamentally relate to factors which could affect:

- claims experience (both physical and transitional) eg:
  - less time suitable for construction/repairs to be undertaken due to higher frequency of extreme weather events preventing repairs works/making them more costly
  - more frequent extreme weather revealing construction defects otherwise undetected (eg water ingress)
  - foundation subsidence due to changes in soil characteristics (eg moisture levels)
  - new materials/methods used to meet climate requirements; less experience of builders n using such products/ approaches and of NHBC inspectors in knowing what to look for during inspection.
  - climate regulation impacting the cost of materials and therefore the cost of repairs.

- Business operations:
  - less time suitable for inspections due to adverse weather, resulting in fewer inspections being carried out, impacting registration volumes and income
  - changes in regulation impacting the home-building industry, changing the business landscape and therefore NHBC's risk profile.Changes in climate or materials/methods used, resulting in NHBC needing to change Standards and inspection processes, re-train staff and/or acquire different skills
  - reinsurance markets subject to climate risk and undergoing their own transitions, which may result in changes to processes, pricing, claims settlement or the availability of reinsurance.
  - business continuity impacts such as increased remote working and reliance on virtual inspections and claims investigations if weather restricts travel/commuting. Homes becoming more difficult to work from due to challenges of heating/cooling
  - increased correspondence/contacts resulting from higher claims experience driven by increased frequency and/or severity of weather events
  - impacts to our premises, such as higher costs of heating/cooling, physical damage from weather events resulting in higher repair/maintenance costs, costs of insurance.
- Asset returns:
  - NHBC's main holdings are in sovereign debt and financial sector corporate bonds; therefore, exposure to physical risks is not material
  - sovereign debt: government debt default due to climate change is highly unlikely, although there is a remote possibility that the cost of implementing policies causes the UK Government to introduce a cap on RPI-linked gilts
  - financial sector: exposed to climate risk through secondary impact of core activities, particularly in concentrations of lending, asset management and trading to carbon-intensive industries. Changes in regulation to comply with policies increasing costs and, if transition is disorderly, creating balance sheet volatility and changes in perceived risk (credit spreads widen); defaults are unlikely as a result of climate change policies.

Under all scenarios, temperatures rise, which increases the occurrence of extreme weather events and changes in weather. NHBC considers extreme weather as part of its business continuity plans, with employees provided with suitable equipment to work remotely should commuting become unfeasible. We also ensure appropriate 'surge' plans are in place in key departments such as Claims, where significant weather events can lead to a higher volume of contacts to NHBC. The impacts of other factors, such as higher claims and reinsurance costs, impacts to asset returns, and higher operating costs are well understood and modelled as part of annual business planning.

For our insurance liabilities, the characteristics of the warranty product, its duration and the evolving nature of the home-building industry pose challenges in establishing a consistent effective risk management approach for climate change-related risks. Historic data regarding claims or specific building techniques is limited in its effectiveness in assessing the potential future implications for latent defect risks. Many of the construction techniques that will be used at scale in the future are not directly comparable with traditional building approaches and, given this, traditional technical risk management strategies will need to evolve with new regulatory standards, products, materials and methods of construction. Material areas of risk may be different in shape, concentration and exposure; similarly, existing physical risk models may require adaption to reasonably reflect the principal factors that are likely to influence claims behaviour and repairability of defects. We are working with providers of physical risk models to understand the translation factors required to make these increasingly effective.

The transition practices of our builder customers will also play a key role in understanding the climate risk exposure for NHBC.

NHBC recognises that obtaining a comprehensive understanding of climate-related risks and opportunities is vital before further developing modelling capability, to ensure the most relevant drivers are captured and considered across a range of use cases.

Based on the analysis completed, we believe that NHBC's business model remains resilient in all scenarios. Our strategy considers the risks and opportunities from climate change, including initiatives to support the industry with training and research related to new technologies and building methods which may become prevalent in response to climate change. We continue to build financial resilience and solvency above Board risk appetite in response to potential future risks, and to enhance our data and analysis to model the impact of climate change-related risks on our insurance exposure.

Measurement

Given the longer-term nature of NHBC's products and business model compared with the wider insurance industry, we are taking a longer-term approach to the development of broader climate metrics and associated targets appropriate to our business.

Our initial targets that exist today focus on reducing Scope 1 and 2 emissions from a baseline financial year ended 31 March 2020. Scope 1 includes direct emissions from sources that are owned or controlled by the company, and Scope 2 includes emissions from the use of purchased energy. These measures target year-on-year reduction and are included in the annual bonus targets of all staff, as well as the Long-Term Incentive Plan (LTIP) for senior executives. The calculations of our non-investment carbon emissions are calculated annually and verified by an external advisor.

CO_2e tonnes						
	2025	2024	2023	2022	2021	2020
NHBC-defined Scope 1	**963**	1,013	1,965	2,051	1,781	2,679
NHBC-defined Scope 2	**279**	294	350	296	231	344

Significant reductions in both Scope 1 and Scope 2 emissions have been achieved over time. The majority of NHBC's Scope 1 emissions relate to our vehicle fleet. Covid-19 impacted business travel, resulting in generally lower emissions in 2021. As activity recovered, emissions grew again. However, over the past four years, our work to electrify our vehicle fleet has resulted in reductions in Scope 1 emissions, despite increasing business activity.

Scope 2 emissions reduction was achieved from 2023 to 2025, despite rising consumption (kWh) from 2021 to 2025. This results from switching to a renewable electricity contract for our Milton Keynes office. The increased consumption for Scope 2 is due to greater mileage in electric vehicles compared with fuel vehicles, and the addition of NHBC training hubs, which run solely on electricity.

Streamlined Energy and Carbon Reporting

For the year ended 31 March 2025, the annual quantity of emissions in tonnes of CO_2 equivalent (CO_2e) and kWh resulting from activities for which we are responsible involving combustion of gas and consumption of fuel for the purposes of transport is shown in the table below.

	CO_2e tonnes		kWh	
	2025	2024	**2025**	2024
Combustion of gas	**216**	205	**1,065,342**	1,009,390
Consumption of fuel for the purposes of transport	**742**	807	**3,134,441**	3,367,851
	958	1,012	**4,199,783**	4,377,241

Combustion of gas is in relation to corporate facilities management. The figure quoted in kWh is as advised by the energy provider, with the conversion factor supplied by the Department for Energy Security and Net Zero (DESNZ) applied to derive the equivalent tonnes of CO_2.

Consumption of fuel for the purposes of transport principally relates to our corporate vehicle fleet. The CO_2 and kWH metrics are based on business miles travelled and how the vehicle is powered (eg diesel, petrol or hybrid), with conversion factors supplied by DESNZ.

Both combustion of gas metrics and fuel for the purpose of transport have stayed broadly steady. The slight reduction is due to the continued migration of fleet vehicles from diesel and petrol to mostly electric vehicles.

For the year ended 31 March 2025, the annual quantity of emissions in tonnes of CO_2 equivalent and kWh resulting from our purchase of electricity for our own use, including for the purposes of transport, is shown in the table below.

	CO_2e tonnes		kWh	
	2025	2024	**2025**	2024
Consumption of electricity	**260**	257	**1,260,123**	1,243,195
Consumption of electricity for the purposes of transport	**253**	267	**1,221,535**	1,157,926
	513	524	**2,481,658**	2,401,121

Consumption of electricity is in relation to corporate facilities management. The figure quoted in kWh is as advised by the energy provider, with the conversion factor supplied by DESNZ applied to derive the equivalent tonnes of CO_2.

Consumption of electricity for the purposes of transport principally relates to our corporate vehicle fleet. The CO_2 and kWH metrics are based on business miles travelled and how the vehicle is powered, with conversion factors supplied by DESNZ.

The ratio which expresses the Company's annual emissions in relation to a full-time equivalent employee (FTE) is shown in the table below.

	CO_2e tonnes per FTE		kWh per FTE	
	2025	2024	**2025**	2024
Annual emissions	**1.1**	1.2	**5,057.1**	5,258.6

The annual emissions relate to activities for which NHBC is responsible.

Section 172(1) statement

Stakeholder engagement

The Board actively fulfils its obligations under Section 172 of the Companies Act 2006, setting and embedding NHBC's strategy, culture and values to achieve its purpose of raising standards and protecting homeowners. It is committed to promoting NHBC's long-term sustainability and success for the benefit of NHBC's key stakeholders.

Stakeholder engagement is key to understanding priorities and decision impacts, and the Board ensures their interests are integrated into our strategy and operations.

Effective governance is a priority, with the Board ensuring compliance with NHBC's constitution and regulatory frameworks. This is provided through strong financial oversight, robust controls, and allocating necessary resources to support NHBC's strategic objectives and vision.

Decision-making by the Board is informed by insights from across the business, considering potential impacts on stakeholders, the environment and NHBC's reputation. In 2024, an independent external review assessed Board effectiveness, with recommendations tracked and reviewed regularly. Further details of the effectiveness review are set out in the Corporate governance report section on page 21.

Board decision-making and key strategic decisions in 2024/2025

Our Board comprises experienced and diverse directors, ensuring well-informed decisions taken today support NHBC's long-term success. Stakeholder engagement plays a role in shaping our decisions. These efforts are complemented by insights from executive directors and Board committees, ensuring a comprehensive understanding of the environment and emerging trends.

Key strategic decisions were informed by our strategic priorities set out on page 4:

- Approved the 2025/2026 to 2027/2028 Group Business Plan: considered the economic and market outlook, registered builder customer activity, homeowner sentiment, government policy and relevant regulatory factors. This plan focuses on strengthening NHBC's capital base, profitability and strategic investments.
- Technology and process enhancement: approved an updated scope for technology change and process improvements to enhance capability, capacity and flexibility.
- Approved the ESG strategy: committed to achieving net zero in our operations and supply chain by 2040 while embedding sustainability, social responsibility and diversity, equity and inclusion in NHBC's business and the communities we operate in.
- Approved a substantive financial investment in training skills hubs across the UK over the next five years to help address the skills shortage across the home-building industry as part of delivering on our vision and supporting our purpose.

How the Board has engaged with our stakeholders

Our people

Our business is built on the dedication and expertise of our people, who are critical to our sustainable long-term business. NHBC's people plan focuses on attracting, developing, valuing and engaging our workforce to ensure we are modern and agile. NHBC rewards staff through a comprehensive package of benefits and reward programmes. This includes competitive salaries, bonuses and pension plans, flexible work arrangements, enhanced leave and pay, and various other benefits such as health insurance, volunteering days and professional membership subscriptions. NHBC also recognises outstanding performance through the annual NHBC STARs awards.

We value our culture and the role every individual plays in delivering NHBC's strategy. Further details on our people focus are set out in the Non-financial and sustainability information section on page 7. The Board actively encourages a positive culture, receiving updates on colleague sentiment, and the culture enhancement programme and environment.

Elizabeth Austerberry, the Board's culture champion, closely engages with management on how our desired culture is integrated into NHBC's operations. Our non-executive directors (NEDs) engage with our culture action champions who shape and embed our culture ambition, which focuses on ensuring quality outcomes, empowerment and innovation, and prioritising homeowners in decision-making.

The Board promotes NHBC's diversity, equity and inclusion (DE&I), receiving updates on initiatives including internships and graduate programmes. The chair and NEDs meet bi-annually with Be Me: Employee Network chairs, as well as joining network sessions to support a diverse and inclusive workplace.

Executive directors interact with colleagues through various conferences and events, including our inaugural all-colleague event held in Birmingham in July 2024, which focused on NHBC's future direction and vision. There is ongoing engagement with our Staff Association, including quarterly updates provided to its committee.

Regular updates on key people matters, including talent and succession, leadership development, DE&I, the gender and ethnicity pay gap, and reward, are provided to the Board and its committees. The Audit Committee receives reports on issues raised through NHBC's confidential whistleblowing hotline. Our NEDs engage in quarterly Talent Lunches with colleagues to support talent, development and succession, and provide deeper business insights.

More information on our gender pay gap is set out in the Non-financial and sustainability information section of the report on page 7. Alternatively, please see NHBC's Gender pay gap report on our website: **NHBC Gender pay gap report 2024**.

Our Council members

NHBC is governed by an independent Council of 53 individual members representing a diverse range of organisations in the home-building industry. The Board engages with Council members at the Annual General Meeting, Annual Lunch and other events, offering opportunities to question and challenge NHBC's purpose and strategic goals. In June 2024 and March 2025, Council members met with executive directors and management for updates on business performance, strategy, Consumer Duty, climate change, sustainability, the political landscape, underwriting and NHBC Standards. Council members receive regular newsletters updating them on NHBC's strategy and activities.

NHBC warranty and insurance policyholders

Protecting policyholders is fundamental to our purpose. We develop our products to meet their needs and use policyholder engagement to gain insights for improvements. The Board supports the FCA's Consumer Duty focus on enhancing consumer outcomes.

During the year, the Consumer Committee ensured our policyholders remain central to our decision-making. It reviewed and challenged management on the Consumer Strategy, Consumer Duty Implementation Plan and policyholder feedback, and monitored consumer complaints and root cause analysis. We updated our product literature and achieved Plain English Campaign-accredited policy wording. The Board approved the Consumer Duty Annual Assessment Report, summarising NHBC's compliance with Consumer Duty obligations and actions taken throughout the year to deliver good consumer outcomes.

Registered customers

Long-term relationships with our registered customers are key to raising standards in house building and protecting homeowners. Regular updates on the market, partnership model enhancements, and insights on addressing the UK home-building industry's skills shortage are provided by executive directors.

Suppliers

Our suppliers support us in delivering our products and services to registered customers and homeowners. NHBC maintains high standards of business conduct, managing suppliers in line with our Procurement and Supplier Management Policy, ensuring compliance with regulatory, data governance, corporate responsibility, finance and contractual responsibilities.

Regulators

NHBC is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA). Since 6 April 2024, NHBC Building Control Services Limited is regulated by the Building Safety Regulator (BSR) as a Registered Building Control Approver.

We maintain constructive and transparent relationships with our regulators. Our directors and senior managers regularly meet with them to discuss business, governance, regulatory issues, objectives, priorities and concerns, and their impact on our business.

The Board receives a standing update on all regulatory matters through the CEO's reports and from the Board Risk Committee.

Key areas in which the PRA was kept informed during the year were:

- development of NHBC's resolvability plan, confirming the steps NHBC will take to ensure continuity of critical economic functions and minimise disruption to the mortgage market and policyholders in the event of severe financial distress
- progress with work on operational resilience planning and management in advance of the March 2025 implementation deadline

- continued development of our Economic Capital Model and its use in appetite setting and decision-making
- progress with key strategic programmes
- stress and scenario testing analysis which assesses the impact of extreme but plausible events on the Company's risk profile, financial position, operations, business model and strategy.

We provided the FCA with the Consumer Duty Board Report. We also monitor other key stakeholder relationships, including HMRC, the Health and Safety Executive, the Information Commissioner's Office, OFSTED and The Pensions Regulator.

Communities and the environment

For information on our corporate social responsibility activities and how we engage with the home-building industry, government and other stakeholders in relation to climate change impacts please see the Non-financial and sustainability information statement on page 7 and Climate-related financial disclosures on page 10.

Strategic report sign-off

We are committed to engaging with our key stakeholders and will continue to focus on ways to improve our engagement in the financial year ending 31 March 2026.

This report was approved by the Board on 20 June 2025 and signed on behalf of the Board by:

Steve Wood
Chief Executive Officer

Corporate governance report

The Company applied The Wates Corporate Governance Principles for Large Private Companies (Wates Principles) for the year ended 31 March 2025 as the appropriate disclosure framework for the Company's corporate governance.

Principle 1 – Purpose and leadership

Our purpose is to raise standards in UK house building, champion high-quality homes and protect our policyholders. The NHBC Standards define the technical requirements to which homes registered with us must be built. Our on-site inspection regime ensures we review quality and compliance with our Standards to protect homeowners and provide our warranty. The construction quality and training services we provide to our registered builder and developer customers are designed to support the raising of quality in new-build homes.

Our vision is for NHBC to be a **quality pioneer, trusted insurer and an agent of change for next-generation home building.**

Leadership

NHBC is a private company limited by guarantee, governed by its Council of members, which fulfils a role equivalent to company shareholders. The Board establishes the Company's strategy and evaluates performance against its strategic goals and business plans, ensuring alignment with the Company's purpose and vision.

For further details on the Board's strategic decision-making process, NHBC's Council, and how we engage with employees and wider stakeholders, please refer to the Section 172(1) statement.

