Homeserve Resources Limited

Report and Accounts for the year ended

31 March 2006

Company Registration No: 3546582

Director's Report

The Director has pleasure in submitting the Report and Accounts for the year to 31 March 2006.

Business Review and Principal Activities

The Company is a wholly owned subsidiary of its ultimate parent company, Homeserve plc.

The Company's principal activity is to act as a holding company for certain businesses within Homeserve plc. There have not been any significant changes in the Company's principal activities in the period under review. The director is not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The balance sheet on page 9 of the financial statements shows that the Company's financial position at the period end is, in net assets terms, consistent with the prior year.

The Homeserve plc Group manages its operations on a divisional basis. For this reason, the company's director believes that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of Homeserve plc, which includes the Company, is discussed in the Group's Annual Report which does not form part of this Report.

Principal Risks and Uncertainties

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

Financial Risk

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

Liquidity risk relates to the Company's ability to meet the cash flow requirements of the operations, while avoiding excessive levels of debt. The Company's borrowings are principally in the form of short and medium term revolving credit facilities, which can be drawn down on demand, providing flexible access to debt when required.

Credit risk principally relates to trade receivables from customers. Detailed policies and procedures for the assessment of all customers are in place including reviewing credit history and setting appropriate credit limits before trading commences.

Interest rate risk is not considered to represent significant risks at this time due to the low levels of net debt held in the business. However, these risks are kept under constant review and policies exist to mitigate them should they increase in significance.

Director's Report

Principal Risks and Uncertainties

Financial Reporting Policies

The Company has opted to present its financial statements in accordance with International Financial Reporting Standards. Accordingly, the accounts for the year ended 31 March 2006 have been prepared in accordance with IFRS and the comparatives have been restated.

Details of the impact of the transition to IFRS is included in Note 20 to these financial statements. Other than in respect of the transition to IFRS, no other accounting policies have been changed during the year.

Environment

The Company is committed to environmental sustainability. Our businesses are largely service based and therefore their exposure to environmental risk is low. However, we recognise that the Company has a responsibility to act in a way that respects the environment and as such, all our employees are encouraged to incorporate an awareness of environmental issues into decision-making processes.
The Company operates in accordance with Group Policies, which are described in the Group's Annual Report which does not form part of this Report.

Financial Results

The Company's results are shown in the income statement on page 8. The Director is not proposing to pay a dividend to ordinary shareholders (2005: £1,058,000). The loss for the year of £49,000 (2005: profit £4,056,000) has been deducted (2005: added) from reserves.

Directors

The Directors who held office during the year, and subsequently, and their interests in the share capital of the Company at 31 March 2006 were as follows:

	31 March 2006	31 March 2005
Mr Andrew John Belk (resigned 28 February 2006)	-	-
Mr Brian Howard Whitty (resigned 28 February 2006)	-	-
Mr David William Preston (resigned 28 February 2006)	-	-
Ms Caroline Emma Roberts Thomas (appointed 28 February 2006)	-	-

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

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

	Scheme	**Balance at 31.3.06**	**Granted during year**	**Exercised during year**	**Balance at 31.3.05**	**Option price**	**Date of Grant**	**Exercisable From**
C E R Thomas	KEIP	19,500	19,500	-	-	£9.610	28.06.05	01.07.08
	KEIP	19,500	19,500	-	-	£9.610	28.06.05	01.07.10

KEIP options are exercisable from the date of exercise until 28 June 2015.

Director's 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 2006 represent 50 days of purchases during the year (2005: 57 days).

Employment policies

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

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

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

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

Auditors

The director confirms that as far as she is aware, there is no relevant audit information of which the Company's auditors are unaware and that she has taken all reasonable steps to make herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Anna Maughan
Company Secretary
29 January 2007
Registered Office: Cable Drive, Walsall, West Midlands, WS2 7BN
Registered in England and Wales

Statement of Director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements. The director has chosen to prepare financial statements for the Company in accordance with International Financial Reporting Standards (IFRS). Company law requires the director to prepare such financial statements in accordance with IFRS and the Companies Act 1985.

