HomeServe Membership Limited

Report and Accounts for the year ended

31 March 2015

Company Registration No: 2770612

Strategic report

The Directors present their strategic report for the year to 31 March 2015.

Principal Activity

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

The Company's principal activity is that of retailing, through direct mail and telesales activity, affinity branded domestic assistance insurance policies which are underwritten by a third party. 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 trading activity 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.

Financial Review

Revenue has decreased from £287,544,000 to £284,289,000 while profit before tax has increased to £72,706,000 from £29,963,000. The balance sheet on page 7 of the financial statements shows the Company's financial position at the year end. During the year, net assets have decreased from £95,473,000 to £94,115,000.

Principal Risks and Uncertainties

Risks and uncertainties that could have a material impact on the Company's future performance are:

- Ability to implement an updated strategy successfully within the Company
- Commercial relationships
- Competition
- Customer loyalty / retention
- Marketing effectiveness
- Exposure to legislation or regulatory requirements
- Availability of underwriters
- Quality of customer service
- Dependence on recruitment and retention of skilled personnel
- Constraints of IT systems to growth and efficiency
- Financial strategy and treasury risk

These risks are discussed in detail in the Group's Annual Report which does not form part of this Report.

Financial Reporting Policies

The Company has opted to present its financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Accordingly, the accounts for the year ended 31 March 2015 and the prior year have been prepared in accordance with IFRSs.

Environment

The Company is committed to environmental sustainability. 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.

Strategic report

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 attitudes, 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 attitudes 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.

Financial Results

The Company's results are shown in the income statement on page 6. The profit for the year of £56,998,000 (2014: £17,711,000) has been transferred to retained earnings.

Key performance indicators

	2015	2014
Customers	2.1m	2.1m
Policies	5.1m	5.0m
Retention rate	83%	82%
Income per customer	£93	£101

Technology investment

We are making progress with our plans to upgrade our IT systems. Our intention is to replace our core customer IT system and invest in new technology that allows us to improve the products and service we offer our customers and to increase our efficiency. We have now implemented a limited version of the replacement Pega Systems software which is operating as expected. Having now worked with the new software we are confident that we have the right technology solution to allow us to significantly improve how we interact with our customers and reduce our cost to serve. We expect to have completed the replacement of the system within the next twelve months.

Going Concern and Future Outlook

The Directors confirm that, after reviewing the Company's budget and projected cash flows, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

The company is reliant on the support of its parent company, Homeserve PLC to be able to meet its liabilities as they fall due. However, the directors consider that the company is an integral part of Homeserve PLC's structure and strategy and this is evidenced by a letter of support from Homeserve PLC, which states its intent to provide the necessary financial support to ensure that the company is a going concern for at least twelve months from the date of signing of these financial statements.

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.

By order of the board

Martin John Bennett
Chief Executive Officer
18 June 2015

Alex Johnson
Chief Financial Officer
18 June 2015

Directors' Report

The Directors have pleasure in submitting their Report and Accounts for the year to 31 March 2015.

An indication of likely future developments in the business of the Company is included in the strategic report.

Information about the use of financial instruments by the Company is given in note 32 to the financial statements.

Directors

The Directors who held office during the year were as follows:

Martin John Bennett
Diana Susan Miller
Russell Johnston (resigned 31 July 2014)
David Jonathan Bennett
Michael Gregory Reed
Johnathan Ford
Nathan Moss
David Hynam (appointed 22 September 2014)
Helen Miles (resigned 31 October 2014)
Alex Johnson (appointed 17 March 2015)
Paul Nourse (appointed 17 March 2015)

None of the Directors had a material interest in any trading contract to which the Company was a party during the financial year.

Dividends

During the year the Company paid a dividend of £50,000,000 (2014: £nil).

Political Contributions

No political contributions were made in the current or prior year.

Auditor

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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be re-appointed for another term and appropriate arrangements have been put in place for them to be deemed re-appointed as auditor in the absence of an AGM.

By order of the board

Martin John Bennett
Chief Executive Officer
18 June 2015

Alex Johnson
Chief Financial Officer
18 June 2015

Directors' Responsibility Statement

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. 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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 Auditor's Report

Independent auditor's report to the members of HomeServe Membership Limited

We have audited the financial statements of HomeServe Membership Limited for the year ended 31 March 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibility Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Matthew Perkins

Matthew Perkins ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, UK

18 June 2015

Income Statement

Year ended 31 March 2015

	Notes	2015 £000	2014 £000
Continuing operations			
Revenue	4	**284,289**	287,544
Operating costs	7	**(212,106)**	(266,537)
Operating profit		**72,183**	21,007
Investment income	9	**523**	8,987
Finance expense	10	**-**	(31)
Profit before tax and exceptional expenditure		**68,114**	76,224
Exceptional items	6	**4,592**	(46,261)
Profit before tax		**72,706**	29,963
Tax	11	**(15,708)**	(12,252)
Profit for the year being attributable to the equity holders of the Company		**56,998**	17,711

Statement of Comprehensive Income

Year ended 31 March 2015

	2015 £000	2014 £000
Profit for the year	**56,998**	17,711
Total comprehensive income for the year	**56,998**	17,711

