Homeserve Membership Limited
(Formerly Homeserve GB Limited)

Report and Accounts for the year ended

31 March 2008

Company Registration No: 2770612

Directors' Report

The directors have pleasure in submitting the Report and Accounts for the year to 31 March 2008.

Principal Activities

The Company is a wholly owned subsidiary of its ultimate parent company, Homeserve plc, and operates as part of its UK Membership division.

The Company's principal activity is that of retailing, through direct mail and telesales activity, affinity branded, domestic assistance insurance policies. The Company provides plumbing and drainage cover together with a range of other emergency policies to customers of water and energy companies and other affinity partners. There have not been any significant changes in the Company's principal activities in the period under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

During the year, revenue increased from £137.2m to £156.4m and profit before tax increased from £67.3m to £80.1m. The balance sheet on page 8 of the financial statements shows the Company's financial position at the year end. During the year, net assets have increased from £64.4m to £75.0m.

On 31 March 2008, a business transfer agreement was entered into which transferred the trade and certain of the assets of Homeserve Warranties Limited and Homeserve Care Solutions Limited, fellow subsidiary undertakings of Homeserve plc, to the Company as detailed in note 10.

Name Change

On 31 March 2008 the Company changed its name from Homeserve GB Limited to Homeserve Membership Limited.

Principal Risks and Uncertainties

There are a number of risks and uncertainties that could have a material impact on the Company's future performance. Group risks are discussed in the Group's Annual Report which does not form part of this Report.

Financial Risk

As part of its ordinary activities, the Company is exposed to a number of financial risks, including liquidity risk, credit risk and interest rate risk. The Company has policies and procedures on how each of these risks will be monitored and managed.

Liquidity risk relates to the Company's ability to meet the cash flow requirements of the operations, while avoiding excessive levels of debt. This risk is monitored and managed through the regular review of working capital.

Credit risk principally relates to trade receivables from customers. Detailed policies and procedures for the assessment of all customers are in place.

Interest rate risk is not considered to represent a significant risk at this time. However, this risk is kept under constant review and policies exist to mitigate it should it increase in significance.

Commercial Relationships

The Company has close commercial relationships with a number of utility companies, household insurers and household appliance manufacturers. The loss of these contractual commercial relationships could have a significant effect on the Company's future profitability and cash flows. This risk is managed through regular reviews and contact with the senior management of these partners in order to ensure that the Company responds to their needs and delivers the service that they expect.

Competitor Risk

There are a number of other businesses that provide services that are similar to those of the Company and as such could compete in one or more of our chosen markets. In order to address this risk a regular review of the market and our position is undertaken and the activities of the other participants are closely monitored. The development of innovative products and solutions, addressing the needs of our customers is seen as paramount to maintaining our competitive advantage.

Principal Risks and Uncertainties (continued)

Acquisitions

The Company continues to expand through a combination of organic growth and acquisitions. The ability to effectively manage and integrate the acquired businesses represents a particular risk. Prior to making any acquisition approach a detailed assessment of the market and our existing position, together with that of the target, is undertaken. In addition, the ability to integrate the acquisitions into the existing operation is considered at the outset. Homeserve plc, the ultimate parent company has a dedicated acquisitions team which involves and coordinates functional managers from our existing businesses and draws on the services of independent advisers when necessary. Immediately post acquisition a full internal controls benchmarking assessment is undertaken and the Group's internal control requirements are communicated and implemented as soon as practicable. The performance of acquisitions is reported and reviewed by the Board on a monthly basis.

Financial Reporting Policies

The Company has opted to present its financial statements in accordance with International Financial Reporting Standards (IFRSs). Accordingly, the accounts for the year ended 31 March 2008 and the prior year have been prepared in accordance with IFRSs.

Environment

The Company is committed to environmental sustainability. Our business is largely service based and therefore exposure to environmental risk is low. However, we recognise that the Company has a responsibility to act in a way that respects the environment and as such, all our employees are encouraged to incorporate an awareness of environmental issues into decision-making processes.

The Company operates in accordance with Group Policies, which are described in the Group's Annual Report which does not form part of this Report.

Financial Results

The Company's results are shown in the income statement on page 7. The directors paid a dividend to ordinary shareholders of £47.1m (2007: £38.7m). The profit for the year of £56.2m (2007: £47.1m) has been transferred to reserves.

Directors

The directors who held office during the year, and subsequently, were as follows:

Richard David Harpin
David Martin Jackson
Geoffrey Adrian Love
Jonathan Florsheim (appointed 1 June 2007)
Jonathan Simpson-Dent (appointed 25 July 2007)
Sandra Judith Basaran (appointed 26 October 2007)
Martin John Bennett (appointed 23 January 2008)
Mark Paul Till (appointed 23 January 2008)
James Matthew Cashmore (appointed 26 March 2008)
Gareth Victor Haver (appointed 26 March 2008)
David Hamid (appointed 1 April 2008)
Charlie Herbert (appointed 26 September 2007, resigned 31 March 2008)
Richard John Shepherd (resigned 7 December 2007)
Jennifer Synnott (resigned 7 December 2007)
Frank Robert Atkinson (resigned 1 April 2008)
Jo Simkins (resigned 1 April 2008)

Except as disclosed in note 26, none of the directors had a material interest in any trading contract to which the Company was a party during the financial year.

Directors' Report

Donations

Charitable donations of £7,000 (2007: £6,000) were made during the year. No political contributions were made in either year.

Payment of Creditors

The Company's policy is to pay suppliers in line with the terms of payment agreed with each of them when contracting for their products or services. Trade creditors at 31 March 2008 represent 58 days of purchases during the year (2007: 45 days).