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

The Director is also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is 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
- prepare the accounts on a going concern basis unless it is inappropriate to presume the Company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

The director is responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report

Independent auditors' report to the members of Homeserve Resources Limited

We have audited the financial statements of Homeserve Resources Limited for the year ended 31 March 2006 which comprise the income statement, statement of changes in equity, balance sheet, cash flow statement, and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The director's responsibility for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of director's responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the director's report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Independent Auditors' Report

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with those IFRSs as adopted for use in the European Union, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the director's report is consistent with the financial statements.

As explained in Note 2, the company, in addition to complying with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Birmingham, UK

29 January 2007

Income Statement

year ended 31 March 2006

	Note	**2006 £'000**	2005 £'000
Operating costs:			
Amounts written off investments	11	-	(455)
Other operating costs	4	-	(827)
Operating loss		-	(1,282)
Income from shares in group undertakings		-	9,698
Investment income	6	**2**	-
Finance costs	7	**(167)**	(685)
(Loss)/profit before tax		**(165)**	7,731
Tax	9	**116**	501
(Loss)/profit for the year from continuing operations		**(49)**	8,232
Discontinued operations			
Loss for the year from discontinued operations		-	(4,176)
(Loss)/profit for the year being attributable to equity holders of the parent	16	**(49)**	4,056

Statement of Changes in Equity

year ended 31 March 2006

	Note	**Total equity £'000**
At 1 April 2004		(7,179)
Dividends		(1,058)
Profit for the year		4,056
At 1 April 2005		(4,181)
Loss for the year		(49)
At 31 March 2006	16	**(4,230)**

Balance Sheet

31 March 2006

	Note	2006 £'000	2005 £'000
Non-current assets			
Property, plant and equipment	10	-	14
Investment in subsidiaries	11	**108**	108
		108	122
Current assets			
Current tax assets		**81**	168
Trade and other receivables	12	**5**	15,864
Cash and cash equivalents	12	-	6,385
		86	22,417
Total assets		**194**	22,539
Current liabilities			
Trade and other payables	13	**(1,384)**	(26,711)
Bank overdrafts and loans	13	**(3,017)**	-
		(4,401)	(26,711)
Net current liabilities		**(4,315)**	(4,294)
Non-current liabilities			
Deferred tax liabilities	14	**(23)**	(9)
		(23)	(9)
Total liabilities		**(4,424)**	(26,720)
Net liabilities		**(4,230)**	(4,181)
Equity			
Share capital	15	**50**	50
Retained earnings	16	**(4,280)**	(4,231)
Total equity		**(4,230)**	(4,181)

The financial statements were approved by the board of directors and authorised for issue on 29 January 2007. They were signed on its behalf by:

Emma Thomas
Director
29 January 2007

Cash Flow Statement

year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Net cash used in operating activities	17	**(9,418)**	(312)
Investing activities			
Interest received		**2**	-
Purchases of property, plant and equipment	10	-	(10)
Disposal of property, plant and equipment	10	**14**	-
Dividends received		-	7,531
Acquisition of subsidiary		-	(323)
Disposal of subsidiary		-	6,849
Net cash from investing activities		**16**	14,047
Financing activities			
Dividends paid		-	(1,058)
Repayments of borrowings		-	(242)
Increase/(decrease) in bank overdraft		**3,017**	(6,050)
Net cash from/(used in) financing activities		**3,017**	(7,350)
Net (decrease)/increase in cash and cash equivalents		**(6,385)**	6,385
Cash and cash equivalents at beginning of year		**6,385**	-
Cash and cash equivalents at end of year		-	6,385

Notes to the Accounts

year ended 31 March 2006

1. General information

Homeserve Resources Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given in note 19.

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

2. Significant accounting policies

Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 20.