Balance Sheet

31 March 2015

	Notes	**2015 £000**	2014 £000
Non-current assets			
Goodwill	13	**28,068**	28,068
Other intangible assets	14	**54,500**	26,978
Property, plant and equipment	15	**24,498**	23,606
Deferred tax assets	19	**502**	1,583
		107,568	80,235
Current assets			
Inventories	17	-	124
Trade and other receivables	18	**131,874**	137,096
Cash and cash equivalents	18	**17,075**	26,111
		148,949	163,331
Total assets		**256,517**	243,566
Current liabilities			
Trade and other payables	20	**(156,529)**	(135,049)
Provisions	22	-	(7,531)
Current tax liabilities		**(5,873)**	(5,077)
		(162,402)	(147,657)
Net current (liabilities)/assets		**(13,453)**	15,674
Non-current liabilities			
Other financial liabilities	21	-	(436)
		-	(436)
Total liabilities		**(162,402)**	(148,093)
Net assets		**94,115**	95,473
Equity			
Share capital	23	**109**	109
Share premium account	24	**6,355**	6,355
Share incentive reserve	25	-	5,302
Capital redemption reserve	26	**12**	12
Retained earnings		**87,639**	83,695
Total equity		**94,115**	95,473

The financial statements of HomeServe Membership Limited, registered number 2770612, were approved by the board of Directors and authorised for issue on 18 June 2015 They were signed on its behalf by:

Martin John Bennett
Chief Executive Officer
18June2015

Statement of Changes in Equity

Year ended 31 March 2015

	Share capital £000	Share premium account £000	Share incentive reserve £000	Capital redemption reserve £000	Retained earnings £000	**Total £000**
Balance at 1 April 2014	109	6,355	5,302	12	83,695	**95,473**
Total comprehensive income	-	-	-	-	56,998	**56,998**
Dividends	-	-	-	-	(50,000)	**(50,000)**
Distribution in relation to share based payments	-	-	(5,302)	-	(3,395)	**(8,697)**
Deferred tax on share option gains taken directly to reserves	-	-	-	-	341	**341**
Balance at 31 March 2015	**109**	**6,355**	**-**	**12**	**87,639**	**94,115**

Year end 31 March 2014

	Share capital £000	Share premium account £000	Share incentive reserve £000	Capital redemption reserve £000	Retained earnings £000	**Total £000**
Balance at 1 April 2013	109	6,355	4,129	12	65,360	**75,965**
Total comprehensive income	-	-	-	-	17,711	**17,711**
Share based charges in the year	-	-	1,298	-	-	**1,298**
Share options exercised in the year	-	-	(125)	-	125	**-**
Deferred tax on share option gains taken directly to reserves	-	-	-	-	435	**435**
Tax on exercised share options	-	-	-	-	64	**64**
Balance at 31 March 2014	**109**	**6,355**	**5,302**	**12**	**83,695**	**95,473**

Cash Flow Statement

Year ended 31 March 2015

	Notes	**2015 £000**	2014 £000
Net cash from operating activities	27	**87,645**	40,959
Investing activities			
Interest received/ (paid)		**522**	420
Proceeds on disposal of property, plant and equipment		**26**	11
Purchases of intangible assets		**(34,895)**	(6,736)
Purchases of property, plant and equipment		**(3,637)**	(1,283)
Cash paid on acquisitions		**-**	(50)
Net cash used in investing activities		**(37,984)**	(7,639)
Financing activities			
Dividends paid	12	**(50,000)**	-
Intercompany loan repayment		**-**	(15,030)
Capital contribution to Ultimate Parent Undertaking	31	**(8,697)**	-
Net cash used in financing activities		**(58,697)**	(15,030)
Net (decrease)/increase in cash and cash equivalents		**(9,036)**	18,291
Cash and cash equivalents at beginning of year		**26,111**	7,820
Cash and cash equivalents at end of year		**17,075**	26,111

Notes to the Accounts

Year ended 31 March 2015

1. General information

HomeServe Membership Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given in note 31.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements have been prepared on a going concern basis as detailed in the Strategic Report.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with IFRS adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting period as explained in note 32 below.

Adoption of new or revised standards and accounting policies

The following accounting standards have been adopted in the year:

Amendments to IAS32	Offsetting financial assets and liabilities
Amendments to IAS36	Impairment disclosures
Amendments to IAS39	Novation of derivatives and continuation of hedge accounting

The adoption of these standards has not had any significant impact on the amounts reported in these financial statements

Standards in issue but not yet effective

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 (not all of which have been endorsed by the EU):

IFRS9	Financial Instruments
IFRS14	Regulatory Deferral Accounts
IFRS15	Revenue from Contracts with Customers
Amendment to IAS19	Defined Benefit Plans: Employee Contributions
IFRIC21	Levies
Amendments to IAS27	Equity method in Separate Financial Statements
Amendments to IAS16 & IAS41	Agriculture: Bearer Plants
Amendments to IAS16 & IAS38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRS11	Accounting for Acquisitions of Interest in Joint Operations
Improvements to IFRSs (2013)	
Improvements to IFRSs (2014)	

The implementation of IFRS9 will impact both the measurement and disclosures of Financial Instruments. The Directors do not expect that the adoption of the other Standards and Interpretations listed above will have a material impact on the financial statements of the Group in the future years.

The financial statements have been prepared on a going concern basis as set out in the Strategic report

Significant accounting policies (continued)

The principal accounting policies adopted are set out below:

Goodwill

Goodwill arising in a business combination is recognised at cost as an asset at the date control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment annually or more frequently if there is an indication that it may be impaired. 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.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT, Insurance Premium Tax and other sales related taxes.

