

Homeserve GB Limited
(Formerly Home Service (GB) Limited)
Accounts for the year ended 31 March 2005
Together with Directors'
And
Independent Auditors' Reports

Company Registration No: 2770612



DIRECTORS' REPORT

The Directors have pleasure in submitting the Report and Accounts for the year to 31 March 2005.

Principal Activities and Business Review

The Company's principal activity is that of retailing, through direct mail and telesales activity, affinity branded, domestic assistance insurance policies, solely in the UK.

The Company has had another very strong year, with 34% turnover growth and 44% growth in operating profit before exceptional costs and goodwill amortisation. The results have been driven by the excellent performance of our direct mailing activity, together with continued investment in our telesales operation.

On 28 May 2004, the Company acquired certain of the trade and assets of Principal Choice Limited for cash consideration of £1,394,000, plus deferred consideration of £321,000. Further details are included in Note 21 to the accounts.

Name Change

On 18 April 2005 the Company changed its name from Home Service (GB) Limited to Homeserve GB Limited.

Financial Results

The Company's results are shown in the profit and loss account on page 8. The Directors are not proposing the payment of an interim or final dividend to ordinary shareholders (2004: interim £2.58m, final £7.45m). The retained profit of £25.34m (2004: £4.92m) has been transferred to reserves.

DIRECTORS' REPORT

Directors

The Directors who held office during the year, and subsequently, and their interests in the share capital of the Company at 31 March 2005 were as follows:

	31 March 2005	31 March 2004
Frank Robert Atkinson (appointed 28 April 2004)	-	-
Andrew John Belk	-	-
James Matthew Cashmore (resigned 27 July 2005)	-	-
Sion Padrig O'Connor (appointed 4 November 2004)	-	-
Andrew Ground (appointed 24 November 2004, resigned 2 November 2005)	-	-
Richard David Harpin	-	-
Jonathan Charles King (resigned 31 May 2005)	-	-
Geoffrey Adrian Love	-	-
Jerome McManus (resigned 4 January 2005)	-	-
Adrian Peter Page (resigned 6 April 2004)	-	-
Jo Simkins (appointed 27 April 2005)	-	-
Richard John Shepherd	-	-
Jennifer Synnott	-	-
Stuart Rhys Thomas (resigned 26 January 2005)	-	-

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

Mr Belk and Mr Harpin were Directors of Homeserve plc, the ultimate parent company during the year, and their interests in the share capital of that company are shown in its Annual Report. Mr King's interests are shown in the annual report of Homeserve Assistance Limited, the immediate parent company.

Mr Harpin had no beneficial interest in Homeserve Assistance Limited, the immediate parent company, at 31 March 2005 (2004: 21,300).

DIRECTORS' REPORT

The beneficial interests of the remaining Directors in the ordinary share capital of Homeserve plc are listed below:

	31 March 2005	31 March 2004
Frank Robert Atkinson	37	-
Andrew Patrick Ground	550	-
Geoffrey Adrian Love	537	-
Jerome McManus	3,447	3,810
Jennifer Synnott	488	610
James Matthew Cashmore	4,356	2,906
Richard John Shepherd	1,037	-

Details of share options in respect of the shares of Homeserve plc are shown below:

	Scheme	31.03.05	Granted During Year	Exercised During Year	31.03.04	Option Price	Date of Grant	Exercisable From
F R Atkinson	ESOS	10,000	10,000	-	-	£6.610	27.05.04	27.05.07
J Cashmore	ESOS	12,500	-	-	12,500	£3.775	23.06.00	23.06.03
	ESOS	10,000	-	-	10,000	£5.500	17.07.01	17.07.04
	ESOS	12,500	-	-	12,500	£5.890	08.07.02	08.07.05
	ESOS	15,000	-	-	15,000	£4.700	01.07.03	01.07.06
	ESOS	20,000	20,000	-	-	£6.610	27.05.04	27.05.07
	SAYE	-	-	1,995	1,995	£4.760	16.01.02	01.02.05
	SAYE	1,744	1,744	-	-	£5.430	30.12.04	01.03.08
G A Love	ESOS	10,000	10,000	-	-	£6.610	27.05.04	27.05.07
	SAYE	1,744	1,744	-	-	£5.430	30.12.04	01.03.08
J McManus	ESOS	12,500	-	-	12,500	£3.775	23.06.00	23.06.03
	ESOS	10,000	-	-	10,000	£5.500	17.07.01	17.07.04
	ESOS	12,500	-	-	12,500	£4.700	01.07.03	01.07.06
	ESOS	20,000	20,000	-	-	£6.610	27.05.04	27.05.07
	SAYE	-	-	2,362	2,362	£3.280	21.12.00	01.02.04
	SAYE	-	-	399	399	£4.760	16.01.02	01.02.05
	SAYE	1,395	1,395	-	-	£5.430	30.12.04	01.03.08
J Synnott	ESOS	12,500	-	-	12,500	£3.775	23.06.00	23.06.03
	ESOS	10,000	-	-	10,000	£5.500	17.07.01	17.07.04
	ESOS	10,000	-	-	10,000	£5.890	08.07.02	08.07.05
	ESOS	12,500	-	-	12,500	£4.700	01.07.03	01.07.06
	ESOS	20,000	20,000	-	-	£6.610	27.05.04	27.05.07
R J Shepherd	ESOS	12,500	-	-	12,500	£4.700	01.07.03	01.07.06
	ESOS	20,000	20,000	-	-	£6.610	27.05.04	27.05.07
	SAYE	1,744	1,744	-	-	£5.430	30.12.04	01.03.08