The financial statements have also been prepared in accordance with IFRSs, adopted for use in the European Union. There are no adjustments required to these financial statements in respect of standards that have been issued but not yet enacted. In addition, at this time standards that have been issued but not yet enacted are not expected to have an impact on the Company.

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

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

Investment income
Investment income is recognised in the income statement in the period in which they are incurred.

Borrowing costs
Borrowing costs are recognised in the income statement in the period in which they are incurred.

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

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

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

2. Significant accounting policies (continued)

Taxation

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

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

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

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

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

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

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 over their estimated useful lives, using the straight-line method, on the following bases:

Furniture, fixtures and equipment	7 years

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible 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.

2. Significant accounting policies (continued)

Impairment of tangible assets

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

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

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

Non-current investments
Investments in subsidiary undertakings are shown at cost less provision for impairment.

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

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

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

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

Trade payables
Trade payables are not interest bearing and are stated at their nominal value.

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

Judgements and estimates of uncertainty
The directors do not consider there to be any significant areas of accounting judgement or estimation uncertainty within these financial statements.

Notes to the Accounts

year ended 31 March 2006

3. Business and geographical segments

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

4. Result for the year

The result for the year has been arrived at after charging:

	2006	2005
	£'000	£'000
Included in operating costs:		
Depreciation of property, plant and equipment	-	15
Staff costs (note 5)	-	485
Auditors' remuneration for audit services	-	6
Other operating costs	-	321
	-	827

In the current year, the audit fee was borne by a fellow group company. Prior year, auditors remuneration related to statutory audit services.

5. Staff costs

There were no staff costs in the current financial year. Prior year, the average monthly number of employees (including directors) was:

	2006	2005
	Number	Number
Average number of employees	-	9
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	-	351
Social security costs	-	56
Other pension costs (note 18)	-	78
	-	485

Directors remuneration is disclosed in note 19.

6. Investment income

	2006	2005
	£'000	£'000
Interest on bank deposits	**2**	-

Notes to the Accounts

year ended 31 March 2006

7. Finance costs

	2006	2005
	£'000	£'000
Loan interest	**167**	639
Bank interest	**-**	46
	167	685

8. Dividends

	2006	2005
	£'000	£'000
Amounts recognised as distributions to equity holders in the year:		
Dividend for the year ended 31 March 2006 of £nil (2005: £21.16) per share	**-**	1,058

9. Tax

	2006	2005
	£'000	£'000
Current tax	**130**	441
Deferred tax (note 14)	**(14)**	60
	116	501

UK corporation tax is calculated at 30% (2005: 30%) of the estimated assessable loss for the year.

The credit for the year on continuing operations can be reconciled to the loss per the income statement as follows:

	2006	2005
	£'000	£'000
(Loss)/profit before tax	**(165)**	7,731
Tax at the UK corporation rate of 30%	**50**	(2,319)
Tax effect of expenses that are not deductible in determining taxable profit	**-**	(2)
Non-deductible dividend income	**-**	2,909
Non-deductible exceptional costs	**(2)**	(80)
Adjustments in respect of prior years - deferred tax	**(17)**	-
Adjustments in respect of prior years - current tax	**85**	(7)
Tax credit for the year	**116**	501

No attributable tax has been credited against the loss on disposal of discontinued operations in the prior year of £4,176,000.

Notes to the Accounts

year ended 31 March 2006

10. Property, plant and equipment

	Furniture, fixtures and equipment £'000
Cost	
At 1 April 2004	131
Additions	10
At 1 April 2005	141
Disposals	(141)
At 31 March 2006	-
Accumulated depreciation	
At 1 April 2004	112
Charge for the year	15
At 1 April 2005	127
Disposals	(127)
At 31 March 2006	-
Carrying amount	
At 31 March 2006	-
At 31 March 2005	14

11. Investment in subsidiaries

Details of the Company's subsidiaries at 31 March 2006 are as follows:

Name of subsidiary	Place of incorporation ownership (or registration) and operation	Proportion of voting interest %	Proportion of power held %
Epok Limited	England	100	100

The movement in investments is as follows:

	£'000
Cost	
Balance at 1 April 2004	12,763
Additions	2,490
Disposal of subsidiary undertakings	(14,690)
Balance at 31 March 2005 and 31 March 2006	**563**
Provision for impairment	
Balance at 1 April 2004	-
Impairment of investment	(455)
Balance at 31 March 2005 and 31 March 2006	**(455)**
Net book value	
At 31 March 2005 and 31 March 2006	**108**

12. Other financial assets

Trade and other receivables

	2006 £'000	2005 £'000
Amounts receivable for the provision of services	-	21
Amounts owed by other Group undertakings	-	15,843
Other debtors	5	-
	5	15,864

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

Cash balances and cash equivalents

Prior year cash balances and cash equivalents of £6,385,000 comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Credit risk

The Company's principal financial assets are bank balances and cash and trade and other receivables, which represent the Company's maximum exposure to credit risk in relation to financial assets.

Notes to the Accounts

year ended 31 March 2006

13. Current liabilities – Trade and other payables

	2006	2005
	£'000	£'000
Trade creditors and accruals	**74**	44
Amounts owed to other Group undertakings	**1,310**	24,907
Taxes and social security, excluding current tax	-	44
Other creditors	-	1,716
	1,384	26,711

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 50 days (2005: 57 days).

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

The bank overdraft of £3,017,000 (2005: £nil) is repayable on demand.

14. Deferred tax

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

	Accelerated tax depreciation £'000
At 1 April 2004	69
Credit to income	(60)
At 1 April 2005	9
Charge to income	14
At 31 March 2006	**23**

15. Share Capital

	2006	2005
	£'000	£'000
Authorised, issued and fully paid		
50,001 (2005: 50,001) ordinary shares of £1 each	**50**	50

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

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

Notes to the Accounts

year ended 31 March 2006

16. Reconciliation of movements in equity

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 April 2004	50	(7,229)	(7,179)
Dividends	-	(1,058)	(1,058)
Profit for the year	-	4,056	4,056
At 1 April 2005	50	(4,231)	(4,181)
Loss for the year	-	(49)	(49)
At 31 March 2006	**50**	**(4,280)**	**(4,230)**

17. Notes to the cash flow statement

	2006 £'000	2005 £'000
Operating loss	-	(1,282)
Adjustments for:		
Depreciation of property, plant and equipment	-	15
Amounts written off investments	-	455
Operating cash flows before movements in working capital	-	(812)
Decrease in receivables	**15,859**	1,694
Decrease in payables	**(25,327)**	(1,196)
Cash used in operations	**(9,468)**	(314)
Income taxes received	**217**	687
Interest paid	**(167)**	(685)
Net cash used in operating activities	**(9,418)**	(312)

18. Retirement benefit scheme

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

Defined contribution schemes

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

The total cost charged to income of £nil (2005: £23,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. At 31 March 2006, contributions of £nil (2005: £nil) due in respect of the current reporting period had not been paid over to the schemes.

18. Retirement benefit scheme (continued)

Defined benefit scheme

The Company participates in a defined benefit scheme, the Water Companies Pension Scheme, for qualifying employees. This is a sectionalised final salary scheme and the Company participates in the Homeserve plc Group Section of the Scheme. The Section funds are administered by the trustees and are independent of the Company's finances. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

As stated in the Homeserve plc Group financial statement for the year ended 31 March 2006, the results of the actuarial valuation as at 1st April 2005 were updated to the accounting date by an independent qualified actuary in accordance with IAS19. As required by IAS19, the value of the defined benefit obligation, the past service cost and the current service cost have been measured using the projected unit credit method.