Revenue recorded by the Company includes commissions receivable in the Company's role as an intermediary in the policy sale and administration process. Any third-party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement, or where the Company's role is only as an intermediary in the cash collection process, are not included in revenue. Consequently, on the sale of a policy, revenue consists of only a component of the overall policy price, representing the commission receivable for the marketing and sale of the policy, stated net of sales related taxes.

Where a contractual arrangement consists of two or more separate arrangements that can be provided to customers either on a stand-alone basis or as an optional extra, revenue is recognised for each element as if it were an individual contract. Accordingly, revenue is recognised on the sale of a policy except where an obligation exists to provide future services, typically claims handling and policy administration services. In these situations, a proportion of revenue, sufficient to cover future claims handling costs and margin, is deferred over the life of the policy, as deferred income. The assessment of future claims handling takes account of the expected numbers of claims and the estimated cost of handling those claims, which are validated through experience of historical actual costs.

The deferred revenue is released over the expected profile of anticipated claims over the policy period. The deferral also includes a profit element to recognise the performance of these services in the future.

Repair revenue relates to repairs undertaken on behalf of underwriters subject to separate contractual arrangements. Such revenue is recognised on completion of the repair.

Annual service revenue is recognised on completion of the annual service. Ongoing service revenue is recognised in equal instalments over the life of the policy.

Significant accounting policies (continued)

Marketing expenses

Costs incurred in respect of marketing activity, including for example, direct mail and inbound/outbound telephone costs, which is undertaken to acquire or renew a policy, are charged to the income statement in the period in which the related marketing campaign is performed.

Marketing expenses also include payments made to Affinity Partners in recognition of their support for the Company's selling and policy renewal activities. The terms of their support and related payments are included in contractual agreements with each Affinity Partner. Amounts incurred upon the sale and renewal of an individual policy by the Company, referred to as Affinity Partner Commissions, are recognised as an operating expense when individual policies incept or renew. Commissions are payable to Affinity Partners only when the Company has collected the premium due on behalf of the third party underwriter from the policy holder.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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, finance costs, exceptional items and taxation.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses and the return on scheme assets (excluding interest) are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of comprehensive income. Remeasurement recorded in the statement of comprehensive income is not recycled.

Past service cost is recognised immediately to the extent that the benefits are already vested, and is otherwise amortised on a straight-line basis over the average period until the benefits become vested. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Any retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from the calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

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

Significant accounting policies (continued)

Taxation

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.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

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:

Buildings	25 – 50 years
Furniture, fixtures and equipment	5 – 7 years
Computer equipment	3 – 7 years
Motor vehicles	3 years (with 25% residual value)

Intangible assets

Acquisition intangible assets

Acquired access rights relate to the contractual agreements entered into with the former owners of businesses acquired as part of business combinations. These agreements set out the contractual terms of the Affinity Partnership and provide the contractual framework within which the Company markets, sells and renews policies with the individual customers of the Affinity Partner. Acquired access rights are recorded at fair value by using the estimated and discounted incremental future cash flows resulting from the relationship. Acquired access rights are amortised on a straight line basis over their estimated useful lives, which are in the range of 3 - 15 years.

Acquired customer databases represent the value attributable to the portfolios of renewable customer policies that exist at the date of acquisition and are acquired by the Company as part of a business combination. Acquired customer databases are recorded at fair value using the estimated and discounted incremental future cash flows resulting from the future renewal of the portfolio of acquired policies over their estimated residual life. Acquired customer databases are amortised on a straight line basis over their estimated useful lives, which are in the range of 3 - 15 years.

Other intangible assets

Access rights arise from the contractual agreements with Affinity Partners which provide the contractual framework within which the Company markets, sells and renews policies with the individual customers of the Affinity Partner. Access rights are valued at the discounted present value of the contractually committed payments, where such payments are not related to the success or otherwise of activity under the contractual agreements and are amortised on a straight-line basis over the length of the contractual agreement, up to a maximum of 20 years.

Significant accounting policies (continued)

Other intangible assets (continued)

Customer databases represent the value attributable to the portfolios of renewable customer policies that have been created by our Affinity Partners through their own sales and marketing activity and subsequently purchased by the Company. Such customer databases are recorded at their fair value based on the amount paid to the Affinity Partner. These customer databases are amortised on a straight line basis over the remaining term of the Affinity Partner marketing agreement, which are in the range of 3 - 10 years.

Computer software and the related licences are stated at cost and amortised on a straight line basis over their useful lives of 3 - 7 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 pretax 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. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is measured on a first-in, first-out (FIFO) basis. 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 obsolete, slow moving or defective items where appropriate.

Significant accounting policies (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, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payments

The Company issues equity-settled share-based payments to certain employees. 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. The Company also provides employees with the ability to purchase the Group's ordinary shares at a discount to the current market value through Save As You Earn schemes. Fair value is measured by use of the Black-Scholes model or Monte Carlo simulation models depending on the type of scheme.

Exceptional items

Exceptional items are items that are unusual because of their size, nature or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Company's results.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue recognition

An appropriate proportion of revenue, sufficient to cover future costs and margin, 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.