ESOS options are exercisable for a 7 year period from the date shown. SAYE options are exercisable for a 6-month period from the date shown.

DIRECTORS' REPORT

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 2005 represent 66 days of purchases during the year (2004: 72 days).

Employees

The Company has a policy of equal opportunities and non-discrimination in all forms of employment. Every reasonable effort is made to provide disabled people with equal opportunities for employment, training and promotion, having regard to their particular aptitudes and abilities.

Team briefings are held monthly in order to maintain a high level of communication with all employees. Newsletters and special publications are also used to communicate both within the Company and between fellow Group undertakings.

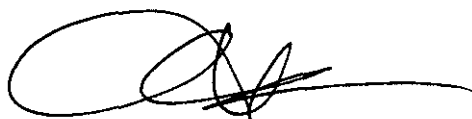
Future Developments

The Directors believe that the Company is well positioned to continue its excellent growth record in the future. Opportunities still exist for significant organic growth, in addition to product development and extensions and suitable acquisitions of policy book business.

Auditors

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



Emma Thomas

Company Secretary

25 November 2005

Registered Office: Cable Drive, Walsall, West Midlands, WS2 7BN

Registered in England and Wales

DIRECTORS' RESPONSIBILITIES

In Relation to the Accounts

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities, set out on page 6, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

The Directors are required by the Companies Act 1985 to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss for the financial year.

In preparing the accounts the Directors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- ◆ prepare the accounts on a going concern basis unless it is inappropriate to presume the Company will continue in business.

The Directors have responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which will enable them to ensure that the accounts comply with the Companies Act 1985.

The Directors have responsibility for the system of internal control, for taking such steps as are reasonably open to them to safeguard the assets of the Company and to detect and prevent fraud and other irregularities.

The Directors, having prepared the accounts, are required to provide to the auditors such information and explanations as the auditors think necessary for the performance of their duty.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Homeserve GB Limited (formerly Home Service (GB) Limited)

We have audited the financial statements of Homeserve GB Limited (formerly Home Service (GB) Limited) for the year ended 31 March 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement, notes to the cash flow statement and the related notes 1 to 23. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the

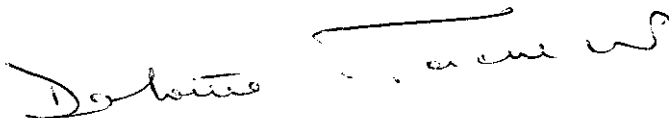
INDEPENDENT AUDITORS' REPORT

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.

Opinion

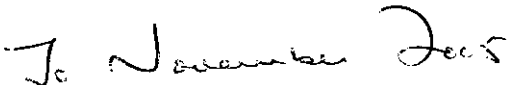
In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Birmingham



PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Turnover		90,750	67,523
Cost of sales		(31,744)	(24,769)
Gross profit		59,006	42,754
Administrative expenses			
Exceptional items		-	(2,400)
Other		(22,645)	(17,379)
		(22,645)	(19,779)
Operating profit before exceptional costs		36,361	25,375
Exceptional administrative expenses	4	-	(2,400)
Total operating profit	2	36,361	22,975
Interest receivable	6	1,074	428
Profit on ordinary activities before taxation		37,435	23,403
Taxation on profit on ordinary activities	7	(12,098)	(8,446)
Profit on ordinary activities after taxation		25,337	14,957
Dividends paid and proposed	8	-	(10,033)
Retained profit for the financial year	17	25,337	4,924

All of the above results derive from continuing activities.