Employment policies

It is the Company's policy that all persons should be considered for employment, training, career development and promotion on the basis of their abilities and aptitudes, regardless of physical ability, age, gender, sexual orientation, religion or ethnic origin.

The Company applies employment policies that are fair and equitable for all employees and which ensure entry into and progression within the Company are determined solely by application of job criteria and personal ability and competency.

Full and fair consideration (having regard to the person's particular aptitudes and abilities) is given to applications for employment and the career development of disabled persons. The Company's training and development policies make it clear that it will take all steps practicable to ensure that employees who become disabled during the time they are employed by the Company are able to continue to perform their duties.

Involvement of employees in the performance of the Company and Homeserve plc is encouraged through offers under the Homeserve plc share save scheme.

Internal circulars and newsletters are issued on a regular basis and consultation between management and staff is an ongoing process. Employees are consulted on issues directly affecting them wherever practicable.

Auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Caroline Emma Roberts Thomas
Company Secretary
18 July 2008
Registered Office: Cable Drive, Walsall, West Midlands, WS2 7BN
Registered in England and Wales

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

Independent auditors' report to the members of Homeserve Membership Limited (formerly Homeserve GB Limited)

We have audited the financial statements of Homeserve Membership Limited (formerly Homeserve GB Limited) for the year ended 31 March 2008 which comprise the income statement, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham , UK
23 July 2008

Income Statement

year ended 31 March 2008

Continuing operations	Note	**2008 £000**	**2007 £000**
Revenue	3	**156,437**	137,205
Operating costs:			
Amortisation of acquisition intangibles	12	**(422)**	(422)
Other operating costs		**(79,094)**	(71,430)
Operating costs	5	**(79,516)**	(71,852)
Operating profit		**76,921**	65,353
Investment income	7	**3,185**	1,938
Profit before tax and amortisation of acquisition intangibles		**80,528**	67,713
Amortisation of acquisition intangibles	12	**(422)**	(422)
Profit before tax		**80,106**	67,291
Tax	8	**(23,925)**	(20,179)
Profit for the year being attributable to the equity holders of the parent	21	**56,181**	47,112

Statement of Changes in Equity

year ended 31 March 2008

	Note	**Total equity £000**
At 1 April 2006		54,969
Dividends	9	(38,732)
Profit for the year		47,112
Share based payment charges in the year		488
Current tax on share options taken directly to reserves		153
Deferred tax asset on share option gains taken directly to reserves		394
At 1 April 2007		64,384
Dividends	9	(47,100)
Profit for the year		56,181
Share based payment charges in the year		961
Current tax on share options taken directly to reserves		510
Deferred tax asset on share option gains taken directly to reserves		79
At 31 March 2008	21	**75,015**

Balance Sheet

31 March 2008

	Note	2008 £000	2007 £000
Non-current assets			
Goodwill	11	**3,228**	3,228
Other intangible assets	12	**4,789**	3,878
Property, plant and equipment	13	**25,108**	21,101
Investment in subsidiaries	14	**50**	8
Deferred tax assets	17	**954**	-
		34,129	28,215
Current assets			
Inventories	15	**374**	-
Trade and other receivables	16	**116,548**	92,878
Cash and cash equivalents	16	**51,039**	33,998
		167,961	126,876
Total assets		**202,090**	155,091
Current liabilities			
Trade and other payables	18	**(113,297)**	(80,162)
Current tax liabilities		**(11,131)**	(10,007)
		(124,428)	(90,169)
Net current assets		**43,533**	36,707
Non-current liabilities			
Other financial liabilities	19	**(2,647)**	(391)
Deferred tax liabilities	17	**-**	(147)
		(2,647)	(538)
Total liabilities		**(127,075)**	(90,707)
Net assets		**75,015**	64,384
Equity			
Share capital	20	**109**	109
Share premium account	21	**6,355**	6,355
Share incentive reserve	21	**1,316**	767
Capital redemption reserve	21	**12**	12
Retained earnings	21	**67,223**	57,141
Total equity		**75,015**	64,384

The financial statements were approved by the board of directors and authorised for issue on 18 July 2008. They were signed on its behalf by:

Martin John Bennett
Director
18 July 2008

Cash Flow Statement

year ended 31 March 2008

	Note	2008 £000	2007 £000
Net cash from operating activities	22	**61,624**	44,061
Investing activities			
Interest received		**3,185**	1,938
Proceeds on disposal of property, plant and equipment		**-**	1
Purchases of intangible assets	12	**(1,654)**	(628)
Purchases of property, plant and equipment	13	**(4,779)**	(5,573)
Acquisition of subsidiary undertakings		**-**	(1,980)
Cash balances transferred from fellow subsidiary undertakings	10	**5,765**	-
Net cash from/(used in) investing activities		**2,517**	(6,242)
Financing activities			
Dividends paid	9	**(47,100)**	(38,732)
Net cash used in financing activities		**(47,100)**	(38,732)
Net increase/(decrease) in cash an cash equivalents		**17,041**	(913)
Cash and cash equivalents at beginning of year		**33,998**	34,911
Cash and cash equivalents at end of year		**51,039**	33,998

Notes to the Accounts

year ended 31 March 2008

1. General information

Homeserve Membership Limited (formerly Homeserve GB Limited) is a Company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given in note 26.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Significant accounting policies

Basis of accounting
The financial statements have been prepared in accordance with IFRSs, adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation. At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 7	Financial Instruments: Disclosures (and capital maintenance disclosures)
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements (September 2007)
IAS 23	Borrowing costs (March 2007)
IFRS 2	Share-Based Payment: Vesting Conditions and Cancellations (January 2008)
IAS 32 and IAS 1	Puttable financial instruments and obligations arising on liquidation (February 2008)
IFRS 3	Business Combinations (January 2008)
IAS 27	Consolidated and Separate Financial Statements (January 2008)
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The limit on a Defined benefit Asset, Minimum Funding Requirements and their Interaction

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

The Company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Homeserve plc which prepares consolidated accounts which are publicly available.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Goodwill
Goodwill arising on acquisitions represents the excess of the cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities acquired.