Values and culture

By creating a dynamic, inclusive and collaborative culture, we empower our colleagues to deliver on NHBC's vision and purpose. Our values and behaviours drive our culture ambition, ensuring homeowners are at the heart of everything we do, as how we do things is as important as what we do.

NHBC's strong culture creates an environment where colleagues contribute to this change through company-wide initiatives. Improvements in culture focus on agility, collaboration, empowerment, inclusivity, innovation and better homeowner outcomes. Our values and behaviours are measured annually in our personal development reviews, they are reflected in salary and bonus awards, and they underpin our internal recognition scheme.

Principle 2 – Board composition

Our Board is diverse and experienced, bringing a variety and balance of skills to promote NHBC's long-term success. It comprises an independent Chair, seven Independent NEDs, including one Senior Independent Director (SID) (with tenure ranging from two to eight years), and three Executive Directors, the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. During the year, the Nominations Committee and Board assessed the composition of the Board and its Board committees in terms of skills, experience, diversity, capacity, and the balance of Executive and Non-Executive Directors. This included reviewing individual director interests, external appointments and conflict authorisations in the Directors' Register of Interests to ensure independence. The Board's size and composition reflect the necessary skills, experience and knowledge for NHBC's businesses as a regulated insurer and provider of regulated building control, quality and training services.

Further details of the Board's role and responsibilities are set out on page 23 (Principle 3).

Directors

The directors who served the Company during the year, up to and including 20 June 2025, were as follows:

Director	Position	Industry sector expertise
Elizabeth Austerberry	Non-Executive Director	Financial services and construction
Paul Bishop	Non-Executive Director	Financial services
Alison Burns	Non-Executive Director	Financial services
David Campbell	Chief Operating Officer	Construction
Paul Hosking	Chief Financial Officer	Financial services
Tesula Mohindra	Non-Executive Director	Financial services
Teresa Robson-Capps	Non-Executive Director	Financial services
Alan Rubenstein	Board Chair	Financial services
Philip Rycroft	Non-Executive Director	Government policy
Stephen Stone	Non-Executive Director	Construction
Steve Wood	Chief Executive Officer	Financial services

Further information on NHBC's Board members is available on our corporate website on the following link: **How NHBC is run**.

Induction, training and development

When joining NHBC, NEDs participate in a comprehensive induction programme and mandatory training. This builds on their expertise, providing an understanding of NHBC's key activities and the risks, and equipping them to provide effective challenge. Ongoing training needs are identified through the Board effectiveness review and recommended by management, considering regulatory, legislative, governance and business developments. During the financial year, the Board participated in various training sessions, including on the Wates Principles, insurance regulation, climate change impacts and investments, construction quality services and artificial intelligence.

Board and committee effectiveness review

NHBC's Board and its committees' effectiveness is key to our long-term success. A rigorous annual evaluation process is undertaken to assess the Board's performance. In 2024, an externally facilitated Board effectiveness evaluation was completed, with results reviewed on a one-to-one basis with the chair of the Board, the SID and committee chairs, and discussed at Board and Board committee meetings. The Board agreed that both it, and its committees remained effective and identified areas for enhancement, including strategic KPI reporting and enhancing the quality and focus of Board papers.

Diversity and inclusion

The Board is committed to a diverse and inclusive leadership team, providing a range of perspectives and insights to support good decision-making. The Board comprises 36% women and has 9% ethnic minority representation. The Nominations Committee oversees the composition and structure of the Board and its committees, ensuring alignment with NHBC's strategic priorities. It leads on Board and executive succession, and ensures that NHBC has appropriate talent development and diversity, equity and inclusion (DE&I) initiatives. During the year, the Board approved its Diversity Policy, outlining NHBC's commitment and approach to DE&I. The policy informs Board composition reviews and new appointments, with Board gender diversity targets by the end of 2025 including at least 40% of the Board are women and at least one of the following senior Board positions is held by a woman: Chair, Chief Executive, Senior Independent Director or Chief Finance Officer.

Principle 3 – Director responsibilities

Accountability

The Board is collectively responsible for promoting NHBC's long-term success through effective governance in line with its constitution and regulatory frameworks. This includes overseeing the implementation of NHBC's strategy, which promotes NHBC's vision, purpose, culture and long-term sustainability. The Board ensures the business has the appropriate framework to deliver this by reviewing resources, monitoring financial performance, and ensuring robust controls and risk management procedures are in place.

The Board holds six meetings annually, plus one for strategic planning, with additional meetings scheduled as needed. During the financial year, the Board met eight times. The Board annually reviews its terms of reference, matters reserved for the Board, and delegated authorities. An annual Board forward agenda is reviewed by the Board following input from the Chair and Chief Executive Officer, with each meeting's agenda prepared with input from the Chair, Chief Executive Officer and Company Secretary to address strategic, regulatory and governance matters.

The Board delegates certain matters to five standing committees: Audit, Board Risk, Consumer, Nominations and Remuneration. Each committee's responsibilities are outlined in their terms of reference, reviewed annually and reported to the Board by the committee chairs. Each Board committee comprises only NEDs.

The Board and its committees approve and oversee NHBC's system of governance, which includes decision-making mechanisms, oversight activities and accountability This governance system encompasses roles and responsibilities of various Board and management committees, functions and individuals, standard operating procedures and delegated authorities which guide the Company's operations.

Under the Senior Managers and Certification Regime, NHBC documents its management and governance arrangements in its Management Responsibilities Map, detailing how accountabilities and responsibilities are shared between Board members and senior management. Annual Fit and Proper assessments confirm that Board members are 'fit and proper' to undertake their fiduciary and regulatory duties and responsibilities to NHBC.

Conflict of interest

The Articles of Association allow the Board to authorise potential conflicts of interest. Decisions are made solely by non-conflicted directors acting in good faith to promote NHBC's success. Board members must declare any actual or potential conflicts of interest, which are recorded in the director's register of interests, maintained by the Company Secretary and reviewed annually. Directors are reminded of their obligations at the start of each meeting, and must annually review and confirm their external interests to ensure their continued independence.

Integrity of information

The Board receives timely information to provide insights, monitor and challenge management on all key aspects of the business's performance, including strategy, health and safety, regulatory compliance, sustainability, risks and opportunities, projects, operational matters and market conditions. Meeting packs with board papers in a consistent template are available for review by an agreed date to facilitate constructive debate and challenge. The annual Board effectiveness review considers the effectiveness of processes and management information, ensuring they are kept updated with ongoing review and training provided to Board and committee paper authors to reinforce best practice.

NHBC adopts a three lines of defence model for its internal control framework. Annually, the Board Risk Committee and Audit Committee approve the second line Risk and Compliance and third line Internal Audit assurance plans, the outputs of which are reported to the relevant committees.

Principle 4 – Opportunity and risk

The Board seeks out opportunity for long-term sustainable success while mitigating risk. For more information on NHBC's approach to and allocation of responsibility for risk management, and the principal and emerging risks to our business, please refer to the Principal risks and uncertainties section on page 5.

Opportunity

Strategic opportunities, both short and long term, are identified in the three-year Group Business Plan approved by the Board. This includes an assessment of the relevant regulatory, registered builder customer and commercial considerations, and risks to successful delivery. All strategic opportunities are evaluated for alignment with NHBC's vision and purpose. For more information on the Board's strategic decisions during the year, see page 4. The executive directors provide updates on commercial opportunities, key business initiatives and strategic projects, with senior management providing regular updates on key aspects of the business strategy.

Principle 5 – Remuneration

The Remuneration Committee is responsible for establishing a formal and transparent procedure for developing and implementing NHBC's remuneration policy and setting remuneration for the Board Chair, Executive Directors, Senior Management and Solvency II staff. It ensures that the Remuneration Policy is aligned with the business strategy, and the risk management strategy and profile of NHBC. Oversight of remuneration for all colleagues is a key focus, including assessing the impact on all employee groups when making decisions on executive remuneration practices or outcomes.

The Board recognises that diversity is a key contributor to our success and is committed to improving the Gender Pay Gap. Details of this are set out on page 7 in the 'Non-financial and sustainability information section.

The Committee assesses Executive remuneration decisions, ensuring these reflect our business and risk environment, business performance and impact on the wider workforce whilst delivering good consumer outcomes.

The Committee reviewed simplification of the Remuneration Policy and incentive design, ensuring it remains motivating and competitive, aligned with regulatory guidance, and consistent with NHBC's business strategy and philosophy. Risk and consumer adjustments are considered when reviewing incentive outcomes, with salaries and bonus payments of all employees aligned to personal and business performance, with senior management having a higher weighting on business performance.

NHBC is committed to paying at least the National Living Wage rates to all employees, who also participate in the annual bonus scheme.

For more information on directors' remuneration disclosures, see note 14 to the financial statements on page 70.

Principle 6 – Stakeholder relationships and engagement

Information on how the Board has considered and engaged with NHBC's stakeholders, including its registered builder customers, consumers, regulators, suppliers and other stakeholders, and how this engagement shapes Board decision-making, is contained in the Section 172(1) statement on page 18 of the 'Strategic report'.

This report was approved by the Board on 20 June 2025 and signed on behalf of the Board by:

Steve Wood
Chief Executive Officer

Directors' report

The directors submit their Annual Report and Accounts for NHBC, together with the consolidated financial statements of NHBC and its subsidiary companies (the Group), for the year ended 31 March 2025.

Results

The Group's results for the year are shown in the consolidated statement of comprehensive income on page 39.

Directors

The directors at the date of this report are shown, in the Governance section, Principle 2 – Board composition on page 21.

Directors' interests and indemnity arrangements

At no time during the year did any director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings, although some of our directors are involved with registered customers, suppliers and partners in the new home-building industry. We trade in the normal course of business with all these parties, and material transactions with related parties are disclosed in note 34 on page 93 of the financial statements.

We have directors' and officers' liability insurance in place in respect of the Company, subsidiary companies and our directors, together with indemnities for the directors, to the extent permitted by English law and the Company's Articles of Association. There are no other qualifying third-party indemnity provisions in place.

Details of how directors manage potential conflicts of interest are included in the Corporate Governance Report, Principle 3 – Director responsibilities.

There is no arrangement or understanding with any registered customer, supplier or any other external party to appoint a director or a member of the executive.

Disclosure of information to the auditor

In accordance with section 418 of the Companies Act 2006, the directors in office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor, Deloitte LLP, is unaware, and each director has taken all steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that Deloitte LLP is aware of that information.

Going concern

After reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Post-balance sheet events

April 2025 tariff announcements by the US have triggered a period of volatility across all markets, with the future outlook for economic trends being uncertain. The event may impact the fair value of the Company's financial instruments, although the effects are not expected to be material due to the nature of NHBC's asset portfolio. The event may also impact the home-building and financial service industries in which the Company operates, with this more likely to relate to secondary effects from impacts on the UK economic outlook, and confidence levels amongst consumers, businesses and investors. House building and its supply chain have a strong bias to the UK, which otherwise mitigates impacts. While no adjustments to the financial statements are required, the Company acknowledges the potential risks and uncertainties introduced by these events. The Company is actively monitoring the situation.

Political donations

In the financial year, NHBC did not make any political donations.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and Accounts 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 Group and parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company, and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, and for disclosing with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Each of the directors listed in the Strategic report confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with applicable UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group
- the Strategic report and the Directors' and corporate governance report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Research and development

NHBC did not carry out any research and development activities over the financial year.

Branches

NHBC does not have any branches.

Dividends

NHBC is a company limited by guarantee; it does not have share capital and therefore does not pay dividends.

Information required to be disclosed in the Directors' report may be found in the following sections:

Information	Section in Annual Report and Accounts	Page
Business review	Strategic report - Business review	3
Financial instruments	Notes to the financial statements – Risk management	56
	Notes to the financial statements – Financial instruments	91
Corporate responsibility governance	Non-financial and sustainability information statement	7
Action on employee participation	Non-financial and sustainability information statement	7
Charitable work and donations	Non-financial and sustainability information statement	7
Disclosure concerning employment, training and advancement of disabled persons	Non-financial and sustainability information statement	7
Employee engagement	Non-financial and sustainability information statement	7
Future developments of the business	Strategic report – Future outlook	5
Rules governing appointments of directors	Corporate governance report	21
Statement of engagement with suppliers, customers and others	s172 statement	18
s172 statement	s172 statement	18
Streamlined energy and carbon reporting	Non-financial and sustainability information statement	7

This report was approved by the Board on 20 June 2025 and signed on behalf of the Board by:

Steve Wood
Chief Executive Officer

Financial statements

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

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of National House-Building Council (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2025 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103) (United Kingdom Generally Accepted Accounting Practice); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 36 excluding the capital management disclosure in note 7, calculated in accordance with Solvency II regime which is marked unaudited.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103) (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were the valuation of gross insurance claims reserves and accuracy of the earned premium and inspection income. Within this report, key audit matters are identified as follows: • Newly identified • Increased level of risk • Similar level of risk • Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £10.5m (2024: £8.6m), and the materiality used for parent only financial statements was £10.0m (2024: £8.1m) which was determined on the basis of 1.35% of net assets (2024: 1.25% of net assets).
Scoping	The scope of our audit included the parent company and NHBC Building Control Services Limited ("NHBC BCS") which were subject to the audit procedures of in scope Account Balances, Classes of Transactions, and Disclosures ("ABOTCD's") performed to component and parent only performance materiality.
Significant changes in our approach	We have identified the accuracy of earned premium and the inspection income based on the stage of completion as a new key audit matter, and the valuation of the GAAP margin, previously considered within the valuation of insurance claims reserve is no longer considered as a key audit matter. Explanations for the changes in key audit matters are detailed in Section 5. Additionally, the benchmark percentage used for determining materiality increased from 1.25% to 1.35%, reflecting the consistent growth in profit before tax and the Group's improving financial performance.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- We evaluated the directors' method to assess going concern including an assessment of directors' forward-looking business plan;
- We challenged future profit forecasts and underlying business plan to support key forward-looking assumptions such as future building registration volumes and inflation rate assumptions by performing sensitivity analysis of these assumptions;
- We evaluated how economic factors such as builder conduct and inflation fluctuations would affect the group's future capital position;
- We evaluated the historical accuracy of forecasts prepared by management by comparing previous forecasts against actual results achieved;
- We reviewed the latest available Own Risk and Solvency Assessment ('ORSA'), including stress testing and reverse stress testing; and
- We assessed the appropriateness of going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of gross insurance claims reserves (similar level of risk)

Key audit matter description	The gross insurance claims reserves as at 31 March 2025 totalled £423.9 million (2024: £401.2 million) as detailed in Note 5.9 Insurance Contracts (summary of significant accounting polices) and Note 23 Insurance contract liabilities and associated reinsurance. The judgements which are made in determining both the actuarial best estimate for uncertainty are the most significant in terms of their impact on the group's financial position. Specifically, we have identified the following two key areas of focus, and potential fraud risk, for our audit given their significance to the group's result and the level of judgement involved: • The key assumptions applied in determining the actuarial best estimate for Section 2 and Section 3 insurance claims reserves; and • The assumptions applied in valuing the incurred but not reported (IBNR) provision for Section 4 cladding claims. 1. The key assumptions applied in determining the actuarial best estimate for Section 2 and Section 3 insurance claims reserves relating to Sections 2 and 3 of the group's Buildmark product, as defined in note 24.1 to the financial statements, are projected based on historical claims experience using standard actuarial techniques. There are highly judgemental assumptions that have a significant impact on the amount of reserves held given the long tail nature of the policies underwritten. These key assumptions include; initial average claim cost per exposure, the claims development patterns used and builder contribution and insolvency assumptions. These assumptions represents a key source of estimation uncertainty for the group, which increases the susceptibility of the balance to material misstatement due to error and fraud. These have been included within Note 4 of the disclosure notes to the financial statements. 2. The assumptions applied in valuing the incurred but not reported ("IBNR") provision for Section 4 cladding claims continue to be a key audit matter. While the Group's exposure to these claims is maturing and developers signing the Government's fire safety remediation contracts reduces some uncertainty related to builder recoveries, significant judgement is still required by management in determining the frequency and severity of claims, including ultimate costs and the impact of builder self-repairs and potential insolvencies. The resulting IBNR provision remains sensitive to changes in these key assumptions.

