Homeserve Property Repairs Limited

Report and Accounts for the year ended

31 March 2010

Company Registration No: 3907989

Directors' Report

The directors have pleasure in submitting the Report and Accounts for the year to 31 March 2010

Business Review and Principal Activities

The Company is a wholly owned subsidiary of its ultimate parent company, Homeserve plc, and operated as part of its UK Emergency Services division

The Company's principal activity is that of building repair management and construction contract management, solely in the UK Following the ultimate parent company board's decision to close the business, the financial statements have been prepared on a basis other than that of a going concern, as disclosed in note 2

During the year, turnover decreased from £105,237,000 to £32,066,000, the decrease in profit before tax from a loss of £14,652,000 to a loss of £16,606,000 is primarily due to the impairment of assets and exceptional costs in the current year The balance sheet on page 8 of the financial statements shows the Company's financial position at the year end During the year, net assets have increased from net liabilities of £10,450,000 to £10,355,000 and cash and cash equivalents have decreased from cash of £3,279,000 to an overdraft of £10,489,000

During the year, the Company issued 1,200,000 ordinary shares of £1 each, at par

The Homeserve plc Group manages its operations on a divisional basis For this reason, the Company's directors believe 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 the Emergency Services division of Homeserve plc, which includes the Company, is discussed in the Group's Annual Report which does not form part of this Report

Following the ultimate parent company board's decision to close the business, the financial statements have been prepared on a basis other than that of a going concern, as disclosed in note 2

Principal Risks and Uncertainties

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

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

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

Credit risk principally relates to trade receivables from customers Detailed policies and procedures for the assessment of all customers are in place 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, this risk is kept under constant review and policies exist to mitigate it should it increase in significance

Commercial Relationships
The Company has close commercial relationships with a number of Household Insurers The loss of these contractual commercial relationships could have a significant effect on the Company's future profitability and cash flows This risk is managed through regular reviews and contact with the senior management of these customers in order to ensure that we respond to their needs and deliver the service that they expect

Principal Risks and Uncertainties (continued)

Competitor Risk

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

Financial Reporting Policies

The Company has opted to present its financial statements in accordance with International Financial Reporting Standards (IFRSs) Accordingly, the accounts for the year ended 31 March 2010 and the prior year have been prepared in accordance with IFRS

Environment

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

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

Financial Results

The Company's results are shown in the Income Statement on page 7 The Directors paid a dividend to ordinary shareholders of £nil (2009 £2,851,000) The loss for the year of £11,884,000 (2009 loss £10,719,000) has been deducted from reserves

Directors

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

Martin John Bennett (appointed 26 June 2009)
David Harry Hargreaves (appointed 30 October 2009, resigned 31 August 2010)
Jonathan Simpson-Dent (resigned 26 June 2009)
Richard Julian Woolley (resigned 30 October 2009)
David William Preston (resigned 12 February 2010)

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

Payment of Creditors

The Company's policy is to pay suppliers in line with the terms of payment agreed with each of them when contracting for their products or services Trade creditors at 31 March 2010 represent 39 days of purchases during the year (2009 38 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

Employment policies (continued)

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

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

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

Going Concern

The ultimate parent company has provided the director with confirmation that it will continue to provide the Company with financial support for a period of at least 12 months from the date of approval of the financial statements

Due to the cessation of trade, the financial statements have been prepared on a basis other than that of a going concern, as disclosed in note 2

The directors do not expect that the Company will resume trading in the foreseeable future

Auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of 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 auditors in the absence of an AGM

By Order of the Board

Anna Maughan
Company Secretary
21 December 2010
Registered Office Cable Drive, Walsall, West Midlands, WS2 7BN
Registered in England and Wales

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 Auditors' Report

Independent auditors' report to the members of Homeserve Property Repairs Limited

We have audited the financial statements of Homeserve Property Repairs Limited for the year ended 31 March 2010 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 27 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 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 explained more fully in the Statement of Directors' Responsibilities, 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 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 (APB'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