3. Critical accounting judgments and key sources of estimation uncertainty (continued)

Revenue Recognition (continued)

An assessment is also made of any factors that are likely to materially affect the economic benefits which will flow to the Company such as policy cancellations. To the extent that economic benefits are not expected to flow to the Company, the value of that revenue is not recognised. The Company uses historical experience in determining the appropriate amount of revenue to recognise.

Valuation of acquisition intangible assets and goodwill

Acquisitions may result in acquired access rights, acquired customer databases and goodwill being recognised as intangible assets. These are valued using the excess earnings method. In applying this methodology certain key judgements and estimates are required to be made in respect of future cash flows together with an appropriate discount factor for the purpose of determining the present value of those cash flows.

Customer re-contact programme

We have completed the re-contacting of UK customers who may have suffered detriment in the way they bought their policy, and where appropriate, re-imbursed customers. During the year total expenditure of £nil (2014: £23,212,000) was incurred in running this programme and making customer redress payments.

4. Revenue

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

	Notes	2015 £000	2014 £000
Provision of services		**279,181**	282,804
Royalty income		**5,108**	4,740
		284,289	287,544

5. Business and geographical segments

The Company operates in one business segment and operates solely within the United Kingdom.

6. Exceptional Items

Exceptional income of £4,592,000 has been recognised in the period relating to the reimbursement of certain costs by our insurers associated with historical matters amounting to £2,900,000, together with the £1,692,000 release of the remaining provision originally created in the year ended 31 March 2012 and increased in subsequent periods to address these issues, which is now considered to be surplus.

7. Profit for the year

Profit for the year has been arrived at after (crediting)/charging:

	Notes	2015 £000	2014 £000
Included in operating costs:			
Depreciation of property, plant and equipment	15	**2,714**	3,285
Amortisation of software licences	14	**3,993**	4,387
Amortisation of other intangibles	14	**3,377**	3,385
Cost of inventories recognised as expense		**4,716**	3,140
Staff costs	8	**66,754**	66,933
Auditor's remuneration for audit services		**86**	82
Exceptional operating items	6	**(4,592)**	46,261
Loss on disposal of software intangibles		**2**	494
Loss on disposal of property plant and equipment		**5**	869

An analysis of auditor's remuneration is provided below:

	2015 £000	2014 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**86**	82
Total audit fees	**86**	82

There were no fees payable to the Company's auditor for non-audit services in the year (2014: £nil)

8. Staff costs

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

	2015 Number	2014 Number
Average number of employees	**2,041**	2,087

	£000	£000
Their aggregate remuneration comprised:		
Wages and salaries	**59,110**	59,546
Social security costs	**6,481**	5,784
Other pension costs	**1,163**	1,603
	66,754	66,933

Director's remuneration is disclosed in note 31.

9. Investment income

	2015 £000	2014 £000
Interest on bank deposits	**523**	420
Income from shares in fellow group undertakings	**-**	8,567
	523	8,987

10. Finance expense

	2015 £000	2014 £000
Other finance expense	-	(31)

11. Tax

	2015 £000	2014 £000
Current tax	14,628	12,787
Deferred tax (note 19)	1,080	(535)
	15,708	12,252

UK corporation tax is calculated at 21% (2014: 23%) of the estimated assessable profit for the year.

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

	2015 £000	2014 £000
Profit before tax	72,706	29,963
Tax at the UK corporation rate of 21% (2014: 23%)	15,268	6,891
Tax effect of expenses that are not deductible in determining taxable profit	453	6,988
Non taxable dividend income	-	(1,970)
Deferred tax rate adjustment	(62)	79
Adjustments in respect of prior years – current tax	57	383
Adjustments in respect of prior years – deferred tax	(8)	(119)
Tax expense for the year	15,708	12,252

The UK corporation tax rate reduced from 23% to 21% with effect from 1 April 2014. Further tax rate reductions to 20% with effect from 1 April 2015 were substantively enacted on 2 July 2013. The rate of 20% was used for the calculation of the UK deferred tax position as at 31 March 2015 on the basis that the asset will materially reverse after 1 April 2015.

12. Dividends

	2015 £000	2014 £000
Amounts recognised as distributions to equity holders in the year:		
Dividend for the year ended 31 March 2015 of £457.46 (2014: £nil) per share	50,000	-

Notes to the Accounts

Year ended 31 March 2015

13. Goodwill

	£000
Cost	
At 1 April 2013	28,018
Goodwill on trade and asset purchases	50
At 1 April 2014 and 31 March 2015	28,068
Accumulated impairment losses	
At 1 April 2012, 1 April 2013 and 31 March 2014	-
Carrying amount	
At 31 March 2015	28,068
At 31 March 2014	28,068

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination. CGUs are defined as geographical territories, because they represent the smallest identifiable group of assets that generate cash inflows. 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 rate, growth rates and expected changes to selling prices and direct costs during the period. Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money. 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 and plans for the next three years approved by the Directors and extrapolates the annual cash flow using estimated, long-term growth rates. The pre-tax rates used to discount the forecast pre-tax cash flows are 8.6% (2014: 10.8%).

The Company has conducted a sensitivity analysis on the impairment test of each CGU's carrying value, which also reflects the different risk profile of each CGU. The Company believes that there are no reasonably possible changes to the key assumptions in the next year which would result in the carrying amount of goodwill exceeding the recoverable amount. This view is based upon inherently judgmental assumptions, however, it takes account of the headroom in the value in use calculation versus the current carrying value.