How the scope of our audit responded to the key audit matter	We performed the following procedures in response to the key audit matter: For each of the key audit matter focus areas, we have gained an understanding of the end-to-end claims and reserving process and obtained an understanding of the relevant controls. Additionally, we reconciled claims and policy data to source systems to assess the completeness and accuracy of the underlying data used in the group's actuarial calculations. 1. key assumptions applied in determining the actuarial best estimate for Section 2 and Section 3 insurance claims reserves. We worked with our actuarial specialists to: • assess the competence and capabilities of the group's internal actuarial team; and • carried out independent indicative reserve projections for these reserving classes, identifying and estimating surplus or deficit where applicable; and We performed a 'stand back' test to test the assumptions applied in determining the actuarial best estimate for Section 2 and Section 3 insurance claims reserves for indication of management bias. 2. The assumptions applied in valuing the IBNR provision for Section 4 cladding claims. We worked with our actuarial specialists to: • assess and challenge the group's assumptions used in determining the valuation of the IBNR provision, specifically focusing on the frequency and severity assumptions applied in estimating future claims; and • consider any alternative assumptions which could reasonably be applied, including those considered by the group and the impact of those on the result. We inspected and challenged the builder contribution assumptions (being builder self-repair and builder insolvency assumptions) by identifying relevant publicly available information and meeting with legal counsel and key management personnel to identify corroborative and contradictory evidence as applicable. We performed a 'stand back' test to test the assumptions applied in valuing the IBNR provision for Section 4 cladding claims level for indication of management bias. We assessed the disclosures in Note 5 and 23 of the financial statements.
Key observations	We concluded that the assumptions used in the valuation of the gross insurance claims reserves are appropriate.

5.2 Accuracy of the earned premium and inspection income based on stage of completion (newly identified)

Key audit matter description	The groups turnover consists of two main segments, being insurance activities and other activities relating to the efficient construction of good quality housing. We have identified a key audit matter in relation to accuracy of the earned premium and inspection income based on stage of completion. For the year ended 31 March 2025 these amounted £115.9million (2024: £143.2 million) for earned premiums and £67.3 million (2024: £62.0 million) for inspection income as detailed in note 8. Due to identified in General IT Controls (GITCs) detailed in Section 7 which have reintroduced and heightened this risk, requiring specific audit attention. Our key audit matter is pinpointed to the estimation uncertainty involved in determining the earning patterns for earned premium and the judgement involved in determining the stage of completion for to inspection income. 1. Earned premium: The group's earned premium calculation relies on a complex actuarial model using incurred claims data, which is based on "first notification dates." This approach involves inherent subjectivity in defining claim events, particularly given the prevalence of builder self-repairs. This complexity and subjectivity, coupled with the difficulty in establishing a precise claim occurrence date, creates opportunities for manipulation and increases the risk of potential misstatement of earned premium. 2. Inspection income: The group recognises inspection income based on the proportion of effort expended at each stage of the inspection process. However, inspectors still exercise significant judgement in determining stage completion, creating inherent subjectivity. This subjectivity, coupled with the non-uniform distribution of effort across the inspection stages, increases the risk of inconsistent application of the revenue recognition criteria and the potential for misstatement, including through potential manipulation or error. This heightened risk of misstatement is the basis for the inclusion of this matter as a key audit matter.
How the scope of our audit responded to the key audit matter	We performed the following procedures in response to the key audit matter: For each of the key audit matter focus areas, we have gained an understanding of the end-to-end process for earned premium and inspection income and obtained an understanding of the relevant controls. Additionally, we have reconciled inspection data to source systems to assess completeness and accuracy, and independently recalculated the inspection income using this data and the approved percentage allocation. 1. Earned Premium: • we have performed testing of the completeness and accuracy of underlying premium and incurred claims data, including all relevant data attributes, used to calculate the earning pattern and earned premium; • tested the notification and claims dates of the policy as a data attribute into the earning pattern; • with the involvement of our actuarial specialists we assessed the methodology and assumptions and appropriateness of the earnings pattern; and • we have performed a recalculation of earned premium based on the tested earning patterns. 2. Inspection income: • we have assessed the methodology and assumptions, and consideration of contradictory evidence, around the stage of completion model; • we assessed the impact of alternative, reasonably applicable assumptions on the percentage allocation used in the revenue recognition model. We have performed a ‘stand back’ assessment to consider all the evidence received from audit procedures performed and conclude if there is any evidence of overall management bias. In performing this review, we evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements, even if they are individually reasonable, indicate a possible bias on the part of the management that may represent a risk of material misstatement due to fraud. We assessed the disclosures in Note 8 of the financial statements.
Key observations	We have concluded that the assumptions used in the earned premium and inspection income are appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£10.5m (2024: £8.6m)	£10.0m (2024: £8.1m)
Basis for determining materiality	Materiality was determined as 1.35% of net assets (2024: 1.25% of net assets).	Parent company materiality was determined based on 1.35% of parent company net assets (2024: 1.25% of parent company net assets), which is then capped at 95% of group materiality (2024: 95%).
Rationale for the benchmark applied	We determined that the critical benchmark for the group was net assets. The group is a non-profit distributing organisation and the primary users of the financial statements are the council members, who look to the accumulated reserves and the stability of the company that is limited by guarantee to gain comfort over the group's ability to settle insurance claims as they fall due. The benchmark percentage used for determining materiality increased from 1.25% to 1.35%, reflecting the consistent growth in profit before tax, and the change in the Group's improving financial performance.	

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2024: 70%) of group materiality	70% (2024: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. we have audited the group for a number of years and so have knowledge of both the group and the environment it operates in; and b. the likelihood of uncorrected misstatements from prior periods recurring in the current period.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.50million (2024: £0.43million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The scope of our group audit was established by gaining an understanding of the group and its environment, including group-wide controls, and evaluating the risks of material misstatement at the group level. Group materiality was used to determine the audit scope and assess any material misstatement within the entire financial statements.

As the parent company accounts for 100% of gross premiums written (2024: 100%) and 98% of net assets (2023: 98%) within the group. The scope of our audit included the parent company and NHBC Building Control Services Limited ("NHBC BCS") which were subject to the audit procedures of in scope ABCOTD's performed to component and parent only performance materiality. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.

7.2. Our consideration of the control environment

During the planning phase of our audit, we identified three systems that were significant to the group's financial reporting processes. These systems handled data relating to gross written premium, claims, expenses, other income and the general ledger, and we intended to rely on the IT and business controls associated with these systems only if the prior year's general IT control findings had been remediated.

With the involvement of our IT specialists, we tested the relevant GITC's but were unable to place reliance on these ongoing failures within the general ledger, policy admin system and claims systems. As a result, we have performed a fully substantive audit over these impacted account balances.

7.3. Our consideration of climate-related risks

We have gained an understanding of management's processes to address climate-related risks, including the Environmental Steering Committee and the group's Environmental Strategy. Management has performed a risk assessment for climate-related risks, further details are disclosed in the strategic report. Based on the risk assessment, management has classified climate change as an emerging risk and has increased its focus and integration into the group's risk management framework. Management have also concluded that the impact of climate-related risks is not material to the financial statements in the short term.

We have performed a risk assessment of the financial impact of climate risks, with support from a climate change risk disclosure specialist, on the financial statements and concluded the risks of material misstatement due to climate risk factors are remote. In doing so we considered the estimates and judgements applied to the financial statements and how climate risks impact their valuation.

We have read the climate-related financial disclosures (including climate risks) within the strategic report of the Annual Report, taking into consideration UK Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, and considered whether the disclosures are consistent with our understanding of the business and the financial statements.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, in house legal counsel, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including IT, tax, financial instruments and actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud..

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of gross insurance claims reserves and the accuracy of the earned premium and inspection income based on stage of completion. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA) and the group's regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of gross insurance claims reserves and accuracy of the earned portion of premium and inspection income as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the FCA and the PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by Board in May 2016 to audit the financial statements for the year ending 31 March 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 31 March 2016 to 31 March 2025.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Claire Clough.

Claire Clough, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
20 June 2025

Consolidated statement of comprehensive income

Technical account – general business

		2025		2024	
	Note	£'000	£'000	£'000	£'000
Earned premiums, net of reinsurance					
Gross premiums written	8	**161,353**		144,145	
Outward reinsurance premiums		**(53,608)**		(54,228)	
Net premiums written		**107,745**		89,917	
Change in the gross provision for unearned premiums		**(45,491)**		(922)	
Change in the provision for unearned premiums, reinsurers' share		**16,712**		(5,949)	
Change in the net provision for unearned premiums		**(28,779)**		(6,871)	
Earned premiums, net of reinsurance			**78,966**		83,046
Allocated investment return transferred from the non-technical account			**24,263**		32,817
Claims incurred, net of reinsurance					
– Claims paid					
– Gross amount		**(86,352)**		(85,611)	
Reinsurers' share		**44,053**		18,469	
Net claims paid		**(42,299)**		(67,142)	
Change in provision for claims					
– Gross amount		**(22,604)**		55,689	
– Reinsurers' share		**3,454**		(47,775)	
Change in the net provision for claims		**(19,150)**		7,914	
Claims incurred, net of reinsurance			**(61,449)**		(59,228)
Changes in unexpired risk reserve, net of reinsurance			**47,176**		72,485
Net operating expenses	11		**(13,150)**		(13,529)
Balance on the technical account for general business			**75,806**		**115,591**

Consolidated statement of comprehensive income

Non-technical account

		2025		2024	
	Note	£'000	£'000	£'000	£'000
Balance on the general business technical account			**75,806**		115,591
Investment income	12		**44,128**		52,168
Unrealised gains on investments		**33,332**		60,393	
Unrealised losses on investments		**(20,626)**		(21,536)	
Net unrealised gains on investments	12		**12,706**		38,857
Investment expenses and charges	12		**(5,418)**	0	(4,701)
Allocated investment return transferred to the general business technical account			**(24,263)**		(32,817)
Other income	8		**87,417**		81,174
Other charges			**(100,954)**		(93,875)
Profit on ordinary activities before taxation			**89,422**		156,397
Tax on profit on ordinary activities	16		**(8,062)**		(22,034)
Profit for the financial year			**81,360**		134,363
Other comprehensive income					
Remeasurements of net defined benefit pension plan surplus	27	**1,718**		(14,212)	
Movement on deferred tax relating to pension surplus	20	**(429)**		3,545	
Revaluation of tangible assets		**(5)**		6	
Other comprehensive expense for the year, net of tax			**1,284**		(10,661)
Total comprehensive income for the year			**82,644**		123,702

NHBC

Consolidated statement of financial position

		2025	2024
	Note	£'000	£'000
Assets			
Investments			
Land and buildings	17	**8,522**	9,107
Other financial investments		**1,533,892**	1,480,408
		1,542,414	1,489,515
Reinsurers' share of Technical Provisions			
Provision for unearned premiums	23	**352,159**	335,447
Claims outstanding	23	**151,982**	148,528
Unexpired risk reserve	23	**-**	84
		504,141	484,059
Debtors			
Debtors arising out of direct insurance operations	19	**9,984**	8,750
Deferred tax	20	**18,827**	18,460
Other debtors	19	**13,916**	8,382
		42,727	35,592
Other assets			
Tangible assets	21	**1,978**	1,645
Cash at bank and in hand		**59,884**	39,555
		61,862	41,200
Prepayments and accrued income			
Accrued interest and rent		**15,810**	13,125
Deferred acquisition costs	22	**22,778**	19,794
Other prepayments and accrued income		**13,346**	8,020
		51,934	40,939
Defined benefit pension plan surplus	27	**11,661**	1,838
Total assets		**2,214,739**	2,093,143

	Note	2025 £'000	2024 £'000
Liabilities			
Reserves			
Revaluation reserve		**125**	130
Retained earnings		**771,802**	689,153
		771,927	689,283
Technical Provisions			
Provision for unearned premiums	23	**763,381**	717,889
Claims outstanding	23	**423,874**	401,270
Unexpired risk reserve	23	**25,745**	73,005
		1,213,000	1,192,164
Creditors			
Creditors arising out of direct insurance operations	26	**39,543**	37,938
Other creditors	26	**22,534**	25,436
		62,077	63,374
Accruals and deferred income		**167,735**	148,322
Total liabilities and reserves		**2,214,739**	2,093,143

The notes on pages 48 to 95 are an integral part of these financial statements.

The financial statements on pages 39 to 95 were authorised for issue by the Board of Directors on 20 June 2025 and were signed on its behalf.

Paul Hosking
Chief Financial Officer

Company registration 00320784

Company statement of financial position

		2025	2024
	Note	£'000	£'000
Assets			
Investments			
Land and buildings	17	**8,522**	9,107
Investments in group undertakings and participating interests	18	**11,310**	16,369
Other financial investments		**1,533,892**	1,480,408
		1,553,724	1,505,884
Reinsurers' share of Technical Provisions			
Provision for unearned premiums	25	**352,159**	335,447
Claims outstanding	25	**151,982**	148,528
Unexpired risk reserve	25	**-**	84
		504,141	484,059
Debtors			
Debtors arising out of direct insurance operations	19	**9,984**	8,750
Deferred tax	20	**18,826**	18,466
Other debtors	19	**11,795**	6,176
		40,605	33,392
Other assets			
Tangible assets	21	**919**	1,046
Cash at bank and in hand		**59,554**	39,331
		60,473	40,377
Prepayments and accrued income			
Accrued interest and rent		**15,810**	13,125
Deferred acquisition costs	22	**22,778**	19,794
Other prepayments and accrued income		**12,881**	7,635
		51,469	40,554
Defined benefit pension plan surplus	27	**11,661**	1,838
Total assets		**2,222,073**	2,106,104

	Note	**2025** £'000	2024 £'000
Liabilities			
Reserves			
Revaluation reserve		**11,335**	16,398
Retained earnings		**757,975**	670,626
		769,310	687,024
Technical Provisions			
Provision for unearned premiums	23	**764,405**	718,832
Claims outstanding	23	**423,874**	401,270
Unexpired risk reserve	23	**27,337**	74,321
		1,215,616	1,194,423
Creditors			
Creditors arising out of direct insurance operations	26	**39,543**	37,938
Other creditors	26	**43,648**	50,538
		83,191	88,476
Accruals and deferred income		**153,956**	136,181
Total liabilities and reserves		**2,222,073**	2,106,104

The Company's profit for the year was £86.1m (2024: profit of £128.2m) with other comprehensive income for the year being a loss of £3.8m (2024: loss of £5.9m).

The notes on pages 48 to 95 are an integral part of these financial statements.

The financial statements on pages 39 to 95 were authorised for issue by the Board of Directors on 20 June 2025 and were signed on its behalf.

Paul Hosking
Chief Financial Officer

Consolidated statement of changes in equity

	Retained earnings	Revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 1 April 2023	565,457	124	565,581
Profit for the year	134,363	-	134,363
Other comprehensive expense for the year	(10,667)	6	(10,661)
Total comprehensive income/(expense) for the year	123,696	6	123,702
Balance as at 31 March 2024	**689,153**	**130**	**689,283**
Profit for the year	81,360	-	81,360
Other comprehensive (expense)/income for the year	1,289	(5)	1,284
Total comprehensive income for the year	82,649	(5)	82,644
Balance as at 31 March 2025	**771,802**	**125**	**771,927**

Company statement of changes in equity

	Retained earnings	Revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 1 April 2023	553,089	11,649	564,738
Profit for the year	128,204	-	128,204
Other comprehensive (expense)/income for the year	(10,667)	4,749	(5,918)
Total comprehensive income for the year	117,537	4,749	122,286
Balance as at 31 March 2024	**670,626**	**16,398**	**687,024**
Profit for the year	86,060	-	86,060
Other comprehensive (expense)/income for the year	1,289	(5,063)	(3,774)
Total comprehensive income for the year	87,349	(5,063)	82,286
Balance as at 31 March 2025	**757,975**	**11,335**	**769,310**

Consolidated statement of cash flows

		2025	2024
	Note	**£'000**	£'000
Net cash from operating activities before interest received	30	**(42,864)**	146,716
Interest received		**42,028**	36,090
Taxation paid		**(16,372)**	(12,000)
Net cash from operating activities		**(17,208)**	170,806
Cash flow from investing activities			
Payments to acquire tangible fixed assets	21	**(872)**	(991)
Net (decrease)/increase in cash and cash equivalents		**(18,078)**	169,815
Gains and losses on cash and cash equivalents		**58**	394
Cash and cash equivalents at the beginning of the year		**256,222**	86,013
Cash and cash equivalents at end of year		**238,202**	256,222
Cash and cash equivalents consist of:			
Cash at bank and in hand		**59,884**	39,555
Deposits with credit institutions (included in other financial investments)		**10,056**	22,413
Treasury bills and liquidity funds (included in other financial investments)		**168,262**	194,254
Cash and cash equivalents		**238,202**	256,222

Notes to the financial statements

1. Company information

National House-Building Council (NHBC or the Company), the ultimate parent entity of the Group, is a private company limited by guarantee. NHBC (registration number 00320784) is incorporated and domiciled in England and Wales. The address of NHBC's registered office is NHBC House, Davy Avenue, Knowlhill, Milton Keynes, Bucks, MK5 8FP.