Goodwill is recognised as an asset and reviewed for impairment annually or more frequently if there is an indication that it may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash generating units expected to benefit from the synergies of the combination. If the recoverable amount is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the Accounts

year ended 31 March 2008

2. Significant accounting policies (continued)

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from the sale of policies, stated net of underwriting, commissions payable and Insurance Premium Tax.

Revenue is recognised on the sale of a policy except where an obligation exists to provide future services where an appropriate proportion of monies received in advance are treated as deferred income and recognised over the relevant period.

Investment income is recognised in the Income Statement in the period in which it is earned.

Leasing
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Borrowing costs
Borrowing costs are recognised in the Income Statement in the period in which they are incurred.

Operating profit
Operating profit is stated after charging all operating costs but before investment income and finance costs.

Retirement benefit costs
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Contributions to defined benefit retirement schemes are charged to the profit and loss account on a systematic basis over the service lives of the employees.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Notes to the Accounts

year ended 31 March 2008

2. Significant accounting policies (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any provision of impairment.

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

Computer equipment	3 - 5 years
Motor vehicles	2 years
Furniture, fixtures and equipment	7 years
Buildings	25 - 50 years

Intangible assets
Intangible assets that are acquired on acquisition of a subsidiary undertaking or business are stated at their fair value and are amortised over their useful lives as follows:

Customer databases	3 – 10 years

Computer software and the related licences are stated at cost and amortised over their useful lives of 3 – 5 years.

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for slow moving or defective items where appropriate.

Financial instruments
Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Notes to the Accounts

year ended 31 March 2008

2. Significant accounting policies (continued)

Financial instruments (continued)

Trade receivables
Trade receivables do not carry any interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and demand deposits.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade payables
Trade payables are not interest bearing and are stated at amortised cost.

Equity instruments
Equity instruments issued by the Company are recorded at proceeds received net of direct issue costs.

Share-based payments
The Company has applied the requirements of IFRS 2 Share-based payments. In accordance with the transitional provision, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 April 2005.

Homeserve plc, the ultimate parent company, issues equity-settled share-based payments to certain employees of Homeserve GB Limited. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled, share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Fair value is measured by use of the Black-Scholes model or Monte Carlo Simulation models depending on the type of scheme.

The Company also provides employees with the ability to purchase ordinary shares in the ultimate parent company, Homeserve plc, at a discount to the current market value through Save As You Earn schemes. The Company records an expense, based on its estimate of the discount related to shares expected to vest on a straight-line basis over the vesting period.

Judgements and estimation uncertainty

Revenue recognition
An appropriate proportion of revenue is deferred to future periods when the Company has obligations extending to future periods. As a result, judgement is required in assessing the extent and associated costs of fulfilling those future obligations. The Company uses historical experience and forecast activity levels in determining the appropriate amount of revenue to recognise in the current period and how much to defer to future periods.

Impairment of goodwill
The annual impairment assessment in respect of goodwill requires estimates of the value in use of cash generating units to which goodwill has been allocated to be calculated. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows. The carrying value of goodwill is £3,228,000 (2007: £3,228,000).

Notes to the Accounts

year ended 31 March 2008

2. Significant accounting policies (continued)

Judgements and estimation uncertainty (continued)

Provision for doubtful debts
Trade receivables are stated after the inclusion of an allowance for irrecoverable or doubtful debts. This provision is estimated by the directors by reference to past default experience.

Deferred tax assets on share schemes
Deferred tax assets on share option schemes are determined by reference to the number of options outstanding, the likelihood of exercise of those options and the share price at the balance sheet date. The directors use historical experience and forecast activity levels to estimate the expected number of exercisable options in the future.

3. Revenue
An analysis of the Company's revenue is as follows:

	2008 £000	2007 £000
Provision of services	**156,437**	137,205
Investment income (note 7)	**3,185**	1,938
	159,622	139,143

4. Business and geographical segments
The Company operates in one business segment and operates solely within the United Kingdom.

5. Profit for the year
Profit for the year has been arrived at after charging:

	2008 £000	2007 £000
Included in operating costs:		
Depreciation of property, plant and equipment	**1,317**	999
Amortisation of software licences	**594**	462
Staff costs (note 6)	**34,780**	28,080
Auditors' remuneration for audit services	**42**	37
Loss on disposal of property, plant and equipment	**3**	-
Amortisation of acquisition intangibles	**422**	422
Impairment of investment (note 14)	**8**	-
Other operating costs	**42,350**	41,852
	79,516	71,852

A more detailed analysis of auditor's remuneration is provided below:

	2008 £000	2007 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**42**	37
Total audit fees	**42**	37
Tax services	**4**	4
Total non-audit fees	**4**	4

Notes to the Accounts

year ended 31 March 2008

6. Staff costs

The average monthly number of employees (including directors) was:

	2008 Number	2007 Number
Average number of employees	**1,227**	996

	£000	£000
Their aggregate remuneration comprised:		
Wages and salaries	**30,823**	25,100
Social security costs	**3,200**	2,604
Other pension costs (note 25)	**757**	376
	34,780	28,080

Director's remuneration is disclosed in note 26.