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 2010 and of its loss 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

Emphasis of matter – Financial statements prepared on a basis other than that of a going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 2 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern

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

C. J. Robertson

Christopher Robertson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham, UK

21/12/10

Income Statement

Year ended 31 March 2010

Continuing Operations	Note	2010 £000	2009 £000
Revenue	3	**32,066**	105,237
Operating costs			
Impairment	11	**-**	(6,811)
Exceptional operating costs	5	**(13,396)**	(3,153)
Other operating costs	5	**(35,276)**	(109,858)
Operating costs		**(48,672)**	(119,822)
Operating loss		**(16,606)**	(14,585)
Investment income	7	**8**	17
Finance costs	8	**(184)**	(84)
Loss before tax		**(16,782)**	(14,652)
Tax	9	**4,898**	3,933
Loss for the year being attributable to the equity holders of the parent		**(11,884)**	(10,719)

Statement of Comprehensive Income

Year ended 31 March 2010

	2010 £000	2009 £000
Loss for the year	**(11,884)**	(10,719)
At 31 March 2010	**(11,884)**	(10,719)

Balance Sheet

31 March 2010

	Note	**2010 £000**	2009 £000
Non-current assets			
Intangible assets	12	**-**	-
Property, plant and equipment	13	**-**	-
Investments	14	**-**	-
Deferred tax assets	18	**28**	1,475
		28	1,475
Current assets			
Inventories	15	**-**	1,821
Trade and other receivables	16	**579**	12,843
Current tax assets		**3,204**	2,719
Cash and cash equivalents	16	**100**	3,279
		3,883	20,662
Total assets		**3,911**	22,137
Current liabilities			
Trade and other payables	17	**(3,777)**	(32,587)
Bank overdraft	17	**(10,489)**	-
		(14,266)	(32,587)
Net current liabilities		**(10,383)**	(11,925)
Non-current liabilities			
Deferred tax liabilities	18	**-**	-
		-	-
Total liabilities		**(14,266)**	(32,587)
Net liabilities		**(10,355)**	(10,450)
Equity			
Share capital	19	**12,000**	-
Share incentive reserve		**203**	294
Retained deficit		**(22,558)**	(10,744)
Total deficit		**(10,355)**	(10,450)

The financial statements of Homeserve Property Repairs Limited, registered number 3907989, were approved by the board of directors and authorised for issue on 21 December 2010 They were signed on its behalf by

Martin John Bennett
Director

Statement of changes in equity

Year ended 31 March 2010

	Share Capital £000	Share incentive reserve £000	Retained earnings £000	Total Equity £000
At 1 April 2009	-	294	(10,744)	**(10,450)**
Total comprehensive income	-	-	(11,884)	**(11,884)**
Issue of share capital	12,000	-	-	**12,000**
Deferred tax on share option gains taken directly to equity	-	-	(96)	**(96)**
Current tax on exercised share options taken directly to equity	-	-	108	**108**
Share based payments	-	(33)	-	**(33)**
Share options exercised in the year	-	(58)	58	**-**
At 31 March 2010	**12,000**	**203**	**(22,558)**	**(10,355)**

Year ended 31 March 2009

	Share Capital £000	Share incentive reserve £000	Retained earnings £000	Total Equity £000
At 1 April 2008	-	211	2,930	3,141
Total comprehensive income	-	-	(10,719)	(10,719)
Dividend paid	-	-	(2,851)	(2,851)
Deferred tax on share option gains taken directly to equity	-	-	(129)	(129)
Current tax on exercised share options taken directly to equity	-	-	11	11
Share based payments	-	97	-	97
Share options exercised in the year	-	(14)	14	-
At 1 April 2009	-	294	(10,744)	(10,450)