There are no recognised gains or losses other than the profit for either financial year.

A statement of movements in reserves is given in note 17 to the financial statements.

The accompanying notes are an integral part of these financial statements.

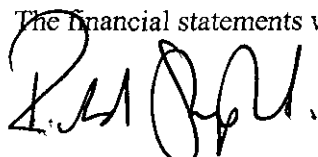
BALANCE SHEET

As at 31 March 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	9	1,429	-
Tangible assets	10	10,305	9,994
Investments	11	8	2,580
		11,742	12,574
Current assets			
Debtors	12	59,928	47,180
Cash at bank and in hand		48,789	21,232
		108,717	68,412
Creditors - amounts falling due within one year	13	(68,361)	(53,967)
Net current assets		40,356	14,445
Total assets less current liabilities		52,098	27,019
Provisions for liabilities and charges	14	(199)	(457)
Net assets		51,899	26,562
Capital and reserves			
Equity interests:			
Called-up share capital	15	109	109
Share premium	16	6,355	6,355
Capital redemption reserve		12	12
Profit and loss account	17	45,423	20,086
Shareholders' funds	18	51,899	26,562

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 25 November 2005.



R. J. Shepherd

Director

CASH FLOW STATEMENT

For the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Net cash inflow from operating activities	(a)	44,444	33,090
Returns on investments and servicing of finance:			
Interest received		1,064	428
Net cash inflow from returns on investments and servicing of finance		1,064	428
Taxation:			
Corporation tax paid		(9,523)	(4,403)
Capital expenditure and financial investments:			
Purchase of tangible fixed assets		(2,708)	(2,438)
Sale of tangible fixed assets		44	-
Investment in joint ventures		-	(493)
Repayment of loan to joint venture		529	
Net cash outflow from capital expenditure and financial investments		(2,135)	(2,931)
Acquisitions and disposals:			
Investment in subsidiary undertakings		(1,394)	-
Disposal of subsidiary undertakings		2,580	-
Net cash inflow from acquisitions and disposals		1,186	-
Equity dividends paid		(7,479)	(6,286)
Increase in cash	(b)	27,557	19,898

NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2005		2004	
	£'000	£'000	£'000	£'000
Operating profit		36,361		22,975
Exceptional costs - UITF 17 charge	-		2,400	
Depreciation	2,036		1,060	
Amortisation of intangibles	278		-	
Increase in debtors	(13,267)		(4,230)	
Increase in creditors	18,719		10,885	
Loss on disposal of fixed assets	317		-	
		8,083		10,115
Net cash inflow from operating activities		44,444		33,090

(b) Reconciliation of Movement in Net Funds

	2005	2004
	£'000	£'000
Increase in cash	27,557	19,898
Net funds brought forward	21,232	1,334
Net funds carried forward	48,789	21,232

(c) Analysis of Net Funds

	2005	2004
	£'000	£'000
Cash at bank	48,789	21,232

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. 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.

(b) Turnover

Turnover includes amounts receivable from the sale of policies stated net of underwriting, commissions payable and Insurance Premium Tax. Turnover is recognised on sale of the 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. Turnover arises solely in the UK. There is only one class of business.

(c) Intangible Fixed Assets

Goodwill arising on acquisitions represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. Goodwill capitalised on the balance sheet is recorded at cost and written off over its estimated useful life of 4 years.

(d) Tangible Fixed Assets

Tangible fixed assets are shown at historic cost net of depreciation and any provision for impairment. Depreciation is provided on tangible fixed assets on a straight-line basis to write off the cost less estimated residual value over their estimated useful lives, starting in the year of acquisition. The estimated useful life of the assets are:

Property (new buildings)	50 years
Property (refurbishments)	25 years
Office equipment	7 years
IT equipment	3 - 5 years
Telephony equipment	3 - 7 years
Motor vehicles	2 years

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies (continued)

(e) Taxation

Corporation tax is payable on taxable profits at the current rate.

Deferred taxation is provided, on a discounted basis, in respect of capital allowances in excess of depreciation and all other timing differences that have originated but not reversed at the balance sheet date using the current rate of tax.

(f) Pensions

The company operates a defined contributions scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the Company.