7. Investment income

	2008 £000	2007 £000
Interest on bank deposits	**3,185**	1,938

8. Tax

	2008 £000	2007 £000
Current tax	**24,185**	20,142
Deferred tax (note 17)	**(260)**	37
	23,925	20,179

UK corporation tax is calculated at 30% (2007: 30%) of the estimated assessable loss for the year. In March 2007 the UK government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation was substantively enacted in July 2007. As a result of this change, deferred tax assets and liabilities have been restated in the period to 28% of all temporary differences.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2008 £000	2007 £000
Profit before tax	**80,106**	67,291
Tax at the UK corporation rate of 30% (2007: 30%)	**24,032**	20,187
Tax effect of expenses that are not deductible in determining taxable profit	**53**	217
Adjustments in respect of prior years – current tax	**(203)**	(328)
Adjustments in respect of prior years – deferred tax	**43**	103
Tax expense for the year	**23,925**	20,179

9. Dividends

	2008 £000	2007 £000
Amounts recognised as distributions to equity holders in the year:		
Dividend for the year ended 31 March 2008 of £430.92 (2007: £354.36) per share	**47,100**	38,732

10. Business transfer

On 31 March 2008, a business transfer agreement was entered into which transferred the trade and certain of the assets of Homeserve Warranties Limited and Homeserve Care Solutions Limited, both fellow subsidiary undertakings, to the Company. The assets were transferred at fair value at the date of transfer. Details of the fair value of the assets and liabilities transferred are set out below. The provisional fair values are equal to the book values at the date of transfer.

	Homeserve Warranties Limited £000	Homeserve Care Solutions Limited £000	**Total £000**
Investments	50	-	**50**
Other intangible assets	273	-	**273**
Property, plant and equipment	545	3	**548**
Deferred tax assets	759	3	**762**
Inventories	80	294	**374**
Trade and other receivables	14,920	1,030	**15,950**
Cash and cash equivalents	3,864	1,901	**5,765**
Trade and other payables	(13,835)	(1,033)	**(14,868)**
Current tax asset/(liability)	57	(255)	**(198)**
Deferred income	(2,059)	-	**(2,059)**
	4,654	1,943	**6,597**

Notes to the Accounts

year ended 31 March 2008

11. Goodwill

	£000
Cost	
At 1 April 2006, 1 April 2007 and 31 March 2008	**3,228**
Accumulated impairment losses	
At 1 April 2006, 1 April 2007 and 31 March 2008	**-**
Carrying amount	
At 31 March 2007 and 31 March 2008	**3,228**

The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on detailed business plans. Changes in selling prices and direct costs are based on expectations of future changes in the market.

The Company prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next three years and extrapolates cash flows based on an estimated growth rate of 2.5% (2007: 2.5%). The pre tax rate used to discount the forecast cash flow for all CGUs is 11.3% (2007: 11.3%).

12. Other intangible assets

	Customer databases £000	Software licences £000	Total £000
Cost			
At 1 April 2006	3,271	2,536	**5,807**
Additions	-	628	**628**
At 1 April 2007	3,271	3,164	**6,435**
Additions	-	1,654	**1,654**
Transfer from fellow Group undertakings	-	273	**273**
At 31 March 2008	**3,271**	**5,091**	**8,362**
Accumulated amortisation			
At 1 April 2006	460	1,213	**1,673**
Charge for the year	422	462	**884**
At 1 April 2007	882	1,675	**2,557**
Charge for the year	422	594	**1,016**
At 31 March 2008	**1,304**	**2,269**	**3,573**
Carrying amount			
At 31 March 2008	**1,967**	**2,822**	**4,789**
At 31 March 2007	2,389	1,489	3,878

Notes to the Accounts

year ended 31 March 2008

13. Property, plant and equipment

	Land and buildings £000	Furniture, fixtures and equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2006	15,738	1,050	4,340	-	**21,128**
Additions	4,707	60	806	-	**5,573**
Disposals	-	-	(43)	-	**(43)**
At 1 April 2007	20,445	1,110	5,103	-	**26,658**
Additions	3,027	714	1,038	-	**4,779**
Disposals	-	(7)	-	-	**(7)**
Transfer from fellow Group undertaking	-	283	174	91	**548**
At 31 March 2008	**23,472**	**2,100**	**6,315**	**91**	**31,978**
Accumulated depreciation					
At 1 April 2006	1,109	412	3,079	-	**4,600**
Charge for the year	376	150	473	-	**999**
Disposals	-	-	(42)	-	**(42)**
At 1 April 2007	1,485	562	3,510	-	**5,557**
Charge for the year	538	183	596	-	**1,317**
Disposals	-	(4)	-	-	**(4)**
At 31 March 2008	**2,023**	**741**	**4,106**	-	**6,870**
Carrying amount					
At 31 March 2008	**21,449**	**1,359**	**2,209**	**91**	**25,108**
At 31 March 2007	18,960	548	1,593	-	21,101

14. Investments in subsidiaries

Details of the Company's subsidiaries at 31 March 2008 are as follows:

Name of subsidiary	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest %	Proportion of power held %
Tradehill Limited	Dormant	England	100	100
National Property Solutions Limited	Dormant	England	100	100
Disaster Restoration Limited	Dormant	England	100	100
Homeserve Automotive Services Limited	Dormant	England	100	100
Principal Services (International) Limited	Dormant	England	100	100

14. Investments in subsidiaries (continued)

The movement in investments is as follows:

	Total £000
Cost	
At 1 April 2006 and 1 April 2007	8
Transfer from fellow Group undertaking	50
At 31 March 2008	**58**
Provision for impairment	
At 1 April 2006 and 1 April 2007	-
Impairment of investment	8
At 31 March 2008	**8**
Carrying amount	
At 31 March 2008	**50**
At 31 March 2007	8

During the year, the investment in Tradehill Limited has been written down to nil.