The UK CGU does not contain any intangible assets with indefinite useful economic lives. The long-term growth rate is 2% (2014: 2%) and is based on the GDP growth rate of the UK.

Notes to the Accounts

Year ended 31 March 2015

14. Other intangible assets

Acquisition intangibles represent non-monetary assets, arising on business combinations, and include acquired access rights and acquired customer databases.

	Acquired customer databases £000	Acquired access rights £000	**Total other intangibles £000**	Software £000	**Total £000**
Cost					
At 1 April 2013	3,971	21,062	**25,033**	27,429	**52,462**
Additions	-	-	-	7,474	**7,474**
Disposal	-	-	-	(1,208)	**(1,208)**
Reclassification	-	-	-	507	**507**
At 31 March 2014	3,971	21,062	**25,033**	34,202	**59,235**
Additions	-	-	-	13,595	**13,595**
Transfer from fellow group companies	-	-	-	21,300	**21,300**
Disposal	-	-	-	(5)	**(5)**
At 31 March 2015	**3,971**	**21,062**	**25,033**	**69,092**	**94,125**
Accumulated amortisation					
At 1 April 2013	2,984	5,959	**8,943**	16,054	**24,997**
Charge for the year	379	3,006	**3,385**	4,387	**7,772**
Disposal	-	-	-	(714)	**(714)**
Reclassification	-	-	-	202	**202**
At 31 March 2014	3,363	8,965	**12,328**	19,929	**32,257**
Charge for the year	379	2,998	**3,377**	3,993	**7,370**
Disposal	-	-	-	(2)	**(2)**
At 31 March 2015	**3,742**	**11,963**	**15,705**	**23,920**	**39,625**
Carrying amount					
At 31 March 2015	**229**	**9,099**	**9,328**	**45,172**	**54,500**
At 31 March 2014	608	12,097	12,705	14,273	26,978

15. 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 2013	**26,182**	**3,210**	**13,033**	**108**	**42,533**
Additions	22	884	1,085	38	**2,029**
Disposals	(139)	-	(5,941)	-	**(6,080)**
Reclassification	-	3	(510)	-	**(507)**
At 1 April 2014	**26,065**	**4,097**	**7,667**	**146**	**37,975**
Additions	67	826	2,327	417	**3,637**
Disposals	-	(17)	(337)	-	**(354)**
At 31 March 2015	**26,132**	**4,906**	**9,657**	**563**	**41,258**
Accumulated depreciation					
At 1 April 2013	**5,870**	**1,786**	**8,790**	**40**	**16,486**
Charge for the year	948	682	1,613	42	**3,285**
Disposals	(63)	-	(5,137)	-	**(5,200)**
Reclassification	(11)	14	(205)	-	**(202)**
At 1 April 2014	**6,744**	**2,482**	**5,061**	**82**	**14,369**
Charge for the year	870	638	1,094	112	**2,714**
Disposals	-	(6)	(317)	-	**(323)**
At 31 March 2015	**7,614**	**3,114**	**5,838**	**194**	**16,760**
Carrying amount					
At 31 March 2015	**18,518**	**1,792**	**3,819**	**369**	**24,498**
At 31 March 2014	19,321	1,615	2,606	64	23,606

At the balance sheet date, there are no contractual commitments for the purchase of property, plant and equipment (2014: £nil).

16. Investments in subsidiaries

Details of the Company's principal subsidiaries at 31 March 2015 are as follows:

Name of subsidiary	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest %	Proportion of control held %
HomeServe at Home Limited	Non-Trading	England	100	100

17. Inventories

	2015 £000	2014 £000
Consumables	-	124

18. Financial assets

Trade and other receivables

	2015 £000	2014 £000
Amounts receivable for the provision of services	90,355	102,054
Amounts owed by other Group undertakings (note 31)	815	1,513
Other debtors	34,753	32,354
Prepayments and accrued income	5,951	1,175
	131,874	137,096

No interest is charged on the receivables. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £nil (2014: £4,000). This allowance has been determined by reference to past default experience. All financial assets are classified as loans and receivables.

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 £134,000 (2014: £54,000) 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.

18. Financial assets (continued)

Trade and other receivables (continued)
Ageing of past due but not impaired receivables:

	2015 £000	2014 £000
1 – 30 days	**134**	54
31 – 60 days	**-**	-
61 – 90 days	**-**	-
91 days +	**-**	-
Balance at 31 March past due but not impaired	**134**	54
Current	**90,221**	102,000
Balance at 31 March	**90,355**	102,054

Movement in the allowance for doubtful debts:

	2015 £000	2014 £000
At 1 April	**4**	385
Amounts recovered during the year	**(4)**	(385)
Impairment losses recognised	**-**	4
Balance at 31 March	**-**	4

Cash balances and cash equivalents
Cash balances and cash equivalents of £17,075,000 (2014: £26,111,000) 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 to their fair value.

Trade and other receivables
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:

	2015 £000	2014 £000
1 – 30 days	**-**	-
31 – 60 days	**-**	-
61 – 90 days	**-**	4
91 days +	**-**	-
	-	4

In the current and prior year, the age of amounts receivable from Group companies is current. As disclosed in note 31, 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 to their fair value.