The Company also participates in a defined benefit scheme. Contributions are charged to the profit and loss account on a systematic basis over the service lives of the employees.

(g) Investments

Fixed asset investments are shown at cost less provision for impairment.

2. Operating profit

	2005 £'000	2004 £'000
Operating profit is stated after charging:		
Depreciation	2,036	1,060
Amortisation of intangibles	278	-
Staff costs (see note 3)	18,799	13,969
Loss on disposal of fixed assets	317	-
Auditors remuneration - audit	33	21
- non audit work	6	5
Payments under operating leases - other	158	124

NOTES TO THE ACCOUNTS

3. Staff Costs

Staff costs including directors:

	2005 £'000	2004 £'000
Wages and salaries	17,069	12,556
Social security costs	1,443	1,166
Pension costs	287	247
	18,799	13,969

	2005 Number	2004 Number
Average number of employees	663	522

4. Exceptional Costs

In the prior year, an exceptional operating cost was incurred as a consequence of the acquisition by Homeserve plc, the ultimate parent undertaking, of the minority interest in the original Homeserve business on 6 April 2004. The fair value of shares issued by the Company in 2001, in respect of a previous transaction, was being amortised in accordance with UITF 17 over a five year period ending on 31 March 2006. The exceptional charge represented the write-off of the unamortised balance at 31 March 2004.

5. Directors' Remuneration

	2005 £'000	2004 £'000
Directors' remuneration	1,153	710
Payments to pension scheme	100	28
	1,253	738

Mr Harpin and Mr Belk were Directors of Homeserve plc and their emoluments are dealt with in the accounts of that company.

The highest paid Director received emoluments of £306,600 (2004: £193,486). The pension scheme, in respect of this Director provides for accrued pension of £28,100 (2004: £28,089) and accrued lump sum of £84,300 (2004: £84,267).

NOTES TO THE ACCOUNTS

5. Directors' Remuneration (continued)

Pensions

The number of directors who were members of pension schemes was as follows:

	2005 Number	2004 Number
Defined benefit scheme	2	2
Defined contribution scheme	6	5

6. Interest Receivable

	2005 £'000	2004 £'000
Bank interest receivable	1,074	428

7. Taxation

	2005 £'000	2004 £'000
The tax charge for the year comprises:		
UK corporation tax	12,355	8,308
Adjustment in respect of prior years	1	24
Total current tax	12,356	8,332
Deferred taxation		
Origination and reversal of timing differences	(263)	114
Adjustment in respect of prior years	5	-
Total tax on profit on ordinary activities	12,098	8,446

The principal differences between the current tax rate for the Company above and the standard rate of corporation tax are as follows:

	2005	2004
Standard rate of corporation tax	30.0%	30.0%
Expenses not deductible for tax purposes	2.3%	1.4%
Depreciation in excess of capital allowances	0.7%	(0.2%)
Adjustments in respect of prior years	0.0%	0.1%
Current tax rate for the year	33.0%	31.3%

NOTES TO THE ACCOUNTS

8. Dividends

	2005 £'000	2004 £'000
Ordinary interim dividend paid of £nil (2004: £23.64) per share	-	2,584
Ordinary final dividend proposed of £nil (2004: £68.15) per share	-	7,449
	-	10,033

9. Intangible Fixed Assets

	Goodwill £'000
Cost	
At 1 April 2004	-
Additions in year (note 21)	1,707
At 31 March 2005	1,707
Amortisation	
At 1 April 2004	-
Charge in year	278
At 31 March 2005	278
Net Book Value	
At 31 March 2005	1,429
Net Book Value	
At 31 March 2004	-

NOTES TO THE ACCOUNTS

10. Tangible Fixed Assets

	Land and buildings £'000	Plant & equipment £'000	Total £'000
Cost			
At 1 April 2004	7,114	6,411	13,525
Additions	1,264	1,444	2,708
Reclassification	229	(229)	-
Disposals	(65)	(1,372)	(1,437)
Transfer to associated undertaking	-	(78)	(78)
At 31 March 2005	8,542	6,176	14,718
Depreciation			
At 1 April 2004	430	3,101	3,531
Charge for the year	272	1,764	2,036
Reclassification	54	(54)	-
Disposals	(4)	(1,109)	(1,113)
Transfer to associated undertaking	-	(41)	(41)
At 31 March 2005	752	3,661	4,413
Net Book Value			
At 31 March 2005	7,790	2,515	10,305
Net Book Value			
At 31 March 2004	6,684	3,310	9,994

Capital commitments

Capital commitments outstanding at 31 March 2005 were £3.4m (2004: £1.2m).