2. Basis of preparation

These financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value and in accordance and comply with:

- applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), and Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103)
- Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

A departure from historic cost convention is made with regards to land and buildings predominantly occupied by the Group for its own purposes which are valued at open market valuation.

The consolidated financial statements for the year ended 31 March 2025 comprise those of the Company and its subsidiary companies (together referred to as the Group).

Unless stated otherwise, the consolidated financial statements are presented in Great British Pound (GBP), which is the Group's presentation and functional currency, and rounded to the nearest £'000.

NHBC, the parent company, has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements.

NHBC is also exempt from including a Company statement of cash flows under paragraph 1.12 of FRS 102.

3. Going concern

After reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions and to exercise judgements in applying the accounting policies that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses arising during the year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Significant area of judgement on policy application is summarised below:

Financial statement area	Critical judgements	Related accounting policies and notes
Revenue recognition on inspection and Building Control Service	Determination of the stage of completion	Note 5.3 – Other income Note 8 - Turnover

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly. The table below sets out those items that the Group considers particularly susceptible to changes in estimates and assumptions.

Financial statement area	Related accounting policies and notes
Insurance and reinsurance contracts	Note 5.9 - Insurance contracts Note 23 - Insurance contract liabilities and associated reinsurance
Earned premiums	Note 5.9 - Insurance contracts Note 23 - Insurance contract liabilities and associated reinsurance
Defined benefit pension scheme	Note 5.10.3 - Defined benefit pension scheme Note 27.1 - Defined benefit pension scheme

5. Summary of significant accounting policies

5.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Intra-group transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group.

5.2 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 in the non-technical account on an accruals basis.

Realised investment gains and losses are taken through the consolidated statement of comprehensive income in the financial year in which the transaction occurs. They represent the difference between the sales proceeds and book cost (in both cases excluding accrued interest).

Movements in unrealised gains and losses on investments are included in the non-technical account and represent the difference between the valuation at the consolidated statement of financial position 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 financial years in respect of investment disposals in the current financial year.

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 of the Company and Group.

5.3 Other income

Other income is measured at fair value of the consideration received or receivable, net of discounts and value added taxes. Other income consists primarily of rendering of inspection and Building Control Services as well as registration fees and rendering of services relating to the home-building industry.

Upon registering a plot with NHBC, the registered customer benefits from the use of NHBC's Key Stage Inspection service. The inspection service establishes a quality control process designed to assess whether construction meets NHBC Standards. NHBC's subsidiary, NHBC Building Control Services Limited, provides a Building Control service, an optional service offered by the Group which assists registered customers in meeting government-set Building Regulations.

The inspection service and Building Control income is recognised by reference to the stage of completion of the contract.

Builders and developers require registration with NHBC in order to access the NHBC inspection service on new homes they build or develop. A one-off joining fee is payable by the builder to enter the register. The joining fee is recognised as revenue in full at the invoice date. An annual registration renewal fee is charged to remain on the register. The registration runs concurrently with the Group's financial year with new registrations issued up to the end of the financial year. The registration fee is recognised as revenue on an accruals basis.

Rendering of other services to the industry is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs.

Government grants relating to revenue expenditure are recognised on an accruals basis and included within other income. Any voluntary repayments of previously received grants are recognised on the repayment date.

5.4 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income. In this case tax is also recognised in other comprehensive income.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date and which are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities.

5.5 Investment in land and buildings

Land and buildings predominantly occupied by the Group for its own purposes are valued at open market valuation. Valuations are made by professionally qualified external valuers annually. Fair value is primarily derived using comparable recent market transactions on arm’s length terms.

Increases in value are recognised in other comprehensive income and accumulated in equity. However, the increase is recognised in the consolidated statement of comprehensive income to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of comprehensive income. Decreases in value as a result of a revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. If a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in the consolidated statement of comprehensive income.

Depreciation on land and buildings is calculated, using the straight-line method, over the estimated useful life, as follows:

- freehold buildings - over a period of 50 years
- long leasehold property - over the shorter of 50 years or remaining lease period
- short leasehold - over the period of the lease
- short leasehold improvements - over the period of the lease.

At the end of each reporting period an estimate of the useful lives is made by a professionally qualified external valuer. The estimate of useful lives is reviewed and adjusted if appropriate. The effect of any change is accounted for prospectively.

Assets in the course of construction are stated at cost. These are not depreciated until they are available for use.

5.6 Investment in subsidiaries

The Company's investments in subsidiaries are accounted for at fair value. The fair value is derived by reference to the net assets of the subsidiary companies. Where the net assets of a subsidiary are negative it is valued at £Nil.

Increases in value are recognised in other comprehensive income and accumulated in equity. However, the increase is recognised in the Company statement of comprehensive income to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Company statement of comprehensive income. Decreases in value as a result of a revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset.

Investment in subsidiaries is eliminated in the preparation of the consolidated financial statements of the Group.

5.7 Other financial investments

Other financial investments are stated at market value. The fair values of quoted investments in active markets are based on current bid prices, excluding any accrued interest. The fair values of unlisted securities and quoted investments for which there is no active market, are established by using valuation techniques corroborated by independent third parties. These may include reference to the current fair value of other investments that are substantially the same and discounted cash flow analysis. Financial investments carried at fair value are measured using different valuation inputs categorised into a three-level hierarchy, as outlined in note 28. Changes in the fair value are recognised in the non-technical account in the consolidated statement of comprehensive income.

5.8 Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method to write-down the cost of other assets to their residual values over their estimated useful lives as follows:

- computer equipment - 3 to 5 years
- fixtures and fittings - 5 years.

The assets' residual values, useful lives and methods of depreciation are reviewed regularly, at least at each financial year end, and adjusted if appropriate.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the consolidated statement of comprehensive income and included in other charges.

Assets in the course of construction are stated at cost. These are not depreciated until they are available for use

5.9 Insurance contracts

5.9.1 Classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Group agrees to compensate a homeowner or bondholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the homeowner or bondholder. Insurance contracts are written by NHBC.

5.9.2 Premiums written

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

Premiums written include Road and Sewer Bond fee income. Premiums written also exclude insurance premium taxes, with any unpaid taxes included within other creditors in the consolidated statement of financial position.

5.9.3 Unearned premiums

The Group's insurance policies provide protection to homeowners for periods of ten years or more. In reaching its assessment of the pattern of risk, the Group 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 consolidated statement of financial position date.

5.9.4 Deferred acquisition costs and commissions receivable

Acquisition costs comprise the direct and indirect costs of obtaining and processing new insurance business. These costs are recognised as deferred acquisition costs. Deferred acquisition costs (DAC) are amortised on the same basis as the related unearned premiums are earned.

Ceding commissions represent fees paid by a reinsurance company to cover NHBC's administrative costs, underwriting costs and business acquisition expenses. This income is recognised as deferred income and is then amortised on the same basis as the relevant reinsurers' share of unearned premiums are released.

5.9.5 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 Group 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 financial years.

5.9.6 Unexpired risk reserve

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

An assessment is made at the year end for the estimated cost of future claims which may arise during the unexpired terms of policies in force at the consolidated statement of financial position 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 policy. 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 Group of such claims accentuate these uncertainties.

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 Group, 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. Given these inherent uncertainties, a significant degree of caution has been included in exercising the judgement required for setting the unexpired risk provision.

The Group 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 consolidated statement of financial position date. Any consequential adjustments to amounts previously reported will be reflected in the results of the year in which they are identified.

The Group, in setting its unexpired risk provisions, takes account of the future investment income that will be generated between the consolidated statement of financial position date and settlement of the expected claims on the assets held to cover such provisions.

5.9.7 Reinsurance

Reinsurance contracts are measured using valuation techniques and assumptions that are consistent with the valuation techniques and assumptions used in measuring the underlying policy and taking into account the terms of the reinsurance contract.

Reinsurance recoveries due from reinsurers and reinsurance premiums due to reinsurers under reinsurance contracts that are contractually due at the reporting date are separately recognised in the debtors and creditors respectively.

An assessment is made of the recoverability of reinsurance having regard to market data on the financial strength of each of the Group's reinsurers. If a reinsurance contract is considered to be impaired, the carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the consolidated statement of comprehensive income.

5.10 Employee benefits

The Group provides a range of benefits to employees, including paid holiday arrangements and defined benefit and defined contribution pension plans.

5.10.1 Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

5.10.2 Defined contribution pension scheme

The Group operates a defined contribution pension scheme for its employees. A defined contribution scheme is a pension scheme under which the Group pays fixed contributions into a separate entity on behalf of its employees. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in other creditors in the consolidated statement of financial position. The assets of the scheme are held separately from the Group in independently administered funds.

5.10.3 Defined benefit pension scheme

The Group operates a defined benefit pension scheme for certain employees. A defined benefit scheme defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit scheme is a pension scheme that is not a defined contribution scheme.

The liability recognised in the consolidated statement of financial position in respect of the defined benefit scheme is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the scheme assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. On an annual basis, the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high-quality corporate bonds that are denominated in GBP and that have terms approximating to the estimated period of the future payments (discount rate).

The fair value of scheme assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts, together with the return on scheme assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit obligation'.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the consolidated statement of comprehensive income within other charges.

5.11 Impairment of non-financial assets

At each consolidated statement of financial position date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared with the carrying amount of the asset. The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of comprehensive income unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the consolidated statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the consolidated statement of comprehensive income.

5.12 Lease assets

At inception, the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

The Group does not have finance leased assets.

Rentals payable under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefits of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

5.13 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources is required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow is required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Contingent liabilities, arising as a result of past events, are not recognised when it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

5.14 Foreign currency

The functional and presentation currency of NHBC and its subsidiary companies is GBP given that all of the Group's activity is conducted in the United Kingdom. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end, foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

The Group may invest in funds that are denominated in foreign currency. Foreign exchange gains and losses movements in relation to Other financial investments are recognised as part of the unrealised gains and losses balance in the consolidated statement of comprehensive income. Gains and losses resulting in realisation of Other financial investments are recognised as part of the realised gains and losses balance in the consolidated statement of comprehensive income.

5.15 Related party transactions

The Group does not disclose transactions with members of the same Group that are wholly owned as allowed by Section 33 of FRS 102.

5.16 Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

5.16.1 Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the consolidated statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, then the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the consolidated statement of comprehensive income.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the consolidated statement of comprehensive income, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled, or substantially all the risks and rewards of the ownership of the asset are transferred to another party or control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

5.16.2 Financial liabilities

Basic financial liabilities, including trade and other payables and loans from Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the consolidated statement of comprehensive income.

The fair value of foreign exchange contracts, which include spot, forward and futures contracts, is determined using forward exchange rates at the balance sheet date discounted back to present value.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

5.17 Statement of cash flows

Cash and cash equivalents consist of cash at bank and in hand, deposits held on call with credit institutions, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values. For the purposes of the statement of cash flows, cash and cash equivalents may also include bank overdrafts, which are included in payables and other financial liabilities in the consolidated statement of financial position.

Purchases and sales of financial investments are included within operating cash flows as the purchases are funded from cash flows associated with the origination of insurance contracts, net of related claims.

5.17.1 Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and to settle the liability simultaneously.

6 Risk management

The Group has exposure to a number of risks associated with its insurance business and risks from its use of financial instruments. These have been categorised into the following types of risk and details of the nature, extent and how the Group has managed these risks is described below:

- insurance
- market
- credit
- liquidity
- pension.

6.1 Insurance/underwriting risk

Insurance risk is defined as the risk of loss or of adverse change in the values of insurance and reinsurance liabilities, resulting from inadequate pricing and provisioning assumptions. As such, the Group's insurance risk is mitigated by setting an underwriting risk appetite, adequate management of premium rates (pricing risk) and adequate management of claims (claims risk).

The Group considers writing all business which meets its underwriting criteria and is within its risk appetite. Specifically, the Group is willing to offer latent defect warranties on private and social housing of most types. It also offers warranty on mixed-use developments including commercial, retail and/or leisure use as well as residential units. In addition, the Group is selectively prepared to offer Road and Sewer Bonds on developments covered by its insurance products and undertaken by its registered customers.

6.1.1 Pricing risk

Pricing risk is the risk that the Group fails to set its pricing at a level adequate to generate sufficient premiums to meet future claims.

The majority of premiums are calculated in accordance with the premium rating scheme which takes account of the number of years a builder has been registered with the Group, the builder's size, claims history and plot registration price.

For Major Project developments such as high-rise residential buildings, a bespoke price is calculated based on the risk presented by the developer and the features of the development itself.

6.1.2 Claims risk

Claims risk is the risk that future claims vary from expected claims.

The Group endeavours to manage its claims risk through a professional and timely claims handling, dispute resolution and repair management service.

6.1.3 Reserving risk

Reserving risk is the risk that provisions made for claims prove to be insufficient in light of later events and claims experience. Due to the relatively long-term nature of the Group's claims development patterns there is exposure to reserving risk.

The Group's Reserving Committee monitors the decisions and judgements made by the actuarial team and makes a recommendation to the Audit Committee which has the final decision on the reserves to be included within the consolidated financial statements. In forming its collective judgement, the Reserving Committee considers information such as: actuarial indication of ultimate losses together with an assessment of risks and possible favourable or adverse developments that may not have been fully reflected in calculating these indications; the views of internal peer reviewers of the reserves and of other parties including actuaries, underwriters and claims managers; and how previous actuarial indications have developed.

6.1.4 Concentration risk

Concentration risk is an inherent feature of the Group's insurance risk exposure, as it largely operates a monoline insurance scheme. The concentration risk arises from operating in a single geographic market with the majority of business derived from the Buildmark product.

Concentration risk is explicitly recognised by the Group and the risk is accepted as the Group currently has no appetite for diversification in relation to the type of cover it underwrites or its geographical scope.

6.1.5 Use of reinsurance

The Group uses traditional reinsurance as a key element in managing its insurance risk exposure: limiting its total exposure to ensure the stability of its capital position; creating additional capacity to take on business where it has already reached its internal limit for accepting risk; and protecting itself against erosion in capital due to volatility in claims experience.

6.2 Market risk

The Group defines market risk as the risk of a reduction in available assets from adverse movements in financial markets. The Group uses this term interchangeably with investment risk.

The following paragraphs describe significant components of market risk and how NHBC manages them.

6.2.1 Interest rate risk

Interest rate risk is defined as the risk that changes in the UK 'risk-free' yield curves lead to a reduction in available assets. This can result from an increase in the discounted value of the Group's liabilities (insurance and pension scheme liabilities) and/or a reduction in the value of the Group's fixed interest investments (within the insurance and pension scheme asset portfolios).

The Group's insurance liabilities are medium tailed (circa six-year duration) and the term structure of interest rates will affect the valuation of the liabilities. The Group invests in fixed income assets with a similar maturity profile to the insurance liabilities to reduce interest rate risk.

The fair value of the Group's portfolio of fixed income securities is inversely correlated to changes in market interest rates. Thus, if interest rates fall, the fair value of the portfolio would tend to rise and vice versa as set out in the sensitivity analysis on page 58.

6.2.2 Inflation risk

Inflation risk is defined as the risk that:

- actual inflation is different to what was expected and/or
- there is a change in the markets' view of future expected levels of inflation.

Almost all the Group's insurance liabilities are linked to the cost of house repair. House repair inflation is not investible (assets with an explicit link to house repair inflation are not available). Assets linked to price inflation are available for investment (such as index-linked gilts). The Group believes that assets explicitly linked to price inflation are likely to provide protection against scenarios of very high house repair inflation. The Group therefore invests part of its matching assets portfolio in inflation-linked bonds.

6.2.3 Equity price risk

The Group's portfolio of equity securities is subject to equity risk arising from changes in market price. Thus, if the value of equities rise, so will the fair value of its portfolio and vice versa.

The Group continues to limit its equity exposure in line with the Group's risk preferences. The Group invests in equities through pooled funds. The Group's equity investments are globally diversified and include both developed and emerging markets equities. The Group's strategy ensures that the equity portfolio is sufficiently diversified thereby reducing exposure to individual equities.

The Company holds equity investments in its subsidiaries, which are carried at fair value. These assets are exposed to the operational risks of those entities.

Sensitivities to changes in equity prices are presented on page 58.

6.2.4 Property price risk

The Group's portfolio of properties is subject to property price risk arising from changes in the market value of properties. The Group's direct exposure to property price risk is small and is limited to a small number of Group owned and/or occupied office buildings and temporary ownership of property through the NHBC's claims process. Further information on the valuation approach is included in note 5.5.