	Valuation at	
	2006	2005
	£'000	£'000
Key assumptions used:		
Discount rate at 31 March	**4.9%**	5.4%
Retail price inflation	**3.0%**	2.9%
Expected rate of salary increases	**5.0%**	4.9%
Future pension increases	**3.0%**	2.9%
Expected rate of return on scheme assets at 31 March	**6.9%**	7.7%
Life expectancy of male aged 60 at balance sheet date	**25.6 years**	25.5 years

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

	2006	2005
	£'000	£'000
Present value of defined benefit obligations	**(13,200)**	(9,854)
Fair value of scheme assets	**12,044**	7,276
Deficit in scheme	**(1,156)**	(2,578)
Past service cost not yet recognised in balance	**-**	-
Liability recognised in the balance sheet	**(1,156)**	(2,578)

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

	Expected return		Fair value of assets	
	2006	2005	**2006**	2005
	%	%	**£'000**	£'000
Equity instruments	**7.4%**	7.7%	**10,057**	7,198
Debt instruments	**-**	-	**-**	-
Other assets	**4.2%**	4.7%	**1,987**	78
At 31 March			**12,044**	7,276

Notes to the Accounts

year ended 31 March 2006

18. Retirement benefit scheme (continued)

The overall expected rate of return on assets for the financial year ending 31 March 2006 was 7.7% pa (2005: 7.9% pa). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the Section was invested in at 31 March 2005.

19. Related party transactions

Ultimate parent company

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

	Amounts owed by related parties		**Amounts owed to related parties**	
	2006	2005	**2006**	2005
Company	**£'000**	£'000	**£'000**	£'000
Homeserve plc	-	28	**81**	10,817
Homeserve Enterprises Limited	-	15,815	-	13,074
Hemel Enterprises Limited	-	-	**213**	-
Jiverent Limited	-	-	**1,016**	1,016
	-	15,843	**1,310**	24,907

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 amounts owed by related parties.

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:

	2006	2005
	£'000	£'000
Short-term employee benefits	-	430
Post-employment benefits	-	23
	-	453

In the current year, no Directors were remunerated by Homeserve Resources Limited, and no part of their remuneration is specifically attributable to their services to Homeserve Resources Limited.

Prior year, the highest paid Director received emoluments of £169,179. Contributions made to a defined contribution pension scheme in respect of this director amount to £6,120.

Notes to the Accounts

year ended 31 March 2006

20. Explanation of transition to IFRSs

This is the first year that the Company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 March 2005 and the date of transition to IFRSs was therefore 1 April 2004.

IFRS 1 'First-time Adoption of International Financial Reporting Standards'

IFRS 1 establishes the transitional requirements for the preparation of financial statements in accordance with IFRS for the first time. The general principle is that the IFRS effective at the first-time adoption reporting date (31 March 2006 for the Company) are to be applied retrospectively to the opening IFRS balance sheet (1 April 2004), the comparative period (year ended 31 March 2005) and the reporting period (year ended 31 March 2006).

Reconciliation of equity at 1 April 2004 (date of transition to IFRSs)

Note		UK GAAP £'000	Effect of transition to IFRSs £'000	IFRSs £'000
	Property, plant and equipment	19	-	19
b	Investment in subsidiaries	12,763	(12,200)	563
	Total non-current assets	12,782	(12,200)	582
	Current tax assets	414	-	414
a	Trade and other receivables	25,089	(7,531)	17,558
	Total current assets	25,503	(7,531)	17,972
b	Non current assets classified as held for sale	-	6,643	6,643
	Total assets	38,285	(13,088)	25,197
a	Trade and other payables	(27,315)	1,058	(26,257)
	Bank overdrafts and loans	(6,050)	-	(6,050)
	Deferred tax liabilities	(69)	-	(69)
	Total liabilities	(33,434)	1,058	(32,376)
	Net assets	**4,851**	**(12,030)**	**(7,179)**
	Share capital	50	-	50
	Retained earnings	4,801	(12,030)	(7,229)
	Total equity	**4,851**	**(12,030)**	**(7,179)**