Cash flow statement

Year ended 31 March 2010

	Note	2010 £000	2009 £000
Net cash from/(used in) operating activities	22	**(25,691)**	13,082
Investing activities			
Interest received		**8**	17
Proceeds on disposal of property, plant and equipment		**-**	24
Purchases of intangible assets	12	**-**	(1,010)
Purchases of property, plant and equipment	13	**-**	(265)
Disposal of property plant and equipment		**15**	-
Net cash generated from/(used in) investing activities		**23**	(1,234)
Financing activities			
Dividends paid	10	**-**	(2,851)
Proceeds on issue of share capital		**12,000**	-
Increase/(decrease) in bank overdraft		**10,489**	(5,718)
Net cash from/(used in) financing activities		**22,489**	(8,569)
Net (decrease)/increase in cash and cash equivalents		**(3,179)**	3,279
Cash and cash equivalents at beginning of year		**3,279**	-
Cash and cash equivalents at end of year		**100**	3,279

Notes to the Accounts

Year ended 31 March 2010

1 General information

Homeserve Property Repairs Limited is a company incorporated in England and Wales under the Companies Act 2006 The address of the registered office is given in note 26

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

2 Significant accounting policies

Basis of accounting
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

Amendments to IFRS 2 (Jun 2009)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (revised Jan 2008)	Business Combinations
IFRS 9	Financial Instruments
IAS 24 (revised Nov 2009)	Related Party Disclosures
Amendments to IAS 27 (Jan 2008)	Consolidated and Separate Financial Statements
Amendment to IAS 32 (Oct 2009)	Classification of Rights Issues
Amendments to IFRIC 14 (Nov 2009)	Prepayments of a Minimum Funding Requirement
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs 2009 (Apr 2009)	Improvements to IFRSs 2009
Improvements to IFRSs 2010 (May 2010)	Improvements to IFRSs 2010

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Company except for IFRS3 (revised 2008), whereby acquisition costs and adjustments to contingent consideration will be charged or credited to the income statement IFRS3 (Revised) is expected to apply to the Company for the year ending 31 March 2011

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments, and on a going concern basis as set out in the Corporate governance statement

In October 2009 the ultimate parent company board announced its decision to close the business In the current period, as required by IAS 1, the directors have prepared the financial statements on the basis that the Company is no longer a going concern No material adjustments arose as a result of ceasing to apply the going concern basis The ultimate parent company has provided the directors with confirmation that it will continue to provide the Company with financial support for a period of at least 12 months from the date of approval of the financial statements This financial support will allow the Company to operate in a lawful and proper manner, and satisfy all third party obligations in full when they become due

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

Revenue recognition
Revenue comprises the value of sales (excluding VAT and similar taxes) of goods and services in the normal course of business

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

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

Notes to the Accounts

Year ended 31 March 2010

2 Significant accounting policies (continued)

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

Operating profit/(loss)
Operating profit/(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

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

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 period 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 taxed 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 and any provision of impairment

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

Computer equipment	3 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 -10 years
Leasehold improvements	Lease term

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

Notes to the Accounts

Year ended 31 March 2010

2 Significant accounting policies (continued)

Impairment of tangible and intangible assets

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

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

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

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

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

Share-based payments

The Company has applied the requirements of IFRS2 Share-based payments In accordance with the transitional provision, IFRS2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 April 2005

Homeserve plc issues equity-settled share-based payments to certain employees of the Company 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

2 Significant accounting policies (continued)

Share-based payments (continued)
Fair value is measured by use of the Black-Scholes model or Monte Carlo Simulation models depending on the type of scheme

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

Judgments and estimates of uncertainty

Impairment
Impairment of intangible and tangible assets is subject to estimates of value in use (or fair value less costs to sell) As a result, estimates of future cash flows are required which are inherently judgemental and subject to changes in estimates

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

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

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

	2010 £000	2009 £000
Provision of services	**32,066**	105,237
Investment income (note 7)	**8**	17
	32,074	105,254