No derivative contracts have been entered in order to mitigate the effects of changes in property prices.

If the value of property falls so will the fair value of the portfolio. Sensitivity to changes in property prices is presented on page 58.

6.2.5 Currency risk

The Group operates exclusively in the United Kingdom and has minimal exposure to currency risk.

The Group's exposure to currency risk is predominantly through its investment portfolio that includes equity funds and bond holdings. The underlying investments of the equity funds are denominated in a wide selection of currencies given the well diversified global strategy. Overseas bond investments are denominated in US Dollars and Euros.

During the financial year the Group held derivatives to mitigate the currency risk associated with its equity and overseas bond holdings.

6.2.6 Derivative risk

The Group directly holds derivatives, in the form of foreign currency forward contracts, interest rate swaps, and equity futures, to partially mitigate the currency risk of its equity and overseas bond investments and the market risk of its equity investments. The Group had no other derivative exposures.

6.2.7 Sensitivity analysis

The table below reflects changes in the consolidated statement of comprehensive income as a result of single factor changes in risks it is exposed to.

	Increase/(decrease) in statement of comprehensive income		Increase/(decrease) in other comprehensive income		Increase/(decrease) in total reserves	
	2025	2024	**2025**	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Impact on fixed interest securities of increase in interest rates of 25bps	**(10,254)**	(10,874)	-	-	**(10,254)**	(10,874)
Impact on equities and funds of a 15% fall in value	**(31,241)**	(27,109)	-	-	**(31,241)**	(27,109)
Decrease of property markets of 15%	**(1,230)**	(1,326)	**(39)**	(41)	**(1,269)**	(1,367)

Sensitivity of fixed interest securities is calculated with reference to modified duration and redemption yield not adjusted for options as at the consolidated statement of financial position date. Sensitivity of equity and property markets is calculated by applying a percentage to the market value as at the consolidated statement of financial position date. The impact of the changes on the defined benefit pension liability is excluded.

Insurance contract sensitivity analysis is included in note 25.5.

6.3 Credit risk

Credit risk is the risk of loss of value of the financial assets due to counterparties failing to meet all or part of their obligations.

Credit risk appetite is embedded within risk policies and contracts with external parties where credit risk is prevalent. The Board Risk Committee (BRC), other Board sub-committees and senior management monitor credit risk exposure through monthly and quarterly reporting.

Limits are set at both a portfolio and counterparty level based on likelihood of default, derived from the rating of the counterparty, to ensure that the Group's overall credit profile and specific concentrations are managed and controlled within risk appetite.

Areas particularly exposed to credit risk are:

- investments
- Group's customers
- reinsurance assets.

Details of the nature, extent and how the Group manages the credit risk in relation to areas listed above are described below.

6.3.1 Investments

Investment exposure with external counterparties is managed by ensuring there is a sufficient spread of investments and that all counterparties are rated at least BBB in accordance with the Group's credit rating assignment methodology (second highest rating available from S&P, Moody's & Fitch approved credit rating agencies) at the time of purchase.

6.3.2 Group's customers

To minimise this risk from the Group's customers defaulting in making payments for goods that have been supplied to them, the Group has a policy of only dealing with customers who have demonstrated credit worthiness. To determine previous creditworthiness the Group makes use of independent rating agencies, other publicly available financial information and its own trading records. The Group's exposure and its customers' creditworthiness are continually monitored so that any potential problems are detected at an early stage. The Group does not have collateral held as security or any other credit enhancements with respect to its trade debtors.

6.3.3 Reinsurance assets

The Group is exposed to credit and concentrations of risk with individual reinsurers. Reinsurance counterparties are subject to a rigorous internal assessment process on an ongoing basis to ensure that their creditworthiness continues to be satisfactory and the potential impact from reinsurer default is measured regularly and managed accordingly. The Group policy dictates that reinsurers have a financial strength rating of at least A- (based on Standard & Poor's rating system or comparable rating) with derogation permitted in conjunction with appropriate collateralisation. The policy requires consideration of the degree of diversification the reinsurers provide as a group and concentration of risk with individual counterparties.

6.3.4 Credit enhancements

The Group does not have collateral directly held as security or any other credit enhancements with respect to its financial assets. There are no related credit derivatives or similar instruments that mitigate maximum exposure to credit risk.

NHBC's certain back-book quota share reinsurance arrangement is with a counterparty without a formal credit rating. The arrangement is collateralised via a third-party trust arrangement where NHBC is listed as a beneficiary in event of a credit default of the reinsurance counterparty.

However, the Group holds certain security in relation to specific sections of its insurance product. At 31 March 2025, the Group held £33m (2024: £31m) of builder customer deposits. The Group has additional credit enhancements with respect to Major Projects which include, but are not limited to, land charges.

6.3.5 Credit risk exposure and ageing of financial and insurance assets

The following table provides information regarding the aggregated credit risk exposure for financial assets of the Group at 31 March 2025. The total is of financial assets that are neither past due nor impaired.

	AAA	AA	A	BBB	BB	B and below	Not rated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed income securities	125,472	300,655	291,538	408,382	4,773	1,525	1,923	1,134,268
Equity and other variable yield securities	-	-	-	-	-	-	208,275	208,275
Derivatives	-	-	-	-	-	-	13,031	13,031
Reinsurers' share of insurance contract liabilities	-	140,641	89,470	-	-	-	274,030	504,141
Reinsurance debtors	-	-	-	-	-	-	2,172	2,172
Insurance and non-insurance trade debtors	-	-	-	-	-	-	13,479	13,479
Other debtors	-	-	-	-	-	-	8,249	8,249
Cash and cash equivalents	-	-	-	-	-	-	238,202	238,202
	125,472	**441,296**	**381,008**	**408,382**	**4,773**	**1,525**	**759,361**	**2,121,817**

The following table provides information about the aggregated credit risk exposure for financial assets of the Group at 31 March 2024. The total is of financial assets that are neither past due nor impaired.

	AAA	AA	A	BBB	BB	B and below	Not rated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed income securities	104,691	304,240	266,398	385,615	7,884	281	3,570	1,072,679
Equity and other variable yield securities	-	-	-	-	-	-	180,726	180,726
Derivatives	-	-	-	-	-	-	10,336	10,336
Reinsurers' share of insurance contract liabilities	-	138,426	77,724	-	-	-	267,909	484,059
Reinsurance debtors	-	-	-	-	-	-	409	409
Insurance and non-insurance trade debtors	-	-	-	-	-	-	13,971	13,971
Other debtors	-	-	-	-	-	-	2,752	2,752
Cash and cash equivalents	-	-	-	-	-	-	256,222	256,222
	104,691	**442,666**	**344,122**	**385,615**	**7,884**	**281**	**735,895**	**2,021,154**

The carrying amount best represents the maximum exposure to financial and insurance assets.

The table below represents the ageing of the financial and insurance assets held by the Group at 31 March 2025.

	Neither past due nor impaired	0 to 90 days	91 to 180 days	181 days to 360 days	361 days and over	Provision for impairment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed income securities	1,134,268	-	-	-	-	-	1,134,268
Equity and other variable yield securities	208,275	-	-	-	-	-	208,275
Derivatives	13,031	-	-	-	-	-	13,031
Reinsurers' share of insurance contract liabilities	504,141	-	-	-	-	-	504,141
Reinsurance debtors	2,172	-	-	-	-	-	2,172
Insurance and non-insurance trade debtors	8,115	3,773	930	946	496	(781)	13,479
Other debtors	8,249	-	-	-	-	-	8,249
Cash and cash equivalents	238,202	-	-	-	-	-	238,202
	2,116,453	**3,773**	**930**	**946**	**496**	**(781)**	**2,121,817**

The table below represents the ageing of the financial and insurance assets held by the Group at 31 March 2024.

	Neither past due nor impaired	0 to 90 days	91 to 180 days	181 days to 360 days	361 days and over	Provision for impairment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed income securities	1,072,679	-	-	-	-	-	1,072,679
Equity and other variable yield securities	180,726	-	-	-	-	-	180,726
Derivatives	10,336	-	-	-	-	-	10,336
Reinsurers' share of insurance contract liabilities	484,059	-	-	-	-	-	484,059
Reinsurance debtors	409	-	-	-	-	-	409
Insurance and non-insurance trade debtors	8,502	3,044	912	1,730	808	(1,025)	13,971
Other debtors	2,752	-	-	-	-	-	2,752
Cash and cash equivalents	256,222	-	-	-	-	-	256,222
	2,015,685	**3,044**	**912**	**1,730**	**808**	**(1,025)**	**2,021,154**

6.3.6 Impairment of assets

The Group believes that no impairment allowance is necessary in respect of financial assets not past the due date.

The Group considers notified disputes, significant changes in the counterparty's financial position and collection experience in determining which assets should be impaired. The credit quality of receivables is managed at Group level with uncollectable amounts being impaired where necessary.

The movement in the allowance for impairment in respect of financial and insurance assets during the year was as follows:

	2025	2024
	£'000	£'000
At 1 April	**1,025**	972
Impairment loss recognised	**(265)**	(122)
Bad debt provision recognised in year	**21**	175
At 31 March	**781**	1,025

6.4 Liquidity risk

Liquidity risk is the risk that the Group may be unable to pay obligations when due as a result of assets not being available in a form that can immediately be converted into cash. The Group is in a strong liquidity position and seeks to ensure that it maintains enough financial resources to meet its obligations as they fall due.

6.4.1 Maturity analysis of financial liabilities

The following table summarises the maturity of financial liabilities. Claims outstanding on insurance contract liabilities are also presented and are analysed by remaining estimated duration until settlement. The amounts in the table are undiscounted.

At 31 March 2025:

	Less than one year	One to two years	Two to five years	Five to ten years	Greater than ten years	Total	Carrying value in the statement of financial position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Claims outstanding	(106,434)	(80,255)	(159,443)	(60,708)	(17,034)	(423,874)	(423,874)
Trade creditors	(9,802)	-	-	-	-	(9,802)	(9,802)
Other creditors	(52,275)	-	-	-	-	(52,275)	(52,275)
Derivatives	(1,990)	(2,676)	(858)	(181)	(1,249)	(6,954)	(6,954)
	(170,501)	**(82,931)**	**(160,301)**	**(60,889)**	**(18,283)**	**(492,905)**	**(492,905)**

At 31 March 2024:

	Less than one year	One to two years	Two to five years	Five to ten years	Greater than ten years	Total	Carrying value in the statement of financial position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Claims outstanding	(48,288)	(110,002)	(201,949)	(34,244)	(6,787)	(401,270)	(401,270)
Trade creditors	(8,628)	-	-	-	-	(8,628)	(8,628)
Other creditors	(54,746)	-	-	-	-	(54,746)	(54,746)
Derivatives	(2,402)	(2,506)	(4,046)	(1,245)	(1,675)	(11,874)	(11,874)
	(114,064)	**(112,508)**	**(205,995)**	**(35,489)**	**(8,462)**	**(476,518)**	**(476,518)**

6.5 Pension risk

Pension risk is the risk that the NHBC Defined Benefit Pension Scheme (the Scheme) surplus turns into a deficit that significantly widens thus impairing the Group's net assets and solvency position.

The following information describes key drivers of the deficit/surplus recognised in the Group's financial statements.

6.5.1 Investments

The Scheme's current investment strategy is set out as follows:

- 86.0% in investments that share characteristics with the long-term liabilities of the Scheme, comprising of corporate bonds (43.0%), LDI (43.0%)
- 14.0% in return seeking assets comprising multi-asset credit (8.0%) and senior private debt (6.0%).

Note 27.1.4 discloses the value of the Scheme's investments.

6.5.1.1 Investments – currency risk

The Scheme is subject to direct currency risk because investments totalling £10.3m (2024: £10.9m) are held in investments denominated in non-sterling currencies.

The Scheme is subject to indirect currency risk because the pooled investment vehicles held that are sterling-denominated hold underlying investments that may be denominated in a non-sterling currency and are not fully currency hedged by the investment manager. The value of holdings subject to this risk total £74.4m (2024: £82.7m). This value includes pooled investment vehicles that have only a partial exposure to currency risk.

Unhedged currency exposure risk is managed by investing in a diversified manner across a range of currencies. In addition, overseas currency exposure arising on underlying multi-asset credit holdings is GBP hedged.

6.5.1.2 Investments – interest rate risk

The Scheme is subject to interest rate risk via its Liability Driven Investment ("LDI") and bond holdings, via pooled investment vehicles.

The Trustee has set a benchmark allocation of 86.0% to LDI and other matching asset bonds. If interest rates fall, the value of these assets will rise to help match a proportion of the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these assets will fall in value (as will the actuarial liabilities) due to an increase in the discount rate. As at year end, the Trustee expects these assets to capture c.90% (2024: 90%) of the change in actuarial liability value due to interest rate movements.

The Scheme has exposure to interest rate risk via Multi-Asset Credit and Senior Private Debt as well. The interest rate risk they introduce is expected to be low and/or taken by the investment manager as part of its investment process to add value.

6.5.1.3 Investments – other price risk

Other price risk arises principally in relation to the Scheme's non-matching bond assets, which includes Multi-Asset Credit and Private Debt.

The Scheme has set a target allocation of 14.0% to non-matching bond assets. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various growth fixed income markets.

6.5.1.4 Investments – credit risk

To gain exposure to certain asset classes in a cost-effective way (in both monetary and governance terms), the Scheme is invested in pooled investment vehicles. Therefore, the Scheme is directly exposed to credit risk of these pooled investment vehicles. The value of assets invested in pooled funds and therefore directly exposed to credit risk as a result of this at year end was £153.3m (prior year: £169.5m).

The Scheme is subject to indirect credit risk due to bonds, OTC derivatives, repurchase agreements and cash held within pooled investment vehicles. The value of assets exposed indirectly to credit risk as a result of this at year end was £153.3m (prior year: £169.5m). This value includes pooled investment vehicles that have only a partial allocation to these asset classes. Some of the pooled investment vehicles may also undertake stock lending which will also introduce indirect credit risk.

In respect of the Trustee's approach to managing credit risk arising from the various asset classes, we note the following positions at year end:

- the credit risk from Sovereign Government bonds held directly or indirectly is considered to be minimal. These assets are primarily held for risk management purposes
- the credit risk from corporate (investment grade) bonds held directly or indirectly is mitigated by investing in a diversified mix of (predominantly) investment grade rated bonds. These assets are held for income and return generating as well as risk management purposes, and the expected return from these assets is considered appropriate for the associated risk
- the credit risk from corporate (sub-investment grade) and other bonds held directly or indirectly is mitigated via diversification to minimise the impact of default by any one issuer. These assets are held for return generating purposes and the expected return from these assets is considered appropriate for the associated risk
- OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps and repurchase agreements is reduced by collateral arrangements held within the respective pooled investment vehicles. Credit risk also arises on forward currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade
- the credit risk associated with direct cash balances held by the Scheme's custodian or within the Trustee Bank Account is mitigated by the use of regular sweeps and invested into a liquidity fund or other pooled funds

- pooled liquidity funds will invest with a diversified range of institutions, which are at least investment grade credit rated, to mitigate credit risk
- direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environment in which the pooled fund manager operates and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks before appointing new-pooled investment managers

6.5.2 Liabilities

The value of liabilities is subject to certain risks and uncertainties. The following are the principal risks and uncertainties that impact upon the value of the Scheme liabilities.

6.5.2.1 Liabilities – discount rate

It is important to note that FRS 102 accounting standard requires the discount rate to be set with reference to the yields on high-quality (usually taken to mean AA rated) corporate bonds irrespective of the actual investment strategy of the Scheme. Therefore, the market will drive the discount rate.

A reduction in the discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the discount rate will have an opposite effect of similar magnitude.

6.5.2.2 Liabilities – inflation risk

An increase in the inflation rate will increase the assessed value of liabilities as a higher value is placed on benefits. Reduction in the inflation rate will have an opposite effect of similar magnitude.

6.5.2.3 Liabilities – longevity risk

There is also uncertainty around the future life expectancy of the UK population. The value of current and future pension benefits will depend upon how long they are assumed to be in payment.

The Scheme does not currently hold investments to manage longevity risk. If in future affordable products become available, aimed at schemes similar in size and nature to this Scheme, that effectively mitigate such risk, the Scheme will consider these products.

6.5.2.4 Liabilities – sensitivity analysis

The following table summarises the estimated sensitivity of the disclosed liability value to changes in the principal assumptions that have been used in the calculations.