15. Inventories

	2008 £000	2007 £000
Finished goods	**374**	-

16. Financial assets

Trade and other receivables

	2008 £000	2007 £000
Amounts receivable for the provision of services	**49,160**	42,733
Amounts owed by other Group undertakings	**6,397**	73
Other debtors	**58,503**	49,178
Prepayments and accrued income	**2,488**	894
	116,548	92,878

No interest is charged on the receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £537,000 (2007: £516,000). This allowance has been determined by reference to past default experience.

The Company has provided fully for those receivable balances that it does not expect to recover. This assessment has been undertaken by reviewing the status of all significant balances that are past due and involves assessing both the reason for non-payment and the credit worthiness of the counterparty.

Included in the Company's trade receivable balance are debtors with a carrying amount of £3.8million (2007: £0.2milliion) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances.

16. Financial assets (continued)

Trade and other receivables

Ageing of past due but not impaired receivables:

	2008 £000	2007 £000
1 – 30 days	1,631	180
30 – 60 days	478	-
60 – 90 days	514	-
90 days +	1,151	-
Balance at 31 March past due but not impaired	3,774	180
Current	45,386	42,553
Balance at 31 March	49,160	42,733

Movement in the allowance for doubtful debts:

	2008 £000	2007 £000
At 1 April	516	380
Transfer from fellow Group undertaking	177	-
Impairment losses recognised	-	136
Amounts written off as uncollectible	(156)	-
Balance at 31 March	537	516

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables:

	2008 £000	2007 £000
1 – 30 days	-	-
30 – 60 days	107	71
60 – 90 days	48	31
90 days +	382	414
	537	516

In the current and prior year, the age of amounts receivable from Group companies is current. As disclosed in note 26, no provisions are necessary in respect of amounts owed by related parties, as none of these balances are considered doubtful.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Cash balances and cash equivalents
Cash balances and cash equivalents of £51,039,000 (2007: £33,998,000) comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

17. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior year.

	Accelerated tax depreciation £000	Elected goodwill deductions £000	Share schemes £000	Acquired intangible assets £000	Total £000
At 1 April 2006	(389)	-	589	(704)	(504)
(Charge)/credit to income	(183)	-	146	-	(37)
Credit to equity	-	-	394	-	394
At 1 April 2007	(572)	-	1,129	(704)	(147)
(Charge)/credit to income	(242)	(43)	269	276	260
Credit to equity	-	-	79	-	79
Transfer from fellow Group undertaking	95	-	667	-	762
At 31 March 2008	**(719)**	**(43)**	**2,144**	**(428)**	**954**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2008 £000	2007 £000
Deferred tax liabilities	**(1,190)**	(1,276)
Deferred tax assets	**2,144**	1,129
Net deferred tax asset/(liability)	**954**	(147)

18. Current liabilities – Trade and other payables

	2008 £000	2007 £000
Trade creditors and accruals	**46,295**	28,490
Amounts owed to other Group undertakings	**12,863**	5,933
Taxes and social security, excluding current tax	**983**	973
Other creditors	**53,156**	44,766
	113,297	80,162

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 58 days (2007: 45 days).

The directors consider that the carrying amount of trade payables approximates their fair value.

19. Non current liabilities – Other financial liabilities

	Deferred income £000
At 1 April 2007	391
Movement in year	197
Transfer from fellow Group undertaking	2,059
At 31 March 2008	**2,647**

Deferred income represents turnover where an obligation exists to provide future services. An appropriate proportion of monies received in advance are treated as deferred and recognised over the relevant period.

20. Share capital

	2008 £000	2007 £000
Authorised:		
112,000 ordinary shares of £1 each	**112**	112
Issued and fully paid:		
109,300 ordinary shares of £1 each	**109**	109

The Company has one class of ordinary shares, which carries no right to fixed income.

Share capital represents consideration received for the nominal value of £1 per share on all issued and fully paid shares.

Notes to the Accounts

year ended 31 March 2008

21. Reconciliation of movements in equity

	Share capital £000	Share premium £000	Capital redemption reserve £000	Share incentive reserve £000	Retained earnings £000	Total equity £000
At 1 April 2006	109	6,355	12	292	48,201	**54,969**
Dividends	-	-	-	-	(38,732)	**(38,732)**
Profit for the year	-	-	-	-	47,112	**47,112**
Share based payment charges in the year	-	-	-	488	-	**488**
Share options exercised in the year	-	-	-	(13)	13	-
Current tax on share options taken directly to reserves	-	-	-	-	153	**153**
Deferred tax asset on share option gains taken directly to reserves	-	-	-	-	394	**394**
At 1 April 2007	109	6,355	12	767	57,141	**64,384**
Dividends	-	-	-	-	(47,100)	**(47,100)**
Profit for the year	-	-	-	-	56,181	**56,181**
Share based payment charges in the year	-	-	-	961	-	**961**
Share options exercised in the year	-	-	-	(412)	412	-
Current tax on share options taken directly to reserves	-	-	-	-	510	**510**
Deferred tax asset on share option gains taken directly to reserves	-	-	-	-	79	**79**
At 31 March 2008	**109**	**6,355**	**12**	**1,316**	**67,223**	**75,015**

Reserves

The share premium account represents consideration received for authorised shares in excess of the nominal value of £1 per share.