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

Notes to the Accounts

5 Loss for the year

Loss for the year has been arrived at after charging

	2010 £000	2009 £000
Included in operating costs		
Cost of inventories recognised as expense	**1,821**	3,455
Depreciation of property, plant and equipment	**-**	593
Amortisation of software licences	**-**	462
Profit on disposal of property, plant and equipment	**(15)**	(3)
Staff costs (note 6)	**9,746**	21,050
Auditors' remuneration for audit services	**15**	23
Impairment	**-**	6,811
Exceptional operating costs	**13,396**	3,153
Payments under operating leases	**1,973**	1,543
Other operating costs	**21,736**	82,735
	48,672	119,822

Exceptional operating costs in the current year related to closure of the business, in the prior year exceptional costs related to the aborted hub deal and redundancy costs from the reorganisation of the UK Emergency Services business

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

	2010 £000	2009 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**15**	23
Total audit fees	**15**	23
Tax services	**3**	3
Total non-audit fees	**3**	3

6 Staff costs

The average monthly number of employees (including directors) was

	2010 Number	2009 Number
Average number of employees		
Operational	**189**	237
Administration	**208**	473
Average number of employees	**397**	710

	2010 £000	2009 £000
Their aggregate remuneration comprised		
Wages and salaries	**8,547**	18,921
Social security costs	**1,017**	1,744
Other pension costs (note 25)	**182**	385
	9,746	21,050

Directors' remuneration is disclosed in note 26

Notes to the Accounts

Year ended 31 March 2010

7 Investment income

	2010 £000	2009 £000
Interest on bank deposits	**8**	17

8 Finance costs

	2010 £000	2009 £000
Interest on bank overdraft	**184**	84

9 Tax

	2010 £000	2009 £000
Current tax	**(6,249)**	(2,294)
Deferred tax (note 18)	**1,351**	(1,639)
	(4,898)	(3,933)

UK corporation tax is calculated at 28% (2009 28%) of the estimated assessable profit for the year

The (credit)/charge for the year can be reconciled to the (loss)/profit per the Income Statement as follows

	2010 £000	2009 £000
Loss before tax	**(16,782)**	(14,652)
Tax at the UK corporation rate of 28% (2009 28%)	**(4,698)**	(4,103)
Tax effect of expenses that are not deductible in determining taxable profit	**(18)**	182
Adjustments in respect of prior years – current tax	**(926)**	1
Adjustments in respect of prior years – deferred tax	**744**	(13)
		-
Tax (credit)/charge for the year	**(4,898)**	(3,933)

10 Dividends

	2010 £000	2009 £000
Amounts recognised as distributions to equity holders in the year		
Dividend for the year of £nil per share (2009 £1,425,500)	**-**	2,851

Notes to the Accounts

Year ended 31 March 2010

11 Impairment

In the prior year, the impairment charge of £6,811,000 consists of

Impairment charge	2010 £000	2009 £000
Intangible assets (note 12)	-	5,542
Property, plant and equipment (note 13)	-	1,269
	-	6,811

12 Intangible assets

	Software £000
Cost	
At 1 April 2008	5,315
Additions	1,010
At 1 April 2009	6,325
Additions	-
At 31 March 2010	**6,325**
Accumulated depreciation	
At 1 April 2008	321
Charge for the year	462
Impairment (note 11)	5,542
At 1 April 2009	6,325
Charge for the year	-
At 31 March 2010	**6,325**
Carrying amount	
At 31 March 2010 and 31 March 2009	-

Notes to the Accounts

Year ended 31 March 2010

13 Property, plant and equipment

	Leasehold improvements £000	Furniture, fixtures and equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2008	736	292	1,381	103	**2,512**
Additions	8	84	31	142	**265**
Disposals	-	(4)	-	(31)	**(35)**
At 31 March 2009 and 31 March 2010	**744**	**372**	**1,412**	**214**	**2,742**
Accumulated depreciation					
At 1 April 2008	160	46	676	12	**894**
Charge for the year	85	55	404	49	**593**
Disposals	-	-	-	(14)	**(14)**
Impairment (note 11)	499	271	332	167	**1,269**
At 31 March 2009 and 31 March 2010	**744**	**372**	**1,412**	**214**	**2,742**
Carrying amount					
At 31 March 2009 and 31 March 2010	-	-	-	-	-