	2025	2024
Decrease discount rate by 0.25% (2024: 0.25%)	**£5m**	£5m
Increase inflation rate by 0.25% (2024: 0.25%)	**£3m**	£3m
Increase life expectancy by 1 year (2024: 1 year)	**£6m**	£8m

7 Capital management

The Group is headed by a company limited by guarantee, has no external shareholders, is exclusively funded through retained earnings, and maintains an efficient capital structure, consistent with the Group's risk profile and the regulatory requirements of its business.

The Group's capital is exclusively comprised of retained earnings and revaluation reserves.

The Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to maintain financial strength and resilience including protecting capital from shocks or excessive volatility
- to satisfy the requirements of Solvency II, homeowners and regulators
- to allocate capital efficiently to support growth.

There have been no changes to the Group's capital management objectives during the year.

The Group's capital position is kept under constant review by the Board, with the Capital Modelling and Reporting Committee reporting through the Executive Risk Committee and into the Board Risk Committee.

The Company is authorised by the UK's Prudential Regulation Authority (PRA). PRA classifies the Company as an insurance company. As a result, the Company must maintain capital resources as prescribed by the PRA through its Prudential Sourcebook.

7.1 Solvency Capital Requirement (unaudited)

Since 1 January 2025, the Company has been subject to the requirements of the PRA Rules for UK Solvency II firms and must hold sufficient capital to meet its SCR which is calibrated to seek to ensure a 99.5% confidence of the ability to meet obligations over a 12-month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the PRA Rules for UK Solvency II firms. The Company has a solvency ratio risk appetite from 31 March 2025 of 180%. At 31 March 2025, under Solvency II, the solvency ratio was 267% (2024: 262%).

The audited SCR is available as part of NHBC's Solvency and Financial Condition Report which can be viewed via NHBC's website: **Reports | NHBC**

The Company is compliant with PRA Rules for UK Solvency II firms.

8 Turnover

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. The table below shows the analysis of the turnover by segment.

	2025		2024	
	£'000	**£'000**	£'000	£'000
Gross earned premiums		**161,353**		144,145
Other activities				
Inspection services	**67,270**		61,951	
Registration fee income	**3,731**		4,228	
Other services supporting the industry	**16,416**		14,995	
Other activities		**87,417**		81,174
		248,770		225,319

As well as inspection services performed under Buildmark contracts, inspection services include Building Control inspection income.

Turnover, comprising of gross earned premiums and other income, is derived wholly from continuing operations.

9 Particulars of business

The table below shows elements of insurance results split by class.

	2025		2024	
	Credit & suretyship	**Miscellaneous financial loss**	Credit & suretyship	Miscellaneous financial loss
	£'000	**£'000**	£'000	£'000
Gross premiums written	**28,385**	**132,968**	25,001	119,144
Gross premiums earned	**24,449**	**91,413**	25,483	117,740
Gross claims incurred	**8,753**	**100,203**	249	29,673
Gross operating expenses	**3,449**	**16,156**	3,001	14,301
Reinsurance balance	**2,088**	**14,894**	(6,230)	(98,885)

The reinsurance balance represents a credit (2024: debit) charge to the technical account from the aggregate of all items relating to reinsurance outwards.

10 Movements in prior year's claims provisions

	2025	2024
	£'000	£'000
Net claims provisions brought forward at 1 April	**252,742**	260,656
Net payments during the year in respect of these provisions	**(41,879)**	(67,142)
Net claims provisions carried forward in respect of claims provided at 1 April	**(264,869)**	(251,997)
Movement in prior year's provision	**(54,006)**	(58,483)

11 Net operating expenses

	2025	2024
	£'000	£'000
Acquisition costs	**5,642**	4,965
Increase in deferred acquisition costs provision	**(2,984)**	(1,871)
Administrative expenses	**16,947**	14,208
Reinsurance commission	**(6,455)**	(3,773)
	13,150	13,529

Administrative expenses include the cost of general business levies as well as other administrative expenditure attributed directly to insurance activities. The Group does not pay commissions for direct business that includes acquisition, renewal and collection.

12 Investment return

	2025	2025	2024	2024
	£'000	£'000	£'000	£'000
Investment income				
Interest income on financial assets at amortised cost	**2,467**		2,009	
Income from financial assets at fair value through consolidated statement of comprehensive income	**45,497**		36,589	
Gains on derivative contracts	**7,652**		10,167	
Net (losses)/gains from realisation of financial assets at fair value through consolidated statement of comprehensive income	**(11,488)**		3,403	
		44,128		52,168
Net unrealised gains on financial assets at fair value through consolidated statement of comprehensive income		**12,706**		38,857
Investment expenses and charges				
Investment management expenses on financial assets at fair value through consolidated statement of comprehensive income	**(4,190)**		(3,568)	
Interest payable	**(1,228)**		(1,133)	
		(5,418)		(4,701)
		51,416		**86,324**

Interest payable of £1,228,000 (2024: £1,133,000) represents interest on builder deposits posted as collateral.

Net interest income on the defined benefit pension scheme £105,000 (2024: income of £335,000) is recognised in other charges within the consolidated statement of comprehensive income.

The Company paid interest to its subsidiary companies on intercompany balances.

13 Employee information

The average number of persons (including Executive Directors) employed by the Company and Group during the year by activity was:

	2025	2024
Insurance activities	**272**	249
Other direct activities	**861**	860
Administration	**237**	229
	1,370	1,338

Other direct activities relate to providing services which improve the quality of new and newly converted homes.

Employee costs for the above persons were:

	2025	2024
	£'000	£'000
Wages and salaries	**76,593**	69,830
Social security costs	**9,390**	8,790
Pension costs	**13,424**	11,928
	99,407	90,548

14 Director emoluments

	2025	2024
	£'000	£'000
Aggregate emoluments	**2,132**	2,037
Company pension contributions to defined contribution schemes	**26**	15
	2,158	2,052

Retirement benefits are accruing to one director (2024: one) under the Group's defined contribution pension scheme and no directors (2024: none) under the defined benefit pension scheme.

No advances or credits granted to any director subsisted during the year. Also, no guarantees on behalf of any director subsisted during the year.

The Company does not have a share option scheme.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2025	2024
	£'000	£'000
Aggregate emoluments and benefits under long-term incentive schemes	**607**	567

The highest paid director is not a member of any of the Group's pension schemes.

15 Profit on ordinary activities before taxation

Profit on ordinary activities is stated after:

15.1 Auditor remuneration

	2025	2024
	£'000	£'000
Audit services, pursuant to legislation:		
• Fees payable to the Company's auditors for the audit of the Company and Group financial statements	**419**	403
• The audit of the Company's subsidiaries, pursuant to legislation	**31**	30
• The audit of the occupational pension scheme, pursuant to legislation	**18**	18
Audit related assurance services:		
• Fees in respect of the audit of the Solvency and Financial Condition Report ("SFCR")	**44**	42
	512	493

15.2 Impairment of trade receivables

	2025	2024
	£'000	£'000
Impairment of trade receivables	21	175

15.3 Operating lease charges

	2025	2024
	£'000	£'000
Land and buildings	**101**	428
Motor vehicles	**4,635**	5,094
	4,736	5,522

16 Income tax

16.1 Tax expense /(income) included in the consolidated statement of comprehensive income

	2025		2024	
	£'000	£'000	£'000	£'000
Current tax				
UK Corporation Tax on profits for the year	**8,902**		15,928	
Adjustment in respect to prior periods	**(45)**		-	
Total current tax		**8,857**		15,928
Deferred tax				
Origination and reversal of timing differences	**12,286**		19,473	
Adjustment in respect of prior periods including impact of change in tax rate	**42**		20	
Recognition of deferred tax asset	**(13,123)**		(13,387)	
Total deferred tax		**(795)**		6,106
		8,062		22,034

16.2 Tax income included in other comprehensive income

	2025	2024
	£'000	£'000
Deferred tax		
Origination and reversal of timing differences	**429**	(3,545)
Impact of change in tax rate	**-**	-
Recognition of deferred tax asset	**-**	-
	429	(3,545)

16.3 Reconciliation of tax charge

Tax assessed for the period is lower (2024: lower) than the standard rate of Corporation Tax in the UK for the year ended 31 March 2025 of 25% (2024: 25%). The differences are explained below:

	2025	2024
	£'000	£'000
Profit on ordinary activities before tax	**89,422**	156,397
Profit multiplied by the standard rate of tax in the UK of 25% (2024: 25%)	**22,356**	39,099
Effects of:		
• Income not chargeable for tax purposes	**18**	(259)
• Adjustments in respect of index-linked gilts	**(1,292)**	(3,535)
• Expenses not deductible for tax purposes and permanent differences	**106**	98
• Adjustments in respect of prior years	**(2)**	20
• Movement in un-recognised deferred tax asset	**(13,123)**	(13,387)
• Profits taxed at 19%	**(1)**	(2)
	8,062	22,034

16.4 Tax rate changes

A UK corporation tax rate of 25% from 1 April 2023 was substantively enacted on 24 May 2021, as a result deferred tax has been calculated at 25% at 31 March 2025 (2024: 25%).

17 Land and buildings

The land and buildings have been revalued at 31 March 2025.

	The Group and the Company
	£'000
Cost or valuation	
At 1 April	**9,796**
Additions	**-**
Revaluation	**(510)**
Disposals	**-**
At 31 March	**9,286**
Depreciation	
At 1 April	**689**
Charge	**150**
Revaluation	**(75)**
Disposals	**-**
At 31 March	**764**
Net book value at 31 March 2025	**8,522**
Net book value at 31 March 2024	**9,107**

All land and buildings are predominantly occupied by the Group for its own activities. Land and buildings at net book value comprise:

	The Group and the Company	
	2025	2024
	£'000	£'000
Freehold	**8,200**	8,700
Long leasehold	**260**	270
Short leasehold improvements	**62**	137
	8,522	9,107

All land and buildings are regularly revalued in accordance with the Group's stated accounting policy as set out in note 5.5. The last valuations were performed at 31 March 2025. 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	
	2025	2024
	£'000	£'000
Cost	**13,749**	13,749
Accumulated depreciation based on cost	**(2,566)**	(2,417)
	11,183	11,332

The Group's impairment loss taken to the consolidated statement of comprehensive income amounted to £430,400 (2024: loss of £377,000).

No land and buildings have been pledged as security on any of the Group's liabilities.

18 Investment in Group undertakings and participating interests

18.1 Investment in participating interests - Group

The Group has no investments that would be considered an investment in an associate company.

The Group is part of a joint venture agreement in respect of the Consumer Code For Home Builders Limited. Consumer Code For Home Builders Limited is incorporated in the UK, limited by guarantee (to a maximum of £1 of its members) and has no share capital. The impact of the joint venture is immaterial to the Group's financial statements.

18.2 Investment in Group undertakings - Company

	2025	2024
	£'000	£'000
At 1 April	**16,369**	11,625
Revaluation	**(5,059)**	4,744
At 31 March	**11,310**	16,369
Analysed as:		
NHBC Building Control Services Limited	**7,378**	12,087
NHBC Services Limited	**3,932**	4,012
PRC Homes Limited	**-**	270
NHBC Pension Trustee Limited	**-**	-
Zero Carbon Hub Limited	**-**	-
	11,310	16,369

The Company's subsidiary undertakings, included in the consolidation, were wholly and directly owned and registered in England and Wales. At 31 March 2025 they were as follows:

- NHBC Building Control Services Limited - issued and fully paid 50,000 £1 ordinary shares.
- NHBC Building Control Services Limited is an Approved Inspector for Building Regulation purposes in England and Wales.
- NHBC Services Limited - issued and fully paid 50,000 £1 ordinary shares. NHBC Services Limited provides services to the home-building and related industries.

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

The directors believe that the carrying value of the investments is supported by their underlying net assets and was valued in accordance with the Group's accounting policy as set out in note 5.6.

The registered office for all Group companies is NHBC House, Davy Avenue, Knowlhill, Milton Keynes, Bucks, MK5 8FP.

PRC Homes Limited - PRC Homes Limited did not trade during the year. It was dissolved on 11 March 2025.

Zero Carbon Hub Limited – Company limited by guarantee under the control of the Group. Zero Carbon Hub Limited did not trade during the year. It was dissolved on 24 September 2024.

19 Debtors

	Group		Company	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
Insurance activities				
Debtors arising out of direct insurance operations	**7,812**	8,341	**7,812**	8,341
Debtors arising out of reinsurance operations	**2,172**	409	**2,172**	409
	9,984	8,750	**9,984**	8,750
Other debtors				
Trade debtors	**5,667**	5,630	**3,543**	3,424
Corporation tax	**5,188**	-	**5,191**	-
Other debtors	**3,061**	2,752	**3,061**	2,752
	13,916	8,382	**11,795**	6,176

Trade debtors includes £Nil (2024: £Nil) falling due after more than one year.

Trade debtors are stated after provisions for impairment of £781,000 (2024: £1,025,000).

20 Deferred tax asset

	Group	Company
	£'000	**£'000**
At 1 April	**18,460**	**18,466**
Charge to the consolidated statement of comprehensive income	**796**	**789**
Charge to other comprehensive income	**(429)**	**(429)**
At 31 March	**18,827**	**18,826**

	Group		Company	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
Trade Losses	**20,979**	17,971	**20,979**	17,971
Deferred tax related to defined benefit pension plan asset	**(2,915)**	(460)	**(2,915)**	(460)
Excess of depreciation over capital allowances	**527**	657	**527**	663
Other timing differences	**236**	292	**235**	292
	18,827	18,460	**18,826**	18,466

The Group and Company had taxable losses carried forward of £83,914,000 (2024: £124,417,000). The annual review of the recoverability of the deferred tax asset has indicated that it is probable that the Group will generate the taxable profits required to support the full recognition of the asset. At 31 March 2025 deferred tax assets of £18,827,000 (2024: £18,460,000) have been recognised for the Group and £18,826,000 (2024: £18,466,000) for the Company, with additional deferred tax assets of £nil (2024: £13,133,000) for the Group and £10,000 (2024: £13,133,000) for the Company not being recognised. There is no expiry date on any of the Group or Company deferred tax assets.

It is expected that the Group and Company will utilise £5,882,000 (2024: £4,568,000) of the deferred tax asset in the following financial year as tax losses are utilised.

Due to the indexation of the properties that the Group holds, it is unlikely that any gains will arise in the foreseeable future. Therefore, no deferred tax has been provided with respect to existing capital tax losses that arose on the disposal of buildings. The undiscounted value of these losses is £498,000 based on a prevailing tax rate of 25% (2024: £498,000).

21 Tangible assets

The Group	Computer equipment	Fixtures and fittings	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 April	8,321	6,425	14,746
Additions	293	579	872
Disposals	-	-	-
At 31 March	**8,614**	**7,004**	**15,618**
Depreciation			
At 1 April	7,521	5,580	13,101
Charge	363	176	539
Disposals	-	-	-
At 31 March	**7,884**	**5,756**	**13,640**
Net book value at 31 March 2025	**730**	**1,248**	**1,978**
Net book value at 31 March 2024	800	845	1,645

The Company	Computer equipment	Fixtures and fittings	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 April	8,321	5,671	13,992
Additions	293	26	319
Disposals	-	-	-
At 31 March	**8,614**	**5,697**	**14,311**
Depreciation			
At 1 April	7,521	5,425	12,946
Charge	363	83	446
Disposals	-	-	-
At 31 March	**7,884**	**5,508**	**13,392**
Net book value at 31 March 2025	**730**	**189**	**919**
Net book value at 31 March 2024	800	246	1,046

No tangible assets have been pledged as security on any of the Group's liabilities. No tangible assets are held under finance leases.

22 Deferred acquisition costs

The following changes have occurred in the deferred acquisition costs during the year:

	2025	2024
	£'000	£'000
At 1 April	19,794	17,923
Acquisition costs deferred during the year	5,642	4,965
Amortisation	(2,658)	(3,094)
At 31 March	22,778	19,794

23 Insurance contract liabilities and associated reinsurance

The following notes explain how the Group, and the Company, calculates its liabilities to homeowners for insurance products it has sold. Note 24 covers insurance contract liabilities. Note 25 details the reinsurance recoverable on insurance contract liabilities whilst note 25.5 presents sensitivity analysis on insurance contract liabilities and associated reinsurance.

The following is a summary of the Group insurance contract provisions and related reinsurance assets at 31 March 2025.