The share incentive reserve represents the cumulative charges to income under IFRS 2 'Share Based Payments' on all share options and schemes granted after 7 November 2002 that had not vested as at 1 January 2005, net of share option exercises. The capital redemption reserve arose on the redemption of 12,000 £1 redeemable preference shares on 1 July 2002.

Notes to the Accounts

year ended 31 March 2008

22. Notes to the cash flow statement

	2008 £000	2007 £000
Operating profit	**76,921**	65,353
Adjustments for:		
Loss on disposal of property, plant and equipment	**3**	-
Depreciation of property, plant and equipment	**1,317**	999
Amortisation of intangible assets	**1,016**	884
Share based payments expense	**961**	488
Impairment of investment	**8**	-
Operating cash flows before movements in working capital	**80,226**	67,724
Increase in receivables	**(7,720)**	(15,266)
Increase in payables	**11,867**	10,112
Cash generated by operations	**84,373**	62,570
Income taxes paid	**(22,749)**	(18,509)
Net cash from continuing operating activities	**61,624**	44,061

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short term bank deposits with an original maturity of three months or less.

23. Operating lease arrangements

The Company as lessee

	2008 £000	2007 £000
Minimum lease payments under operating leases recognised in income for the year	196	203

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 £000	2007 £000
Within one year	194	134
In the second to fifth years inclusive	358	38
	552	172

Operating lease payments principally represent rentals payable by the Company for motor vehicles and office equipment.

24. Share based payments

During the year ended 31 March 2008, the Company participated in 4 share based payment arrangements through its ultimate parent company, Homeserve Plc, which are described below:

i) **Executive Share Option Plan ("ESOP")**
The ESOP provides for a grant price equal to the closing quoted market price of Homeserve plc shares on the day before the date of grant. The vesting period is three years and is dependent upon the real increase in Earnings Per Share over the vesting period. If the options remain unexercised after a period of 10 years from the date of grant, the options expire.

ii) **2005 Key Executive Incentive Plan ("KEIP")**
The KEIP provides for a grant price equal to the closing quoted market price of Homeserve plc shares on the day before the date of grant. The awards vest in two tranches, the first being between three and four years from the date of grant and the second being on the second anniversary of the vesting of the first tranche. The number of awards vesting is dependent upon the Profit Before Tax of the Homeserve plc Group for the year ending 31 March 2008 and is subject to a minimum share price criteria during the year ending 31 March 2009. If the options remain unexercised after a period of 10 years from the date of grant, the options expire.

iii) **Save As You Earn Scheme ("SAYE")**
The SAYE is open to all UK employees and provides for an exercise price equal to the closing quoted market price of Homeserve plc shares on the day before the date of grant, less a discretionary discount. The options can be exercised during a six month period following the completion of either a three or five year savings period.

iv) **Conditional Share Schemes ("CSS")**
Awards under the Conditional Share Scheme vest in three tranches on the first (25%), second (25%) and the third (50%) anniversary of the grant.

The estimated fair values are calculated by applying a Black Scholes option pricing model for the ESOP and SAYE and Monte Carlo simulations for the KEIP. The assumptions used in the models are as follows:

Input	**Assumption**
Share price	Price at date of grant
Exercise price	Per scheme rules
Expected volatility	20% - 30%
Option life	Per scheme rules
Expected dividends	Based on historic dividend yield
Risk free interest rate	4.2% - 5.1%

Levels of early exercises and lapses are estimated using historical averages.

The Company recognised total expenses of £961,000 (2007: £488,000) related to equity-settled share-based payment transactions.

Notes to the Accounts

year ended 31 March 2008

24. Share based payments (continued)

	ESOP	KEIP	CSS	SAYE
2007				
Number				
Outstanding at 1 April 2006	305,000	266,500	-	148,408
Granted	89,681	100,278	49,207	58,578
Lapsed	(17,883)	(29,500)	-	(8,597)
Exercised	(32,947)	-	-	(8,063)
Outstanding at 31 March 2007	343,851	337,278	49,207	190,326
Exercisable at 31 March 2007	87,053	-	-	-
Weighted average exercise price (£)				
Outstanding at 1 April 2006	7.00	10.18	-	7.10
Granted	14.07	17.95	-	14.48
Lapsed	12.82	11.47	-	12.66
Exercised	4.93	-	-	4.66
Outstanding at 31 March 2007	8.74	12.38	-	9.11
Exercisable at 31 March 2007	5.01	-	-	-
Range of exercise prices for options outstanding at 31 March 2007	£3.78 - £14.07	£9.61 - £17.95	£18.29	£4.66 - £14.48
Weighted average remaining contractual life	7	9	2	3
Weighted average fair value of options awarded in 2007	£3.13	£2.52	£18.29	£6.00

	ESOP	KEIP	CSS	SAYE
2008				
Number				
Outstanding at 1 April 2007	343,851	337,278	49,207	190,326
Granted	115,181	-	-	43,827
Lapsed	(10,000)	(31,000)	-	(19,794)
Exercised	(102,053)	-	(12,301)	-
Outstanding at 31 March 2008	346,979	306,278	36,906	214,359
Exercisable at 31 March 2008	65,000	-	-	58,975
Weighted average exercise price (£)				
Outstanding at 1 April 2007	8.74	12.38	-	9.11
Granted	17.18	-	-	14.50
Lapsed	9.61	12.77	-	12.39
Exercised	6.01	-	-	-
Outstanding at 31 March 2008	12.32	12.34	-	9.97
Exercisable at 31 March 2008	£5.42	-	-	£5.34
Range of exercise prices for options outstanding at 31 March 2008	£3.78 - £17.18	£9.61 - £17.95	£18.29	£4.66 - £14.50
Weighted average remaining contractual life	7	8	2	2
Weighted average fair value of options awarded in 2008	£3.93	-	-	£5.17

25. Retirement benefit scheme

The employees of the Company participate in two funded pension schemes. A small number of employees participate in a defined benefit retirement scheme. The Company operates a defined contribution Money Plan Pension scheme for the majority of employees.