14 Investments in subsidiaries

Details of the Company's subsidiaries at 31 March 2010 are as follows

Name of subsidiary	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest %	Proportion of power held %
UK Repairline Limited	Dormant	England	100	100
Improveline Limited	Dormant	England	100	100
Claimspeed Limited	Dormant	England	100	100

The movement in investments is as follows

	Total £
Cost and net book value	
As at 1 April 2008	-
Transfer from fellow subsidiary undertaking	3
At 31 March 2009 and 31 March 2010	3

15 Inventories

	2010 £000	2009 £000
Work in progress	-	1,821

Notes to the Accounts

Year ended 31 March 2010

16 Other current assets

Trade and other receivables

	2010 £000	2009 £000
Amounts receivable for the provision of services	**553**	11,866
Amounts owed by other group undertakings	**-**	61
Other debtors	**26**	595
Prepayments and accrued income	**-**	321
	579	12,843

The average credit period taken on provision of services is up to 45 days (2009 45 days) No interest is charged on the receivables An allowance has been made for estimated irrecoverable amounts from the sale of goods of £234,000 (2009 £2,525,000) This allowance has been determined by reference to past default experience

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

Customers with an outstanding balance of 5% or more of the total trade receivables balance are

	2010	
Customer	**£000**	**%**
Zurich Insurance	**506**	**92**

	2009	
Customer	£000	%
Asprea	2,671	23
Zurich Insurance	2,462	21
Legal & General Assurance Society Limited	1,616	14
Nationwide	1,325	11
Liverpool Victoria	1,205	10
CIS	696	6
RSA Group Insurance plc	638	5

Included in the Company's trade receivable balance are debtors with a carrying amount of £0 5million (2009 £6 1million) 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 The average age of receivables not impaired is 90 days (2009 43 days)

Notes to the Accounts

Year ended 31 March 2010

16 Other current assets (continued)

Trade and other receivables (continued)

Ageing of past due but not impaired receivables

	2010 £000	2009 £000
1 – 30 days	-	2,211
31 – 60 days	-	1,086
61 – 90 days	-	454
91 days +	553	2,379
Balance at 31 March past due but not impaired	553	6,130
Current	-	5,736
Balance at 31 March	553	11,866

Movement in the allowance for doubtful debts

	2010 £000	2009 £000
At 1 April	2,525	493
Impairment losses recognised	-	2,032
Amounts written off during the period	(2,291)	
Balance at 31 March	234	2,525

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 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

	2010 £000	2009 £000
1 – 30 days	-	-
31 – 60 days	-	-
61 – 90 days	-	-
91 days +	234	2,525
	234	2,525

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

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

Cash balances and cash equivalents

Cash balances and cash equivalents of £100,000 (2009 £3,279,000) comprised of cash held by the Company and short-term bank deposits with an original maturity of three months or less The carrying amount of these assets approximates their fair value

17 Current liabilities – Trade and other payables

	2010 £000	2009 £000
Trade creditors and accruals	**27**	12,121
Amounts owed to other Group undertakings	**219**	17,626
Taxes and social security, excluding current tax	**82**	763
Deferred income	**-**	-
Other creditors	**3,449**	2,077
	3,777	32,587

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 38 days (2009 38 days)

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

The bank overdraft of £10,489,000 (2009 £nil) is repayable on demand The weighted average interest rate paid was 3 5% (2009 5 4%)