	2025			2024		
	Gross provisions	Reinsurance assets	Net	Gross provisions	Reinsurance assets	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Provision for unearned premiums	(763,381)	352,159	(411,222)	(717,889)	335,447	(382,442)
Claims outstanding	(423,874)	151,982	(271,892)	(401,270)	148,528	(252,742)
Unexpired risk reserve	(25,745)	-	(25,745)	(73,005)	84	(72,921)
	(1,213,000)	504,141	(708,859)	(1,192,164)	484,059	(708,105)

The following is a summary of the Company insurance contract provisions and related reinsurance assets as at 31 March 2025.

	2025			2024		
	Gross provisions	Reinsurance assets	Net	Gross provisions	Reinsurance assets	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Provision for unearned premiums	(764,405)	352,159	(412,246)	(718,832)	335,447	(383,385)
Claims outstanding	(423,874)	151,982	(271,892)	(401,270)	148,528	(252,742)
Unexpired risk reserve	(27,337)	-	(27,337)	(74,321)	84	(74,237)
	(1,215,616)	504,141	(711,475)	(1,194,423)	484,059	(710,364)

24 Insurance liabilities

This note analyses the Group's insurance contract liabilities and describes how the Group calculates these liabilities, and the assumptions used.

24.1 Insurance product

The majority of the Group's insurance liabilities arise as a result of the sale of the Buildmark and Buildmark Choice products. The Buildmark product is NHBC's warranty and insurance product for newly built or newly converted homes. Buildmark Choice is specifically designed to protect landlords of newly built or newly converted homes which are built to be rented out or for shared ownership in the private, affordable or social housing sectors. Both Buildmark and Buildmark Choice products sold by NHBC protect a homeowner in three separate ways – which can be divided into three temporal periods as follows:

Section 1: Prior to completion of the house purchase, Section 1 provides insurance to a policyholder that covers losses caused by the builder going insolvent. For Buildmark policies, this would cover the loss of the homeowner's deposit. For Buildmark Choice policies, the coverage would usually protect the policyholder from extra costs incurred as a result of builder insolvency – up to a maximum of 10% of the sum insured.

Section 2: Section 2 is concerned with the two-year period immediately following legal completion of the home, ie, when the homeowner moves in. This provides cover in the event (and only in the event) that the builder is unable or unwilling to honour the builder's warranty to fix defects with the property. Where possible, NHBC usually seeks to recover these costs from the builder.

Sections 3, 4 & 5: The policy periods for these sections of Buildmark and Buildmark Choice begin after the end of Section 2 for a period of eight years, ie, years 3-10 following legal completion. Like Section 1, these sections are exclusively concerned with obligations undertaken by NHBC to the homeowner to provide an indemnity in the event of certain events.

From 1 October 2019, NHBC no longer provided Section 4 cover as part Buildmark or Buildmark Choice products. Section 4 provided insurance for health and safety issues arising from a builder's failure to meet certain Building Regulations within years 3-10 of the policy.

Also, from 1 October 2019, Section 5 of the Buildmark and Buildmark Choice products (cover for contaminated land), was deleted and instead formed part of the Section 3.

24.2 General methodology

Estimation of the ultimate cost of future claim payments is primarily based on actuarial and statistical analyses of past claims experience (and exposure where sufficient experience does not yet exist). Historical data is split into 12 reasonably homogeneous segments for the purpose of projections.

The estimates are underpinned by historical data where available. Specific adjustment is made where the future risk (or exposure) is believed to differ (materially) from the observed historical risk. In doing this, considerable expert judgement is applied in determining the relevance of historical data alongside any perceived changes in the future risks.

The reserves are estimated gross of reinsurance. The net reserves are then calculated by assessing the expected reinsurance recoveries given the gross reserves estimated.

The UK GAAP insurance contract liability calculations are based on NHBC's Solvency II best estimate methodology. Best estimate cash flows are projected for homogenous risk groupings using deterministic approach. Reinsurance recoveries are estimated by applying the relevant cash flows to NHBC's reinsurance cover.

To convert from Solvency II best estimate to UK GAAP, Solvency II specific elements are removed from the calculation and a margin reflecting the reasonably foreseeable requirement is added. The margin is selected by management and is informed using a scenario approach as well referencing prior years' margins.

In addition to the core reserves for Sections 1-5, NHBC also includes an allowance for Events Not in Data (ENIDs), ie. events which are possible but without historical precedent. ENIDs have to be considered separately because (by definition) they would not be properly allowed for in projections based on historical data alone. As there are no ENID claims to date, the technical provisions are equal to the ultimate claims estimates.

Two main categories of Buildmark ENID are considered, namely (1) exceptional losses of the size or type not seen before, and (2) losses that could result from a major builder insolvency or defection to another insurer.

Standard actuarial techniques to estimate reserves are not used for Section 4, due to material distortions in claim patterns as a result of the Grenfell fire in 2017.

In order to estimate reserves, the model uses claim estimate amounts provided by the claims team in relation to notified claims and adds an amount in relation to claims not yet notified. This additional amount relies on extrapolating from recent notification trends.

These estimates are then adjusted for expected recoveries.

24.3 Risk concentration

Breakdown by category of risk (main assumptions) is provided below.

24.4 Assumptions

Aside from volumes, the size of the estimated reserves is primarily driven by:

- exceptional losses
- builder approach to self-repair
- social inflation
- economic conditions - cost inflation (HRCI)
- economic conditions - housing market
- discount rate.

24.4.1 Exceptional losses

Due to the nature of new house building and the warranties provided, NHBC is exposed to the possibility of a common defect in a large number of homes. If discovered, reported and accepted by NHBC as valid, such an issue could result in significant claims costs. This is possible even if individual repairs are relatively inexpensive due to the sheer number of homes under cover at any point in time.

NHBC's exposure to these events partly depends on the degree of homogeneity in the homes under cover – ie, the extent to which the same people/processes/design/materials/components are used. Larger sites pose a greater risk, due to the likely degree of commonality in the build process. Likewise, sites built by the same builder, particularly if they are quite close geographically, are more likely to exhibit common defects.

The less diverse the home-building industry is in terms of the homes built and the builders who build them, the greater the risk of a systemic failure.

NHBC is also exposed to large losses from individual developments.

24.4.2 Builder behaviour

For defects reported in years 3-10 of the policy term there is no contractual obligation for builders to undertake repairs themselves, but some do voluntarily (e.g., some builders are keen to offer a high level of service to their customers to maintain their reputation as a quality builder).

Among other considerations, comparisons of claim frequencies between current and previously registered (previously registered builders are builders not currently on NHBC's register) builders are used to determine builder behaviour assumptions.

24.4.3 Social inflation

Due to the nature of house building, homes may contain a variety of inherent defects. In most cases these defects will be minor and never result in any damage. However, in the small proportion of cases where there is damage, for a claim to arise, the defect/damage first needs to be identified. The homeowner then needs to report it within the appropriate timescale.

As with many other forms of insurance, the likelihood of defects being discovered and reported has increased through time due to rising homeowner expectations and their greater awareness of the cover – referred to as 'social inflation'.

Estimates of the level of social inflation, present in the historical Section 3 data, act as a guide for determining appropriate future social inflation assumptions.

24.4.4 Economic conditions – cost inflation

NHBC's insurance liabilities are significantly affected by repair cost inflation (e.g., general material and labour cost inflation), due to the long period of cover offered by the insurance product.

Estimates of the level of cost inflation, present in the historical data, act as a guide for determining appropriate future cost inflation assumptions.

24.4.5 Economic conditions – housing market

NHBC is exposed to changes in housing market conditions. When the housing market deteriorates a greater number of builders become insolvent exposing NHBC to more claims. These additional claims arise from the cover offered that is contingent on the builder being insolvent (or not honouring its obligations) or where the builder otherwise would have undertaken voluntary repairs.

24.4.6 Discount rate

Future investment returns are allowed for when assessing the present value of future liabilities. UK GAAP liabilities are discounted using the Bank of England yield curve at the balance sheet date.

24.5 Movements in the gross provision for unearned premiums

The following changes have occurred in the gross provision for unearned premiums during the year:

	Group		Company	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
At 1 April	**717,889**	716,967	**718,832**	717,811
Increase in provision	**45,492**	922	**45,573**	1,021
At 31 March	**763,381**	717,889	**764,405**	718,832

The estimates of earnings profiles for all NHBC products are updated annually. The change in the estimate has resulted in a £25.8m increase (2024: £39.0m decrease) in the gross provision for unearned premiums. The change was recognised in the Statement of Comprehensive Income.

24.6 Movements in the gross provision for claims

The reconciliation of opening and closing gross provision for claims is as follows:

	Group		Company	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
At 1 April	**401,270**	456,959	**401,270**	456,959
Increase/(decrease) in provision	**22,604**	(55,689)	**22,604**	(55,689)
At 31 March	**423,874**	401,270	**423,874**	401,270

24.7 Movements in the gross unexpired risk reserve

The reconciliation of opening and closing gross unexpired risk reserve is as follows:

	Group		Company	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
At 1 April	**73,005**	164,895	**74,321**	164,895
Decrease in provision	**(47,260)**	(91,890)	**(46,984)**	(90,574)
At 31 March	**25,745**	73,005	**27,337**	74,321

24.8 Loss development tables[1]

The following table illustrates the movements in the claims incurred by financial reporting and development years.

	Development year																	
Financial reporting year £'000	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16+	Claims incurred in the financial year ended 31 March 2025
Prior	10,886	24,704	45,788	64,600	83,929	86,124	106,300	105,147	114,034	125,506	132,687	123,233	75,472	64,681	74,924	4,040	(8,869)	(8,869)
2010	97	673	2,452	2,580	3,880	3,467	4,014	3,974	6,063	5,605	6,975	2,125	17,821	14,521	(5,409)	(1,613)		(1,613)
2011	37	580	3,515	3,318	4,431	4,845	2,679	3,628	4,235	25,088	13,197	2,536	4,505	4,236	(6,250)			(6,250)
2012	15	566	2,305	1,809	3,176	2,279	2,495	4,263	25,745	12,650	5,057	9,473	5,513	(4,929)				(4,929)
2013	323	674	1,336	2,325	2,541	2,199	4,861	3,916	5,731	11,434	35,608	(4,310)	(1,569)					(1,569)
2014	89	777	1,355	2,987	2,687	4,329	2,284	3,255	11,472	34,203	10,597	2,772						2,772
2015	13	367	2,422	1,260	2,720	2,525	2,764	2,340	30,215	5,679	3,728							3,728
2016	-	294	1,396	1,171	1,209	2,640	2,874	10,525	5,205	9,462								9,462
2017	21	333	908	243	897	1,180	4,213	4,142	9,992									9,992
2018	1	37	1,784	648	1,239	3,123	2,585	7,102										7,102
2019	-	267	74	813	2,434	2,861	8,182											8,182
2020	-	-	219	1,479	1,137	7,691												7,691
2021	-	14	93	2,331	5,921													5,921
2022	60	6	212	7,224														7,224
2023	-	78	8,289															8,289
2024	-	5,682																5,682
2025	4,197																	4,197
																		57,012
Claims handling and other charges																		51,944
																		108,956

[1] NHBC has not included full claims development tables as required by FRS 103 paragraph 4.8. Following the 2017 review of NHBC's reserving methodology and the consequential changes to the accounting policies it has not been practicable to prepare a set of gross and net developments that would fully meet the disclosure requirements of UK GAAP.

NHBC

25 Reinsurance assets

This note details the reinsurance recoverable on the Group's insurance liabilities.

25.1 Assumptions

The assumptions, including discount rates used for reinsurance contracts, follow those used for insurance contracts. Reinsurance assets are valued net of an allowance for their recoverability.

25.2 Movements in reinsurers' share of provision for unearned premiums

The following changes have occurred in the reinsurers' share of provision for unearned premiums during the year:

	Group		Company	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
At 1 April	**335,447**	341,396	**335,447**	341,396
Increase/(decrease) in provision	**16,712**	(5,949)	**16,712**	(5,949)
At 31 March	**352,159**	335,447	**352,159**	335,447

The estimates of earnings profiles for all NHBC products are updated annually. The change in the estimate has resulted in a £0.3m increase (2024: £16.6m decrease) in the gross provision for unearned premiums. The change was recognised in the Statement of Comprehensive Income, partially offset by movements in the unexpired risk reserve.

25.3 Movements in reinsurers' share of provision for claims

The following changes have occurred in the reinsurers' share of provision for claims during the year:

	Group		Company	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
At 1 April	**148,528**	196,303	**148,528**	196,303
Increase/(decrease) in provision	**3,454**	(47,775)	**3,454**	(47,775)
At 31 March	**151,982**	148,528	**151,982**	148,528

25.4 Movements in reinsurers' share of the unexpired risk reserve

The following movements have occurred in the reinsurance asset during the year:

	Group		Company	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
At 1 April	**84**	19,489	**84**	19,489
Decrease in provision	**(84)**	(19,405)	**(84)**	(19,405)
At 31 March	**-**	84	**-**	84

25.5 Insurance contract sensitivity analysis

This note shows how the consolidated statement of comprehensive income would have been affected if changes in certain risk variables that were possible at the end of the reporting period had occurred.

The following table provides an indication of some of the single factor changes adopted by the Group and the corresponding adverse impact on the insurance liabilities. An increase in the liability is equal to the charge in the consolidated statement of comprehensive income.

		2025		2024	
Assumption	**Sensitivity tested**	**Gross liability**	**Net liability**	Gross liability	Net liability
	%	£m	£m	£m	£m
Increase in claim frequency	+2.0	**10.2**	**10.2**	10.5	10.5
Inflation	+1.0	**40.1**	**35.2**	55.4	50.8
Discount rate	-0.25	**7.5**	**6.8**	10.3	9.5

The sensitivity analysis has been derived using the internal reserving model to inform the Group's decision-making process and for identification and management of risks within the business.

The above analyses are based on a change in an assumption, while holding all other assumptions constant, and assume that no management action is taken. In practice this is unlikely to occur and changes in some of the assumptions may be correlated.

The analysis has not considered the impact of the above changes on the valuation of the Group's assets and liabilities other than insurance assets and liabilities. The above analysis is presented gross of the corresponding tax credits or charges.

Sensitivities relating to cladding and fire-stopping related claims are as follows:

- 10% increase in average claims cost/claims frequency will result in £8.4m increase in net insurance liabilities (2024: £9.1m increase).

The change in the liability is equal to the charge in the consolidated statement of comprehensive income.

26 Creditors

	Group		Company	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
Creditors arising out of direct insurance operations				
Trade creditors	**6,573**	7,084	**6,573**	7,084
Builder deposits	**32,970**	30,854	**32,970**	30,854
	39,543	37,938	**39,543**	37,938
Other creditors				
Trade creditors	**3,229**	1,544	**3,229**	1,544
Amount due to subsidiary undertakings	**-**	-	**22,841**	26,485
Corporation tax	**-**	2,327	**-**	2,321
Other taxation and social security	**8,685**	5,860	**7,097**	4,754
Derivative financial instruments	**6,954**	11,874	**6,954**	11,874
Other creditors	**3,666**	3,831	**3,527**	3,560
	22,534	25,436	**43,648**	50,538

Amounts due to subsidiary undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is accrued with reference to Bank of England base rate.

Builder deposits are deposited with the Group as surety by registered customers.

27 Post-employment benefits

The Group operates two pension schemes for its employees, a defined benefit pension scheme (the Scheme) and a defined contribution pension scheme. The amount recognised in the consolidated statement of financial position is as follows:

		2025	2024
	Note	**£'000**	£'000
Defined benefit pension scheme	27.1		
Total market value of Scheme assets		**164,221**	174,337
Present value of Scheme liabilities		**(152,560)**	(172,499)
Surplus in the Scheme		**11,661**	1,838

The amount recognised in the consolidated statement of comprehensive income is as follows:

		2025	2024
	Note	**£'000**	£'000
Defined benefit pension scheme	27.1		
Interest income		**(8,213)**	(8,368)
Interest expense		**8,108**	8,033
		(105)	(335)
Defined contribution pension scheme	27.2	**13,424**	11,928
		13,319	11,593

No current service cost is recognised as the Scheme was closed to future accrual with effect from 31 March 2014.