Defined contribution schemes

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions paid by the Company are forfeited by the employee.

The total cost charged to income of £584,000 (2007: £319,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the schemes. At 31 March 2008, contributions of £nil (2007: £nil) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit scheme

The Company participates in a defined benefit scheme, the Water Companies Pension Scheme, for a small number of employees. This is a sectionalised final salary scheme and the Company participates in the Homeserve plc Group Section of the Scheme. The Section funds are administered by the trustees and are independent of the Company's finances. Contributions are paid to the Section in accordance with the recommendations of an independent actuarial adviser. The Section has a history of raising pensions in line with price inflation, and these increases are reflected in the measurement of the obligation.

The results of the actuarial valuation as at 1 April 2005 were updated to the accounting date by an independent qualified actuary in accordance with IAS19. As required by IAS19, the value of the defined benefit obligation, the past service cost and the current service cost have been measured using the projected unit credit method.

	Valuation at	
	2008	2007
	%	%
Key assumptions used:		
Discount rate at 31 March	**6.5%**	5.2%
Retail price inflation	**3.7%**	3.2%
Expected rate of salary increases	**5.7%**	5.2%
Future pension increases	**3.7%**	3.2%
Expected rate of return on scheme assets at 31 March	**7.7%**	7.8%
Life expectancy of male aged 60 at balance sheet date	**26.8 years**	25.7 years

Amounts recognised in the Homeserve plc Group accounts income in respect of these defined benefit schemes are as follows:

	2008	2007
	£000	£000
Current service cost	**603**	630
Interest cost	**767**	665
Expected return on scheme assets	**(1,087)**	(818)
Past service cost	**196**	144
	479	621

The actual return on scheme assets was a loss of £874,000 (2007: gain of £1,238,000).

25. Retirement benefit scheme (continued)

The amount included in the Homeserve plc balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2008 £000	2007 £000
Present value of defined benefit obligations	**(13,283)**	(14,535)
Fair value of scheme assets	**13,458**	13,888
Surplus/(deficit) in scheme	**175**	(647)
Past service cost not yet recognised in balance sheet	**-**	-
Non-recognition of surplus	**(175)**	-
Liability recognised in the balance sheet	**-**	(647)

The amount is presented in the balance sheet as follows:

Non-current liabilities	**-**	(647)
	-	(647)

Movements in the present value of defined benefit obligations in the current period were as follows:

	2008 £000	2007 £000
At 1 April	**14,535**	13,200
Employer's part of the current service cost	**603**	630
Interest cost	**767**	665
Contributions from scheme members	**94**	98
Actuarial gains and losses	**(2,675)**	(234)
Benefits paid	**(237)**	32
Past service cost	**196**	144
At 31 March	**13,283**	14,535

Movements in the fair value of scheme assets in the current period were as follows:

	2008 £000	2007 £000
At 1 April	**13,888**	12,044
Expected return on scheme assets	**1,087**	818
Actuarial gains and losses	**(1,961)**	420
Contributions from the sponsoring companies	**587**	476
Contributions from scheme members	**94**	98
Benefits paid	**(237)**	32
At 31 March	**13,458**	13,888

Note – "benefits paid" represents an inflow into the Section as a result of transfer payments received.

25. Retirement benefit scheme (continued)

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Expected return		Fair value of assets	
	2008	2007	**2008**	2007
	%	%	**£000**	£000
Equity instruments	**7.7**	7.8	**13,457**	13,894
Other assets	**4.4**	4.5	**1**	(6)
At 31 March			**13,458**	13,888

The overall expected rate of return on assets for the financial year ending 31 March 2008 was 7.8% pa (2007: 6.9% pa). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the Section was invested in at 31 March 2007.

The history of experience adjustments is as follows:

	2008	2007	2006	2005
	£000	£000	£000	£000
Present value of defined benefit obligations	**(13,283)**	(14,535)	(13,200)	(9,854)
Fair value of scheme assets	**13,458**	13,888	12,044	7,276
Deficit in the scheme	**175**	(647)	(1,156)	(2,578)

	2008	2007	2006	2005
Experience adjustments on scheme liabilities				
Amount of (gain)/loss (£'000)	**(164)**	144	95	(107)
Percentage of scheme liabilities (%)	**1**	1	1	(1)
Experience adjustments on scheme assets				
Amount of (gain)/loss (£'000)	**1,961**	(420)	(1,628)	(206)
Percentage of scheme liabilities (%)	**15**	(3)	(14)	(3)

In subsequent accounting periods a history (building up to 5 years) of the Section's experience will be illustrated.

26. Related party transactions

Ultimate Parent Company

The immediate parent company is Homeserve Assistance Limited. The ultimate parent and controlling party is Homeserve plc registered in England and Wales. The only group in which the results of Homeserve Membership Limited (formerly Homeserve GB Limited) are consolidated is that headed by Homeserve plc. The consolidated accounts of the Group and the accounts of the Company are available to the public and may be obtained from Cable Drive, Walsall, West Midlands, WS2 7BN.