18 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	**Share schemes £000**	**Total £000**
At 1 April 2008	(301)	266	**(35)**
(Charge)/credit to income	1,652	(13)	**1,639**
Credit to equity	-	(129)	**(129)**
At 1 April 2009	1,351	124	**1,475**
Credit/(charge) to income	(1,351)	-	**(1,351)**
Charge to equity	-	(96)	**(96)**
At 31 March 2010	**-**	**28**	**28**

19 Share Capital

	2010 £	2009 £
Issued and fully paid		
1,200,002 ordinary shares of £1 each (2009 2 ordinary shares of £1 each)	**1,200,002**	2

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

During the year, the Company issued 1,200,000 ordinary shares of £1 each, at par

Notes to the Accounts

20 Share Incentive Reserve

	£000
At 1 April 2008	211
Share based payment charges in the year	97
Share options exercised in the year	(14)
At 1 April 2009	294
Share based charges in the year	(33)
Share options exercised in the year	(58)
At 31 March 2010	**203**

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

21 Retained Earnings

	£000
Balance at 1 April 2008	2,930
Dividends	(2,851)
Total comprehensive income	(10,719)
Share options exercised in the year	14
Current tax on share options taken directly to reserves	11
Deferred tax on share option gains taken directly to reserves	(129)
Balance at 1 April 2009	(10,744)
Total comprehensive income	(11,884)
Share options exercised in the year	58
Current tax on share options taken directly to reserves	108
Deferred tax on share option gains taken directly to reserves	(96)
Balance at 31 March 2010	**(22,558)**

Notes to the Accounts

Year ended 31 March 2010

22 Notes to the cash flow statement

	2010 £000	2009 £000
Operating loss	**(16,606)**	(14,585)
Adjustments for		
Impairment and depreciation of property, plant and equipment	**-**	1,862
Impairment and amortisation of intangible assets	**-**	6,004
Share based payments (credit)/expense	**(33)**	97
Profit on disposal of property, plant and equipment	**(15)**	(3)
Operating cash flows before movements in working capital	**(16,654)**	(6,625)
Decrease in inventories	**1,821**	1,096
Decrease in receivables	**12,264**	20,498
Decrease in payables	**(28,810)**	(740)
Cash (used in)/from operations	**(31,379)**	14,229
Income taxes received/(paid)	**5,872**	(1,063)
Interest paid	**(184)**	(84)
Net cash (used in)/from operating activities	**(25,691)**	13,082

23 Operating lease arrangements

The Company as lessee

	2010 £000	2009 £000
Minimum lease payments under operating leases recognised in income for the year	**1,973**	2,367

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

	2010 £000	2009 £000
Within one year	-	4,334
In the second to fifth years inclusive	-	3,520
Over five years	-	551
	-	8,405

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

24 Share based payments

Dunng the year ended 31 March 2010, the Company partıcıpated ın 3 share based payment arrangements through ıts ultımate parent company, Homeserve plc, whıch are descnbed below

ı) Executıve Share Optıon Plan ("ESOP")

The ESOP provıdes for a grant pnce equal to the closıng quoted market pnce of Homeserve plc shares on the day before the date of grant The vestıng penod ıs three years and ıs dependent upon the real ıncrease ın Homeserve plc Earnıngs Per Share over the vestıng penod If the optıons remaın unexercısed after a penod of 10 years from the date of grant, the optıons expıre

ıı) 2005 Key Executıve Incentıve Plan ("KEIP")

The KEIP provıdes for a grant pnce equal to the closıng quoted market pnce of Homeserve plc shares on the day before the date of grant The awards vest ın two tranches, the first beıng between three and four years from the date of grant and the second beıng on the second annıversary of the vestıng of the first tranche The number of awards vestıng ıs dependent upon the Profit Before Tax of the Homeserve plc Group for the year endıng 31 March 2010 and ıs subject to a mınımum share pnce cntena dunng the year endıng 31 March 2010 If the optıons remaın unexercısed after a penod of 10 years from the date of grant, the optıons expıre