18. Financial assets (continued)

Other receivables

As part of its activities, the Company serves as an intermediary, whereby it is responsible for the collection of cash on behalf of third parties. Other receivables mainly represent those amounts to be collected from policyholders, but to be remitted to third parties for obligations such as the cost of underwriting and Insurance Premium Tax. The concentration of credit risk is limited due to individual receivables being small and spread across a diverse policyholder base. In addition, overall balance sheet exposure is mitigated as defaults on these receivables can, in most part, be offset against corresponding payables included in 'Other creditors'.

19. 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 2013	903	(54)	(83)	(154)	612
Charge to income	207	(88)	288	129	536
Credit to equity	-	-	435	-	435
At 1 April 2014	1,110	(142)	640	(25)	1,583
Charge to income	(1,233)	-	145	7	(1,081)
At 31 March 2015	**(123)**	**(142)**	**785**	**(18)**	**502**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2015 £000	2014 £000
Deferred tax assets	**502**	1,583
Net deferred tax asset	**502**	1,583

20. Current liabilities – Trade and other payables

	2015 £000	2014 £000
Trade creditors and accruals	**50,555**	55,414
Amounts owed to other Group undertakings (note 31)	**24,742**	3,780
Deferred income	**13,804**	12,955
Taxes and social security, excluding current tax	**2,266**	2,124
Other creditors	**65,162**	60,776
	156,529	135,049

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 69 days (2014: 65 days).

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.

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

21. Non current liabilities – Other liabilities

	Trade and Other Payables £000
At 1 April 2014	436
Movement in year	(436)
At 31 March 2015	**-**

Non current liabilities represent amounts due to underwriters following the receipt of cash from customers in respect of policy debt, which due to payment schedules is itself not due for up to 12 months from the balance sheet date. Payment terms to underwriters then range from 30-60 days following receipt from customer.

22. Provisions

Provisions	Cost of addressing regulatory matters £000	FCA Investigation £000	Reorganisation Costs £000	**Total £000**
At 1 April 2014	7,255	212	64	**7,531**
Utilised	(5,563)	(212)	(64)	**(5,839)**
Release of unused provision	(1,692)	-	-	**(1,692)**
At 31 March 2015	-	-	-	**-**

The brought forward provision of £7,255,000 in respect of the cost of addressing historic regulatory matters related to the finalisation of reimbursement payments to customers who have responded to the re-contact exercise and other costs associated with completing the UK issues. These matters have been resolved during the year, with the unused provision being released.

23. Share capital

	2015 £000	2014 £000
Authorised, 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.

24. Share premium account

	£000
At 1 April 2013, 1 April 2014 and 31 March 2015	**6,355**

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

25. Share incentive reserve

	£000
At 1 April 2013	4,129
Share based charges in the year	1,298
Share options exercised in the year	(125)
At 1 April 2014	5,302
Distribution in relation to share options granted	(5,302)
At 31 March 2015	**-**

The share incentive reserve represents the cumulative charges to income under IFRS2 '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. During the year a distribution was made to HomeServe plc in relation to the cumulative value of share options exercised to the balance sheet date.

26. Capital redemption reserve

	£000
At 1 April 2013, 1 April 2014 and 31 March 2015	**12**

The capital redemption reserve arose on the redemption of 12,000 £1 redeemable preference shares on 1 July 2002.

27. Notes to the cash flow statement

	2015 £000	2014 £000
Operating profit	**72,183**	21,007
Adjustments for:		
Loss on disposal of property, plant and equipment	**7**	1,363
Depreciation of property, plant and equipment	**2,714**	3,285
Amortisation of intangible assets	**7,370**	7,772
Release of unutilised provisions	**(1,692)**	-
Share based payments expense	**1,140**	1,298
Operating cash flows before movements in working capital	**81,722**	34,725
Decrease in inventories	**124**	191
Decrease in receivables	**5,222**	16,422
Increase in payables (excluding exceptional provision)	**21,598**	19,292
Decrease in exceptional provision	**(7,531)**	(10,840)
Cash generated by operations	**101,135**	59,790
Interest received	**-**	-
Income taxes paid	**(13,490)**	(18,831)
Net cash from continuing operating activities	**87,645**	40,959

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.

28. Operating lease arrangements

The Company as lessee

	2015 £000	2014 £000
Minimum lease payments under operating leases recognised in income for the year	**2,590**	3,135

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:

	2015 £000	2014 £000
Within one year	**3,483**	2,833
In the second to fifth years inclusive	**7,194**	6,117
After five years	**-**	-
	10,677	8,950

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

29. Share based payments

During the year ended 31 March 2015, the Company participated in 3 (2014: 3) share based payment arrangements through its ultimate parent company, HomeServe Plc, which are described below:

i) **Long Term Incentive Plan**
The LTIP provides for the grant of performance, matching and restricted awards. The vesting period is three years for performance and matching awards. The vesting period for the restricted awards is 2 years for those granted in FY13 and 3 years for those granted in FY14 and FY15. For the performance and matching awards granted in FY13, FY14 and FY15, vesting is dependent upon the Total Shareholder Return performance of the HomeServe plc Group over the relevant performance period. For the FY12 awards, 50% of the award was dependent upon Total Shareholder Return and 50% was subject to a target based on Earnings per Share growth. The restricted awards in FY13, FY14 and FY15 are subject to the participant being employed by the Company at the date of vesting.

ii) **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.

iii) **Executive Share Option Plan ("ESOP")**
The ESOP provided 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 was three years and was 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. The plan is no longer used.