NOTES TO THE ACCOUNTS

11. Investments in subsidiary undertakings

The Company's principal subsidiary undertaking, which has only ordinary shares in issue, is as follows:

	Proportion of shares held	Country of operation	Nature of business
Tradehill Limited	100%	UK	Dormant

£'000

Cost and net book value

At 1 April 2004 2,580

Additions 8

Transfer to associated undertaking (2,580)

At 31 March 2005 8

The additions during the year are in relation to the acquisition of certain of the trade and assets of Principal Choice Limited, which had been transferred as part of a pre-acquisition reorganisation to Tradehill Limited, as detailed in note 21. During the year the Company's investments in Home Service Insurance Services Limited and Affinity Partners Limited were transferred to Homeserve Assistance Limited and the investments in Domeo S.A. and Home Service Direct Pty Limited were transferred to Homeserve International Limited. Homeserve Assistance Limited and Homeserve International Limited are fellow subsidiary undertakings of Homeserve GB Limited.

12. Debtors

	2005 £'000	2004 £'000
Due within one year:		
Trade debtors	28,790	21,548
Amounts owed by other Group undertakings	98	5,800
Loan to joint venture	-	529
Other debtors	30,326	19,258
Prepayments and accrued income	714	45
	59,928	47,180

NOTES TO THE ACCOUNTS

13. Creditors – amounts falling due within one year

	2005 £'000	2004 £'000
Payments in advance	188	1,188
Trade creditors	16,570	14,360
Amounts owed to other Group undertakings	3,751	2,212
Other creditors	38,293	22,447
Deferred consideration	321	-
Corporation tax	8,747	5,914
Proposed dividends	-	7,479
Other taxation and social security	491	367
	68,361	53,967

14. Provisions for Liabilities and Charges

	2005 £'000	2004 £'000
Deferred Tax		
Deferred tax is provided as follows		
Accelerated capital allowances	326	584
Discount	(127)	(127)
Discounted provision for deferred tax	199	457
The movement on deferred tax is as follows:		
At 1 April	457	343
(Credited)/charged to profit and loss account	(258)	114
At 31 March	199	457

15. Called-up Share Capital

	2005 £'000	2004 £'000
Authorised:-		
112,000 (2004: 112,000) Ordinary shares of £1 each	112	112
Issued and fully paid:-		
109,300 (2004: 109,300) Ordinary shares of £1 each	109	109

16. Share Premium

	2005 £'000	2004 £'000
Balance at 1 April 2004 and 31 March 2005	6,355	6,355

NOTES TO THE ACCOUNTS

17. Profit and Loss Account

	£'000
Balance at 1 April 2004	20,086
Retained profit for the year	25,337
Balance at 31 March 2005	45,423

18. Reconciliation of Movements in Shareholders' Funds

	2005 £'000	2004 £'000
Profit for the financial year	25,337	14,957
Dividend	-	(10,033)
Net addition to shareholders' funds	25,337	4,924
Opening shareholders' funds	26,562	21,638
Closing shareholders' funds	51,899	26,562

19. Operating Lease Commitments

	Other 2005 £'000	2004 £'000
Leases which expire:		
Within one year	59	62
Between two and five years	303	115
	362	177

20. Pension Retirement Benefits

The employees of the Company participate in two funded pension schemes. A small number of employees participate in the Water Companies Pension Scheme, by way of a separate sub-fund, which provides benefits based on final pensionable pay. The Company operates a defined contribution Money Plan Pension Scheme for the majority of employees. The assets of both schemes are held separate from those of the Company, being invested by discretionary fund managers.

The contributions to the defined contribution scheme are charged against profits as incurred. The amount charged to the profit and loss account for the defined benefit scheme is the estimated cost of providing the benefits accrued in the period, adjusted to reflect variations from that cost.

NOTES TO THE ACCOUNTS

20. Pension Retirement Benefits (continued)

The regular cost of the defined benefit scheme is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over 13 years, being the estimated average remaining working life of Scheme members. The regular cost and the variations are determined by a qualified actuary on the basis of triennial valuations, using the current unit method for death in service benefits, and the projected unit method for other benefits.

The most recent actuarial valuation at 1 April 2002 showed the market value of South Staffordshire Group's sub-fund as £121.3 million, and that the actuarial value of those assets represented 113% of the benefits that had accrued to members after allowing for expected future increases in earnings.