ııı) Save As You Earn Scheme ("SAYE")

The SAYE ıs open to all UK employees and provıdes for an exercıse pnce equal to the closıng quoted market pnce on the day before the date of grant, less a dıscretıonary dıscount The optıons can be exercısed dunng a sıx month penod followıng the completıon of eıther a three or five year savıngs penod

	ESOP	KEIP	SAYE
2009			
Number			
Outstandıng at 1 Apnl 2008	78,318	63,500	30,178
Granted	-	-	28,010
Lapsed	(25,209)	(44,449)	(15,308)
Exercısed	-	(10,000)	(2,293)
Outstandıng at 31 March 2009	53,109	8,951	40,587
Exercısable at 31 March 2009	42,500	4,476	2,035
Weıghted average exercıse prıce (£)			
Outstandıng at 1 Apnl 2007	10 00	9 61	13 08
Granted	-	-	7 60
Lapsed	15 53	9 61	12 41
Exercısed	-	-	9 27
Outstandıng at 31 March 2009	7 38	9 61	9 60
Exercısable at 31 March 2009	£5 34	£9 61	£9 18
Range of exercıse prıces for optıons outstandıng at 31 March 2009	£3 78-£17 18	£9 61	£7 60-£14 50
Weıghted average remaınıng contractual lıfe	4	6	4
Weıghted average faır value of optıons awarded ın 2009	-	-	£2 66

24 Share based payments (contınued)

	ESOP	KEIP	SAYE
2010			
Number			
Outstandıng at 1 Aprıl 2009	53,109	8,951	40,587
Granted	-	-	-
Lapsed	(5,597)	(4,475)	(18,277)
Exercısed	(42,500)	(4,476)	(4,127)
Outstandıng at 31 March 2010	5,012	-	18,183
Exercısable at 31 March 2010	-	-	850
Weıghted average exercıse prıce (£)			
Outstandıng at 1 Aprıl 2009	7 38	9 61	9 60
Granted	-	-	-
Lapsed	14 07	9 61	9 93
Exercısed	5 34	-	10 66
Outstandıng at 31 March 2010	17 18	-	9 02
Exercısable at 31 March 2010	-	-	14 08
Range of exercıse prıces for optıons outstandıng at 31 March 2010	£17 18	-	£7 60-£14 50
Range of exercıse prıces for optıons outstandıng at 31 March 2010			
£0 00 to £4 99	-	-	-
£5 00 to £9 99	-	-	14,437
£10 00 to £14 99	-	-	3,746
£15 00 to £19 99	5,012	-	-
Weıghted average remaınıng contractual lıfe	7	-	3
Weıghted average faır value of optıons awarded ın 2010	-	-	-

The estımated faır values are calculated by applyıng a Black Scholes optıon prıcıng model for the ESOP and SAYE and Monte Carlo sımulatıons for the KEIP The assumptıons used ın the models are as follows

Input	**Assumptıon**
Share prıce	Prıce at date of grant
Exercıse prıce	Per scheme rules
Expected volatılıty	20% - 30%
Optıon lıfe	Per scheme rules
Expected dıvıdends	Based on hıstorıc dıvıdend yıeld
Rısk free ınterest rate	3 8% - 5 2%

Levels of early exercıses and lapses are estımated usıng hıstorıcal averages

The Company recognısed total credıt of £33,000 (2009 expense of £97,000) related to equıty-settled share-based payment transactıons

25 Retirement benefit scheme

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 £182,000 (2009 £385,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans At 31 March 2010, contributions of £nil (2009 £nil) due in respect of the current reporting period had not been paid over to the schemes

Defined benefit scheme

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

The results of the actuarial valuation as at 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	
	2010	2009
	%	%
Key assumptions used		
Discount rate at 31 March	**5 6%**	6 9%
Retail price inflation	**3 9%**	3 4%
Expected rate of salary increases	**5 4%**	3 4%
Future pension increases	**3 9%**	3 4%
Expected rate of return on scheme assets at 31 March	**8 0%**	8 0%
Life expectancy of male aged 60 at balance sheet date	**26 4 years**	26 3 years