Notes to the Accounts

year ended 31 March 2006

20. Explanation of transition to IFRSs (continued)

Note		£'000
	Total equity UK GAAP	4,851
a	Dividend payable not recognised until declared	1,058
a	Dividend receiveable not recognised until declared	(7,531)
b	Impairment of disposed business	(5,557)
		(12,030)
	Tax effect of the above	-
	Total adjustment to equity	(12,030)
	Total equity IFRS	(7,179)

Notes to the reconciliation of equity at 1 April 2004

a) Under IAS 10 'Events After the Balance Sheet Date', liabilities for proposed dividends are not recorded until the dividend is announced. These adjustments represent the reversal of the final proposed dividend for 2004 in Homeserve Resources Limited and its subsidiary undertakings.

b) Under IFRS 5 'Non Current Assets Held for Sale and Discontinued Operations', the investments in Onsite South Limited and Onsite Central limited, which met the definition of a 'disposal group' at 1 April 2004, have been restated to the lower of the carrying amount and fair value less cost to sell. This adjustment represents the write down of the investments based on expected net proceeds at 1 April 2004. In addition, they are separately disclosed as assets held for disposal as at 1 April 2004.

year ended 31 March 2006

20. Explanation of transition to IFRSs (continued)

Reconciliation of equity at 31 March 2005

Note		UK GAAP £'000	Effect of transition to IFRSs £'000	IFRSs £'000
	Property, plant and equipment	14	-	14
	Investment in subsidiaries	108	-	108
	Total non-current assets	122	-	122
	Trade and other receivables	15,864	-	15,864
	Current tax assets	168	-	168
	Cash and cash equivalents	6,385	-	6,385
	Total current assets	22,417	-	22,417
	Total assets	22,539	-	22,539
	Trade and other payables	(26,711)	-	(26,711)
	Deferred tax liabilities	(9)	-	(9)
	Total liabilities	(26,720)	-	(26,720)
	Net assets	(4,181)	-	(4,181)
	Share capital	50	-	50
	Retained earnings	(4,231)	-	(4,231)
	Total equity	(4,181)	-	(4,181)

Reconciliation of Income Statement for 2005

	UK GAAP £'000	Effect of transition to IFRSs £'000	IFRSs £'000
Revenue	-	-	-
Amounts written off investments	(455)	-	(455)
Other operating costs	(827)	-	(1,282)
Operating loss	(1,282)	-	(1,282)
Income from shares in group undertakings	2,167	7,531	9,698
Finance costs	(685)	-	(685)
Profit before tax	200	7,531	7,731
Tax	501	-	501
Profit for the year from continuing operations	701	7,531	8,232
Loss for the year from discontinued operations	(9,733)	5,557	(4,176)
Profit for the year	(9,032)	13,088	4,056

Notes to the Accounts

year ended 31 March 2006

20. Explanation of transition to IFRSs (continued)

Reconciliation of profit or loss for 2005

Note		Operating Loss £'000	Profit before tax £'000	Profit for the period £'000
	(Loss)/profit previous GAAP	(1,282)	200	(9,032)
b	Dividend not recognised as liability until declared	-	7,531	7,531
a	Reversal of provision for discontinued operations	-	-	5,557
	Total adjustment to profit or loss	-	7,531	13,088
	(Loss)/profit IFRS	(1,282)	7,731	4,056

Notes to the reconciliation of equity at 31 March 2005 and for the reconciliation of profit or loss for 2005

a) This adjustment represents the reversal of prior period provisions for discontinued operations as noted in the notes for the reconciliation of equity at 1 April 2004 (b).

b) Under IAS 10 'Events After the Balance Sheet Date', liabilities for proposed dividends are not recorded until the dividend is announced. This adjustment represent the final proposed dividend for 2004.

Explanation of material adjustments to the cash flow statement for 2005

There have been no material adjustments to the income statement, balance sheet and cash flows of the Company as a result of the implementation of IFRS.