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 and LTIP. The assumptions used in the models (which are comparable to the prior year) are as follows:

Input	**Assumption**
Share price	Price at date of grant
Exercise price	Per scheme rules
Expected volatility	20% - 56%
Option life	Per scheme rules
Expected dividends	Based on historic dividend yield
Risk free interest rate	0.8% - 5.2%

Levels of early exercises and lapses are estimated using historical averages. Volatility is calculated by looking at the historical share price movements prior to the date of grant over a period of time commensurate with the remaining term for each award.

The Company recognised total expenses of £1,139,000 (2014: £1,129,000) related to equity-settled share-based payment transactions.

29. Share based payments (continued)

	LTIP	SAYE	ESOP
2015			
Number			
Outstanding at 1 April 2014	1,537,983	2,128,482	37,705
Granted	550,679	816,076	-
Lapsed	(348,607)	-	-
Forfeited	(344,129)	(299,468)	-
Exercised	(121,702)	(945,324)	-
Outstanding at 31 March 2015	1,274,224	1,699,766	37,705
Exercisable at 31 March 2015	-	96,845	37,705
Weighted average exercise price (£)			
Outstanding at 1 April 2014	-	1.49	1.92
Granted	-	2.60	-
Lapsed	-		-
Forfeited	-	1.43	-
Exercised	-	1.85	-
Outstanding at 31 March 2015	-	2.24	1.92
Exercisable at 31 March 2015		1.85	1.92
Range of weighted average exercise price of options outstanding at 31 March 2014			
£0.01 to £0.99	-	-	-
£1.00 to £1.99	-	894,248	37,705
£2.00 to £2.99	-	796,707	-
£3.00 to £3.99	-	8,811	-
Weighted average remaining contractual life	2	3	-
Weighted average fair value of options awarded in 2014	£2.08	£1.46	-

The weighted average share price at the date of exercise for share options exercised during the year was £3.31 (2014: £3.07).

29. Share based payments (continued)

	LTIP	SAYE	ESOP
2014			
Number			
Outstanding at 1 April 2013	1,635,902	2,455,765	47,100
Granted	502,199	484,791	-
Lapsed	(491,821)	-	-
Forfeited	(108,297)	(622,453)	-
Exercised	-	(189,621)	(9,395)
Outstanding at 31 March 2014	1,537,983	2,128,482	37,705
Exercisable at 31 March 2014	-	54,282	37,705
Weighted average exercise price (£)			
Outstanding at 1 April 2013	-	1.93	1.92
Granted	-	-	-
Lapsed	-	-	-
Forfeited	-	2.02	-
Exercised	-	1.67	1.92
Outstanding at 31 March 2014	-	1.49	1.92
Exercisable at 31 March 2014	-	3.13	1.92
Range of weighted average exercise price of options outstanding at 31 March 2014			
£0.01 to £0.99	-	-	-
£1.00 to £1.99	-	2,055,765	37,705
£2.00 to £2.99	-	16,120	-
£3.00 to £3.99	-	56,597	-
Weighted average remaining contractual life	2	2	1
Weighted average fair value of options awarded in 2014	£2.15	£0.85	-

30. Retirement benefit scheme

The employees of the Company participate in two (2014: 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 £1,163,000 (2014: £1,603,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the schemes. At 31 March 2015, contributions of £181,714 (2014: £247,000) due in respect of the current reporting period had not been paid over to the schemes.

30. Retirement benefit scheme (continued)

Defined benefit scheme

The Company participates in a defined benefit scheme, the Water Companies Pension Scheme, for a small number of employees, which is accounted for in HomeServe plc. This is a sectionalised final salary scheme and the Company participates in the HomeServe plc Group Section of the Scheme. The Section is administered by the Trustee and is independent of the Company's finances. Contributions are paid to the Section in accordance with the recommendations of an independent actuary.

As the pension scheme has members that are employed by more than one legal entity the Directors do not consider that it is practical to provide the information on an individual company basis. As the assets and liabilities are not separately identifiable, the pension scheme is accounted for as a defined contribution scheme. The following information is in respect of the scheme, as set out in the HomeServe plc Group Annual Report.

The results of the actuarial valuation as at 31 March 2011 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	
	2015	2014
	%	%
Key assumptions used:		
Discount rate at 31 March	**3.3%**	4.5%
Consumer price inflation	**2.3%**	2.6%
Retail price inflation	**3.3%**	3.6%
Expected rate of salary increases	**2.3%**	2.6%
Future pension increases	**2.3%**	2.6%
Life expectancy of male aged 60 at balance sheet date	**27.7 years**	27.5 years
Life expectancy of female aged 60 at balance sheet date	**29.6 years**	29.8 years

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

	2015	2014
	£000	£000
Current service cost	**135**	165
Section expenses	**18**	12
Interest (credit)/charge	**(78)**	(20)
Recognised in operating costs	**75**	157

The actual return on scheme assets was a gain of £2,621,000 (2014: loss of £144,000).