In accordance with the recommendations of the actuary, the amount charged to the profit and loss account for the defined benefit scheme in 2005 was £110,000 (2004: £114,000) representing an employers contribution rate of 16.3%. The amount charged to the profit and loss account for the various defined contribution schemes in 2005 was £177,000 (2004: £133,000).

Financial Reporting Standard 17

Additional disclosures regarding the group defined benefit pension scheme are required under the transitional provisions of FRS 17 "Retirement benefits". In accordance with FRS 17, the company will account for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the assets and liabilities in the scheme on a consistent and reasonable basis. The latest actuarial valuation of the scheme, prepared for the purposes of making the transitional disclosures in accordance with FRS 17 in the consolidated financial statements of the ultimate parent company, shows a deficit, net of deferred tax, of £1,789,000 (2004:£6,429,000).

21. Acquisitions

On 28 May 2004, the Company acquired Tradehill Limited for cash consideration of £1,394,000 plus an amount of deferred consideration, to be determined on certain growth criteria, payable in 2005. On 22 July 2005 the deferred consideration of £321,000 was settled.

NOTES TO THE ACCOUNTS

21. Acquisitions (continued)

Tradehill Limited contained certain of the trade and assets of Principal Choice Limited, which had been transferred as part of a pre-acquisition reorganisation. Following the acquisition, the trade and assets of Tradehill Limited were transferred to Homeserve GB Limited for consideration of £8,000 being their net book value. The goodwill of £1,707,000, which arose on the acquisition of Tradehill Limited, has been recognised in Homeserve GB with a corresponding reduction in the cost of investments.

As only certain of the trade and net assets were acquired, it is not possible to identify the profit and loss of Principal Choice prior to the date of acquisition. Details of the consideration and the fair value of the assets and liabilities acquired are set out below. The fair values are equal to the book values at the date of acquisition:

	£'000
Consideration:	
Cash including acquisition expenses	1,394
Deferred consideration payable in cash	321
	<u>1,715</u>
Fair value of net assets:	
Cash at bank and in hand	105
Sundry debtors	3
Creditors: amounts falling due within one year	(100)
	<u>8</u>
Goodwill on acquisition	<u>1,707</u>

The deferred consideration of £321,000 was settled in July 2005.

The post acquisition results of Principal Choice from 28 May 2004 to 31 March 2005 are as follows. The operating cash flows of Principal Choice are not separately identifiable.

	£'000
Turnover	778
Administrative expenses	(362)
Operating profit	<u>416</u>

NOTES TO THE ACCOUNTS

22. 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 GB Limited are consolidated is that headed by Homeserve plc. The consolidated accounts of the Group are available to the public and may be obtained from Cable Drive, Walsall, West Midlands, WS2 7BN.

23. Related Party Disclosures

During the year Homeserve GB Limited purchased goods and services from the following fellow subsidiaries:

	2005 £'000	2004 £'000
Homeserve Claims Management Limited	109	-
Homeserve Servowarm Limited	1,179	-
Mail Solutions Limited*	332	4,171
South Staffordshire Water PLC	-	17
Echo Managed Services Limited	-	447

During the year Homeserve GB Limited incurred management fees as follows:

Name of Company	Relationship	£'000
Homeserve plc	Ultimate parent company	2,953

*up to the date of disposal on 23 July 2004

NOTES TO THE ACCOUNTS

23. Related Party Disclosures (continued)

At 31 March net amounts owed by and to group undertakings were as follows:

	2005 £'000	2004 £'000
Owed by Homeserve Claims Management Limited	53	69
Owed by Homeserve Enterprises Limited	36	-
Owed by Homeserve International Limited	9	-
Owed by Home Service Insurance Services Limited	-	36
Owed by Home Service Direct Pty Limited	-	32
Owed by Homeserve Assistance Limited	-	5,381
Owed by Home Service USA Corp.	-	281
Owed to Homeserve plc	(204)	(89)
Owed to Affinity Partners Limited	(2,173)	-
Owed to Tradehill Limited	(8)	-
Owed to Homeserve Servowarm Limited	(1,366)	(8)
Owed to South Staffordshire Water PLC	-	(89)
Owed to Mail Solutions Limited	-	(1,218)
Owed to Homeserve Emergency Services Limited	-	(750)
Owed to Echo Managed Services Limited	-	(57)
	(3,653)	3,588