The amount recognised in the consolidated statement of comprehensive income is as follows:

		2025	2024
	Note	**£'000**	£'000
Defined benefit pension scheme	27.1		
Experience loss on assets		**(15,973)**	(10,392)
Actuarial gains on liabilities		**16,739**	4,437
Experience gains/(loss) on liabilities		**952**	(8,257)
		1,718	(14,212)

27.1 Defined benefit pension scheme

For certain employees, the Group operates a UK defined benefit pension scheme whereby benefits are determined with reference to an employee's salary. This defined benefit scheme exposes the Group to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk. The pension expense charged to the statement of comprehensive income makes no allowance for actuarial gains and losses during the year. Actuarial gains and losses are instead recognised in other comprehensive income in the year that they occur. The funding requirements of the Scheme are based on a separate actuarial valuation for funding purposes for which the assumptions differ from the assumptions disclosed below. The last valuation was performed on 31 March 2023. In order to value the defined benefit obligation at 31 March 2025, the results of the valuation were updated in an approximate manner by a qualified actuary. Contributions to the Scheme are assessed in accordance with the advice of qualified actuaries. The Group made contributions into the Scheme of £8,000,000 during the year ended 31 March 2025. The measurement of the defined benefit obligation includes no allowance for any future discretionary increases to pensions in payment.

27.1.1 Principal financial assumptions

A comprehensive actuarial valuation of the Scheme, using the projected unit credit method, was carried out at 31 March 2023 by Willis Towers Watson, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	2025	2024
	%	%
Consumer price inflation	**2.40**	2.40
Retail price inflation	**3.20**	3.20
Rate of increases (normally indexed)	**3.55**	3.55
Rate of increase (normally fixed)	**3.25**	3.25
Discount rate	**5.75**	4.85

It was assumed that members commute 25% of their pension for tax free cash, 85% of male members and 70% of female members were married and males were three years older than females.

The assumptions adopted for mortality are in line with SAPS S3PA Light base tables, with an allowance for future improvements in line with the CMI (2023) tables with a 1% long-term trend and 0% weighting to 2020 and 2021 data, 15% to 2022 data and 155% weighting to 2023 data. The resulting average remaining life expectancy for a male and female aged 65 as at 31 March 2024 are 22.5 (2024: 22.3) years and 24.7 (2024: 24.4) years, respectively.

27.1.2 Reconciliation of Scheme assets and liabilities

	Assets	Liabilities	Total
	£'000	£'000	£'000
At 1 April 2024	174,337	(172,499)	1,838
Interest income/(expense)	8,213	(8,108)	105
Benefits paid	(10,356)	10,356	-
Actuarial gain on change of assumptions	-	16,739	16,739
Experience loss on liabilities	-	730	730
Change in value of money purchase transfer funds	(222)	222	-
Company contributions	8,000	-	8,000
Return on plan assets excluding interest income	(15,751)	-	(15,751)
At 31 March 2025	**164,221**	**(152,560)**	**11,661**

27.1.3 Total cost recognised as an expense

	2025	2024
	%	%
Interest expense	**8,108**	8,033

27.1.4 Fair value of Scheme assets

	2025	2024
	£'000	£'000
Liability driven investments	**57,339**	63,563
Private market investments	**10,251**	10,889
Corporate debt instruments	**13,141**	13,370
Diversified credit fund	**64,183**	72,066
Other and cash and cash equivalents	**19,307**	14,449
	164,221	174,337

There are no amounts included in the fair value of the Scheme assets that consist of NHBC's own financial instruments or any property occupied, or assets used, by NHBC.

27.1.5 Return on plan assets

	2025	2024
	£'000	£'000
Interest income	**8,213**	8,368
Return on plan assets excluding interest income	**(15,751)**	(10,333)
	(7,538)	(1,965)

The return on plan assets is recognised in other comprehensive income in the consolidated statement of comprehensive income.

27.1.6 Deficit funding contributions

In order to meet the funding deficit, the Group has agreed a funding plan with the Pension Trustee. Further scheduled contributions are set out in the table below:

	£'000
31 March 2026	**-**
31 March 2027	**8,000**
31 March 2028	**4,000**
	12,000

Expected contributions for the 31 March 2026 year totalling £8,000,000 were advanced and paid in the 31 March 2025 financial year. Nothing in the agreement precludes the Group from making payments of higher contributions or from making payments earlier than scheduled in the table above.

27.2 Defined contribution pension scheme

The Group operated a stakeholder defined contribution pension scheme during the year. The amount recognised as an expense for the defined contribution scheme was:

	2025	2024
	%	%
Current period contributions	**13,424**	11,928

At 31 March 2025 contributions of £Nil (2024: £Nil) were outstanding.

28 Fair value methodology

28.1 Basis for determining the fair value hierarchy

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 are observable (ie, developed using market data) for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable (ie, for which market data is unavailable) for the asset or liability.

When using alternative valuation methods to value Level 3 financial instruments, the Group relies as little as possible on Group-specific inputs and makes maximum use of relevant market inputs including the following:

- quoted prices for identical or similar assets or liabilities in markets that are not active
- inputs other than quoted prices that are observable for the asset or liability, including interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads
- market-corroborated inputs, which may not be directly observable, but are based on or supported by observable market data.

Valuation methods that the Group employs typically include:

- market approach which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or groups of assets and liabilities
- income approach which converts future amounts, such as cash flows, income or expenses, to a single current amount
- cost approach, or current replacement cost approach, which reflects the amount that would be required currently to replace the service capacity of an asset.

There were no transfers between levels from prior year.

28.2 Fair value hierarchy analysis

The table below presents the analysis of the Group's assets and liabilities that have been measured at fair value by the fair value hierarchy at 31 March 2025. The table excludes the defined benefit pension scheme surplus and insurance and reinsurance contracts.

		Level 1	Level 2	Level 3	Total
	Note	£'000	£'000	£'000	£'000
Assets at fair value					
Land and buildings	17	**-**	**-**	**8,522**	**8,522**
Other financial investments		**1,371,017**	**129,108**	**33,767**	**1,533,892**
		1,371,017	**129,108**	**42,289**	**1,542,414**
Liabilities at fair value					
Derivative financial instruments		**-**	**(6,954)**	**-**	**(6,954)**

The table below presents the analysis of the Group's assets and liabilities that have been measured at fair value by the fair value hierarchy at 31 March 2024. The table excludes the defined benefit pension scheme deficit and insurance and reinsurance contracts.

		Level 1	Level 2	Level 3	Total
	Note	£'000	£'000	£'000	£'000
Assets at fair value					
Land and buildings	17	-	-	9,107	9,107
Other financial investments		1,346,658	114,984	18,766	1,480,408
		1,346,658	114,984	27,873	1,489,515
Liabilities at fair value					
Derivative financial instruments		-	(11,874)	-	(11,874)

The table below presents the analysis of the Company's assets and liabilities that have been measured at fair value by the fair value hierarchy at 31 March 2025. The table excludes the defined benefit pension scheme deficit and insurance and reinsurance contracts.

		Level 1	Level 2	Level 3	Total
	Note	£'000	£'000	£'000	£'000
Assets at fair value					
Land and buildings	17	**-**	**-**	**8,522**	**8,522**
Investments in group undertakings and participating interests		**-**	**-**	**11,310**	**11,310**
Other financial investments		**1,371,017**	**129,108**	**33,767**	**1,533,892**
		1,371,017	**129,108**	**53,599**	**1,553,724**
Liabilities at fair value					
Derivative financial instruments		**-**	**(6,954)**	**-**	**(6,954)**

The table below presents the analysis of the Company's assets and liabilities that have been measured at fair value by the fair value hierarchy at 31 March 2024. The table excludes the defined benefit pension scheme deficit and insurance and reinsurance contracts.

		Level 1	Level 2	Level 3	Total
	Note	£'000	£'000	£'000	£'000
Assets at fair value					
Land and buildings	17	-	-	9,107	9,107
Investments in group undertakings and participating interests		-	-	16,369	16,369
Other financial investments		1,346,658	114,984	18,766	1,480,408
		1,346,658	114,984	44,242	1,505,884
Liabilities at fair value					
Derivative financial instruments		**-**	**(11,874)**	**-**	**(11,874)**

Details of the Group and the Company's insurance and reinsurance contracts are disclosed on page 78. Details of the Group and the Company's defined benefit pension scheme are disclosed on page 86.

29 Financial instruments

The table below presents the Group and the Company's financial instruments, excluding insurance and reinsurance contracts. Details of the Group and the Company's insurance and reinsurance contracts are disclosed on page 78.

		Group		Company	
		2025	2024	**2025**	2024
	Note	**£'000**	£'000	**£'000**	£'000
Financial assets at fair value[2]					
Index-linked gilts		**206,869**	211,462	**206,869**	211,462
Supranational bonds		**74,006**	89,775	**74,006**	89,775
Overseas government bonds		**11,881**	12,165	**11,881**	12,165
Corporate bonds		**841,511**	759,277	**841,511**	759,277
UK treasury bills and short-term deposits		**168,262**	194,254	**168,262**	194,254
Illiquid credit and private equity funds		**208,275**	123,413	**208,275**	123,413
Strategic asset allocation		**-**	57,313	**-**	57,313
Derivative financial instruments		**13,032**	10,336	**13,032**	10,336
		1,523,836	1,457,995	**1,523,836**	1,457,995
Financial assets that are debt instruments measured at amortised cost					
Trade debtors	19	**13,479**	13,971	**11,355**	11,765
Other debtors	19	**8,249**	3,161	**8,252**	3,161
Deposits with credit institutions		**10,056**	22,413	**10,056**	22,413
Cash at bank		**59,884**	39,555	**59,554**	39,331
		91,668	79,100	**89,217**	76,670
Financial liabilities measured at fair value					
Derivative financial instruments	26	**6,954**	11,874	**6,954**	11,874
Financial liabilities measured at amortised cost					
Trade creditors	26	**9,802**	8,628	**9,802**	8,628
Other creditors	26	**45,321**	42,872	**43,594**	41,489
Amounts owed to group undertakings	26	**-**	-	**22,841**	26,485
		55,123	51,500	**76,237**	76,602

[2] All debt securities and shares held are listed on a recognised investment exchange and are actively traded. The quoted price is the bid price. Stated before accrued interest.

29.1 Derivative financial instruments

During the financial year, the Group entered into forward currency contracts and interest rate swaps to mitigate certain equity and bond risks. The Group also entered into inflation swaps to mitigate certain insurance liability risks. At 31 March 2025 the Group and Company held the following unexpired derivatives:

	2025			2024		
	Notional value	**Asset**	**Liability**	Notional value	Asset	Liability
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Currency forwards	**257,055**	**1,940**	**(149)**	227,344	137	(783)
Interest rate swaps/futures	**456,104**	**7,282**	**(3,452)**	263,116	4,338	(4,566)
Inflation swaps	**167,595**	**3,809**	**(3,353)**	575,380	5,861	(6,525)
		13,031	**(6,954)**		10,336	(11,874)

30 Note to the statement of cash flows

The table below presents the Group's net cash flow from operating activities, excluding interest received, reconciled to the profit reported in the consolidated statement of comprehensive income.

	2025	2024
	%	%
Profit for the financial year	**81,360**	134,363
Tax on profit on ordinary activities	**8,062**	22,034
Profit on ordinary activities before tax	**89,422**	156,397
Depreciation and decrease in value of assets	**689**	743
Increase in revaluation reserve	**430**	377
Decrease/(increase) in Technical Provisions	**754**	(73,528)
Realised gains on investments and fixed assets	**(15,905)**	(17,746)
Increase in unrealised gains on investments	**(1,234)**	(27,279)
(Increase)/decrease in insurance debtors	**(1,234)**	1,875
Decrease/(increase) in other debtors	**(350)**	1,684
Increase in prepayments and accrued income	**(8,310)**	(857)
Increase in insurance creditors	**1,605**	2,814
Increase/(decrease) in other creditors	**4,346**	(195)
Increase/(decrease) in accruals and deferred income	**19,413**	(3,923)
Differences on recognition of defined benefit pension scheme	**(8,105)**	(8,335)
Interest received	**(43,676)**	(37,047)
Payments to acquire investments	**(3,534,305)**	(4,652,581)
Receipts from disposal of investments	**3,451,551**	4,804,317
Net cash flow from operating activities before interest received	**(42,864)**	146,716

31 Provisions for other liabilities

The Group and the Company have no provisions for other liabilities that have not been disclosed elsewhere in the financial statements.

32 Contingent liabilities

The Group and the Company have no material contingent liabilities to disclose.

33 Capital and other commitments

At 31 March 2025, the Group has committed to a deficit repair plan in respect to its defined benefit pension scheme. The particulars of the arrangement are outlined in note 27.1.6 - Deficit funding contributions. The Group and the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group		Company	
	2025	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000
Within one year	**4,875**	4,597	**4,853**	4,575
Between one and five years	**10,448**	5,370	**10,405**	5,305
Over five years	**-**	-	**-**	-
	15,323	9,967	**15,258**	9,880

The Group and the Company lease arrangements principally related to property and motor vehicles.

The Group and the Company did not have any contracts under a finance lease arrangement.

In the financial year, NHBC has committed, as part of a subscription agreement, to invest into further private investment funds. Outstanding commitment at 31 March 2025 was £38.6m (2024: £73.9m). The commitment is payable on demand.

34 Related party transactions

Transactions between subsidiaries, which are related parties, have been eliminated on consolidation, as have transactions between the Company and its subsidiaries during the financial year.

Some of NHBC's directors are also directors of some of NHBC's customers, suppliers and industry partners. NHBC trades in the normal course of business with all these parties and material transactions with related parties are disclosed below.

NHBC has a joint venture with MD Insurance Services Limited under the name of Consumer Code for Home Builders Limited (CCHB). CCHB operates a code providing protection and rights to purchasers of new homes. The table below presents transactions with the CCHB.

	2025	2024
	£'000	£'000
Contributions to CCHB	**243**	292

See note 14 and directors' remuneration report for disclosure of the directors' remuneration.

35 Reserves

For the Group and the Company, retained earnings include all current and prior period retained profits and losses. The Group revaluation reserve comprises of movements arising on the revaluation of land and buildings. The Company revaluation reserve comprises of movements arising on the revaluation of land and buildings and the investment in subsidiary companies.

36 Liability of members

At 31 March 2025, there were 53 (2024: 53) 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.

Meanings of key words and phrases

Certain words, abbreviations or phrases used throughout this document have a specific meaning, as summarised below.

attritional losses	Claims less than £1m in value
builder, customer, builder customer, registered customers, registered builders	The person, firm or company who is responsible for building a home
Buildmark	The protection NHBC and the builder provide for a home
claim outstanding	The amounts provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the reporting date, including incurred but not reported claims and claims handling expenses, less amounts already paid in respect of those claims
claims handling	The administrative cost of processing a claim (such as salary costs, costs of running claims centres, allocated share of the overhead costs) which are separate to the cost of settling the claim itself with the homeowner
consumer, homeowner, policyholder	The person (or people) who entered into the contract for a home, or any person (or people) who take over the freehold, commonhold or leasehold title of the property, or, where this applies, any mortgage provider who has taken possession of a home
deferred acquisition costs	Costs arising from the conclusion of insurance contracts that are incurred during a reporting period, but which relate to a subsequent reporting period
exceptional losses	Claims over £20m in value
FCA	Financial Conduct Authority. The regulatory authority with responsibility for the conduct of the UK financial services industry
gross written premium	Total revenue generated through sale of insurance products before considering reinsurance and is stated irrespective of whether payment has been received
large losses	Claims between £1m and £20m in value
net earned premium	The proportion of premium written, net of the cost of associated reinsurance, which represents the consideration charged to homeowners for providing insurance cover during the reporting period
net incurred claims	The total claims cost incurred in the period less any share that is borne by reinsurers. It includes both claim payments and movements in claims reserves and claims handling expenses in the period
net written premium	Premium written or processed in the period, irrespective of whether it has been paid, less the amount shared with reinsurers
NHBC, the Company	National House-Building Council. The ultimate parent entity of the Group
non-technical account	Non-insurance activities
operating profit	Profit before tax less investment return allocated to the non-technical account
PRA	Prudential Regulation Authority. The regulatory authority with responsibility for the prudential regulation and supervision of the UK financial services industry
reinsurance	The practice whereby part or all the risk accepted is transferred to another insurer (the reinsurer)
Solvency II	A Directive in European Union law that codifies and harmonises the EU insurance regulation. Primarily this concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency.

technical account	Insurance activities
unearned premium	The portion of a premium that relates to future periods, for which protection has not yet been provided, irrespective of whether the premium has been paid or not
unearned premiums provision or provision for unearned premium	The proportion of written premiums relating to periods of risk after reporting date, which are deferred to subsequent reporting periods
unexpired risks provision or unexpired risk reserve	The excess of the estimated value of claims and expenses likely to arise after the end of the reporting period from contracts concluded before that date, insofar as their estimated value exceeds the provision for unearned premiums (after deduction of any acquisition costs deferred), and any premiums receivable under those contracts
yield	Rate of return on an investment in percentage terms

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