Notes to the Accounts

Year ended 31 March 2015

30. Retirement benefit scheme (continued)

Defined 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:

	2015 £000	2014 £000
Present value of defined benefit obligations	**(27,974)**	(22,305)
Fair value of scheme assets	**28,068**	23,487
Surplus in scheme recognised in the balance sheet in non-current liabilities	**94**	1,182

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

	2015 £000	2014 £000
At 1 April	**22,305**	21,916
Employer's part of the current service cost	**135**	165
Interest cost	**999**	982
Contributions from scheme members	**38**	50
Actuarial losses/(gains)	**4,692**	(449)
Benefits paid	**(195)**	(359)
At 31 March	**27,974**	**22,305**

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

	2015 £000	2014 £000
At 1 April	**23,487**	21,916
Interest on section assets	**1,077**	1,002
Actual return less interest on section assets	**2,621**	(144)
Contributions from the sponsoring companies	**1,058**	1,034
Contributions from scheme members	**38**	50
Benefits paid	**(213)**	(371)
At 31 March	**28,068**	23,487

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

During the year the Company adopted IAS19 (revised). The prior year comparisons have not been restated as the adjustment is not considered to be material and has been recognised in the current year.

30. Retirement benefit scheme (continued)

Defined benefit scheme (continued)

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

	Fair value of assets	
	2015	2014
	£000	£000
Equity instruments	**12,631**	10,440
Diversified growth funds	**3,368**	2,966
Debt Instruments	**8,420**	6,681
Other assets	**3,649**	3,400
	28,068	23,487

Pensions

Pensions accounting entries are subject to judgement and volatility, as the assets are largely linked to the equity market, whereas the present value of the obligation is linked to yields on AA-rated corporate bonds.

As an indication, all other things being equal:

- an increase in the discount rate of 0.1% would lead to a reduction in the value placed on the obligations of the Section of approximately £0.6m
- an increase in the inflation assumption rate of 0.1% would lead to an increase in the value placed on the obligations of the Section of approximately £0.6m
- an increase of life expectancy of 1 year would lead to an increase in the value placed on the obligations of the Section of approximately £0.7m.

31. 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 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, which is the registered office of both the Company and the ultimate parent Company.

Trading transactions

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

The Company incurred management recharges of £3,224,141 from HomeServe plc (2014: £3,726,000).

The Company paid £8,697,000 to HomeServe plc in relation to historical shares options for HomeServe plc shares issued to HomeServe Membership Limited employees. Additionally the Company was recharged £1,139,504 (2014: £nil) by HomeServe plc in relation to share options issued in the year.

The Company received royalty fee income of £5,107,807 from Domeo SA and Home Service USA Corporation (2014: £4,740,000).

Notes to the Accounts

Year ended 31 March 2015

31. Related party transactions (continued)

Related Party Balances

Company	Amounts owed by related parties 2015 £000	2014 £000	Amounts owed to related parties 2015 £000	2014 £000
HomeServe plc	-	662	**22,968**	-
HomeServe Assistance Limited	-	29	-	-
Home Service USA Corp	**384**	-	-	1,753
HomeServe Servowarm Limited	**48**	1	-	253
HomeServe At Home Limited		-	**1,774**	1,774
001 Reactfast Solutions Limited	-	12	-	-
Domeo SA	**383**	809	-	-
	815	1,513	**24,742**	3,780

The increase in the amounts owed to Homeserve plc relates to the transfer of software expenditure.

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.

The companies paid interest on the loan from Homeserve Assistance Limited on a basis linked to UK Libor. Apart from this loan, no interest is charged or received on amounts owed to or owed by related parties.

Directors' transactions
There were no transactions with Directors requiring disclosure in either the current or prior year.

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:

	2015 £000	2014 £000
Short-term employee benefits	**2,114**	2,798
Post-employment benefits	**96**	145
Share-based payment	**673**	744
	2,883	3,687

Mr J Ford is remunerated by other Group undertakings, and no part of his remuneration was specifically attributable to his services to HomeServe Membership Limited.

The highest paid Director received emoluments of £911,000 (2014: £918,000). Pension contribution to individual money purchase schemes on behalf of this Director amounted to £80,000 (2014: £75,000).

During the year, no Directors (2014: nil) exercised share options relating to the ordinary shares of HomeServe plc, the ultimate parent Company.

32. Financial instruments

Principal financial instruments

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

- cash and cash equivalents
- bank overdrafts and revolving credit facilities
- trade receivables
- other receivables
- trade payables
- other creditors.

All financial instruments are stated at amortised cost.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The Company has no financial instruments with fair values that are determined by reference to Level 1, Level 2 or Level 3 and there were no transfers of assets or liabilities between levels during the period. There are no non-recurring fair value measurements.

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 borrowings and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings and disclosed in the Statement of Changes in Equity.

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

	2015 **£000**	2014 £000
Shareholders' funds	**94,115**	95,473

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 credit risk and liquidity risk.

32. Financial instruments (continued)

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

	Trade payables £000	Other creditors £000	**Total £000**
2015			
Under 2 months	40,934	18,845	**59,779**
Between 2 to 6 months	5,893	33,387	**39,280**
Between 6 and 12 months	3,728	12,930	**16,658**
Between 1 and 2 years	-	-	-
Total	**50,555**	**65,162**	**115,717**

	Trade payables £000	Other creditors £000	Total £000
2014			
Under 2 months	41,499	15,809	57,308
Between 2 to 6 months	5,123	27,448	32,571
Between 6 and 12 months	8,792	17,519	26,311
Between 1 and 2 years	-	-	-
Total	**55,414**	**60,776**	**116,190**

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

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 investment income):

	2015	2014
Increase in interest rate	**10%**	10%
Effect on profit before tax (£000)	-	-

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.

32. Financial instruments (continued)

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.