26. Related party transactions (continued)

Trading transactions

During the year, the Company entered into the following transactions with other Group Companies:

Company	Provision of goods 2008 £000	Provision of goods 2007 £000	Purchase of services 2008 £000	Purchase of services 2007 £000
Homeserve Servowarm Limited	112	114	42	322
Homeserve Claims Management Limited	-	-	395	676
Homeserve Emergency Services Limited	35	35	-	-
Homeserve Property Repairs Limited	45	-	-	
	192	149	437	998

The Company incurred management recharges of £5,460,000 from Homeserve plc (2007: £3,152,000), £945,000 from Homeserve Claims Management Limited (2007: £896,000) and £333,000 from Homeserve Emergency Services Limited (2007: £56,000).

Company	Amounts owed by related parties 2008 £000	Amounts owed by related parties 2007 £000	Amounts owed to related parties 2008 £000	Amounts owed to related parties 2007 £000
Homeserve Assistance Limited	-	64	11	-
Homeserve Claims Management Limited	-	-	2,916	301
Homeserve Emergency Services Limited	-	-	31	56
Homeserve Enterprises Limited	4	-	-	26
Homeserve International Limited	18	2	-	-
Homeserve plc	492	-	-	3,347
Homeserve Servowarm Limited	-	-	471	2,195
Homeserve Warranties Limited	-	7	4,654	-
Homeserve Care Solutions Limited	-	-	1,943	-
Homeserve At Home Limited	-	-	2,465	-
Multimaster Limited	-	-	372	-
Homeserve Retail Warranties Limited	5,883	-	-	-
Trade Hill Limited	-	-	-	8
	6,397	73	12,863	5,933

Provision of services to and the purchase of services from related parties were made at arm's length prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties. No interest is charged on amounts owed to or owed by related parties.

26. Related party transactions (continued)

Directors' transactions

During the year, the Company purchased consultancy services from The Open Consultancy Limited, a company connected to a close family member of Frank Atkinson. The total value of purchases amounted to £148,000 (2007: £218,000) and the balance due to The Open Consultancy Limited at the year end amounted to £10,000 (2007: £13,000).

During the year, the Company purchased services from Harpin Limited, a company controlled by Richard Harpin. The total value of purchases amounted to £5,000 (2007: £nil). No amounts were owed to Harpin Limited at the year end (2007: £nil).

Except as noted above, there were no transactions with directors requiring disclosure.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	2008 **£000**	2007 £000
Short-term employee benefits	**1,610**	823
Post-employment benefits	**120**	51
Share-based payment	**594**	81
	2,324	955

Mr Bennett, Mr Harpin and Mr Simpson-Dent are remunerated by other Group undertakings, and no part of their remuneration is specifically attributable to their services to Homeserve GB Limited.

The highest paid Director received emoluments of £1,091,000 (2007:£264,000). Pension contribution to individual money purchase schemes on behalf of this director amounted to £30,000 (2007:£11,000).

27. Financial instruments

Principal financial instruments

The principal financial instruments used by the Company from which financial instrument risk arises are as follows:

- cash and cash equivalents
- trade receivables
- trade payables
- inter-company receivables and payables

All principal financial instruments are stated at amortised cost.

Notes to the Accounts

year ended 31 March 2008

27. Financial instruments (continued)

Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the appropriate balance of debt and equity. The capital structure of the Company consists of debt, which includes the cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings and disclosed in notes 20 to 21.

The table below presents quantitative data for the components the Company manages as capital:

	2008 **£000**	2007 £000
Shareholders' funds	**75,015**	64,384

Financial risk management objectives

The Company's principal financial instruments comprise cash and cash equivalents. The Company also has various other financial instruments such as trade receivables and trade payables which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt requirements with floating interest rates. The Company's policy is to manage its interest income using a mix of fixed and variable rate debts. To manage this, the ultimate parent, Homeserve plc, enters into interest rate swaps in which the parent company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

The maturity profile of the Company's financial liabilities is provided in the following table:

	Trade payables £000	Deferred income £000	Total £000
2008			
Under 2 months	113,297	-	**113,297**
Between 2 and 6 months	-	-	-
Between 6 and 12 months	-	-	-
Between 1 and 2 years	-	2,647	**2,647**
Total	**113,297**	**2,647**	**115,944**

	Trade payables £000	Deferred income £000	Total £000
2007			
Under 2 months	80,162	-	80,162
Between 2 and 6 months	-	-	-
Between 6 and 12 months	-	-	-
Between 1 and 2 years	-	391	391
Total	80,162	391	80,553

27. Financial instruments (continued)

In the current and prior year, the age of amounts payable to Group companies is under 2 months.

The ultimate parent company has entered into an interest rate swap in order to manage the interest rate risks arising from the Company's operations and its sources of finance. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

The following table demonstrates the sensitivity to a reasonably possible change of 10% increase in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings):

	2008	2007
Increase in interest rate	**10%**	10%
Effect on profit before tax (£000)	**319**	194

Credit risk

The Company trades only with creditworthy third parties and fellow subsidiary undertakings. It is the Company's policy that customers who wish to trade on credit terms are reviewed for financial stability.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents the Company's exposure to credit risk arises from default of the Counterparty.

The Company manages the risk associated with cash and cash equivalents through depositing funds only with reputable and credit worthy banking institutions.

The Company has a maximum exposure equal to the carrying amount of the above receivables and instruments.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Company's Board which sets the framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company, which is a member of the Homeserve plc banking arrangement, manages liquidity risk by Homeserve plc maintaining adequate reserves and banking facilities and the Company continuously monitoring forecast and actual cash flows.