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

	2010	2009
	£000	£000
Current service cost	**263**	430
Interest cost	**861**	874
Expected return on scheme assets	**(820)**	(1,033)
Past service cost	**316**	108
	620	379

The actual return on scheme assets was a gain of £4,807,000 (2009 loss of £3,410,000)

Notes to the Accounts

Year ended 31 March 2010

25 Retirement benefit scheme (continued)

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

	2010 £000	2009 £000
Present value of defined benefit obligations	**(20,422)**	(12,363)
Fair value of scheme assets	**16,174**	10,444
Deficit in scheme recognised in the balance sheet in non-current liabilities	**(4,248)**	(1,919)

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

	2010 £000	2009 £000
At 1 April	**12,363**	13,283
Employer's part of the current service cost	**263**	430
Interest cost	**861**	874
Contributions from scheme members	**57**	73
Actuarial gains and losses	**6,651**	(2,219)
Benefits paid	**(89)**	(186)
Past service cost	**316**	108
At 31 March	**20,422**	12,363

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

	2010 £000	2009 £000
At 1 April	**10,444**	13,458
Expected return on scheme assets	**820**	1,033
Actuarial gains and losses	**3,987**	(4,443)
Contributions from the sponsoring companies	**955**	582
Contributions from scheme members	**57**	-
Benefits paid	**(89)**	(186)
At 31 March	**16,174**	10,444

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

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**	
	2010 %	2009 %	**2010 £000**	2009 £000
Equity instruments	**8 0**	8 0	**15,326**	10,439
Other assets	**4 5**	4 2	**848**	5
			16,174	10,444

The overall expected rate of return on assets for the financial year ending 31 March 2010 was 8 0% pa (2009 8 0% 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 2009

Notes to the Accounts

25 Retirement benefit scheme (continued)

The history of experience adjustments is as follows

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Present value of defined benefit obligations	**(20,422)**	(12,363)	(13,283)	(14,535)	(13,200)
Fair value of scheme assets	**16,174**	10,444	13,458	13,888	12,044
(Deficit)/ surplus in the scheme	**(4,248)**	(1,919)	175	(647)	(1,156)

Experience adjustments on scheme liabilities					
Amount of loss/(gain) (£000)	**(238)**	807	(164)	144	95
Percentage of scheme liabilities (%)	**(1)**	7	1	1	1

Experience adjustments on scheme assets					
Amount of (gain)/loss (£000)	**(3,987)**	4,443	1,961	(420)	(1,628)
Percentage of scheme liabilities (%)	**(25)**	43	15	(3)	(14)

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £0 5m (2009 £0 8m) plus any Pension Protection Fund levy payable

26 Related party transactions

Ultimate Parent Company

The immediate parent company is Homeserve Assistance Limited The ultimate parent company and controlling party is Homeserve plc, registered in England and Wales The only group in which the results of Homeserve Property Repairs 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, which is the registered office of both the Company and the ultimate parent company

Trading transactions

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

	Provision of goods		**Purchase of services**	
Company	**2010 £000**	2009 £000	**2010 £000**	2009 £000
Anglia (NW) Limited	-	-	**2,804**	11,536
Chem-Dry UK Limited	-	7	-	10
Homeserve Emergency Services Limited	-	68	-	202
Homeserve Membership Limited	-	-	-	77
	-	75	**2,804**	11,825

During the year the Company incurred a management charge from Homeserve plc of £1,382,000 (2009 £425,000)

Notes to the Accounts

26 Related party transactions (continued)

Trading transactions

Company	Amounts owed by related parties 2010 £000	2009 £000	Amounts owed to related parties 2010 £000	2009 £000
Anglia (NW) Limited	-	-	-	2,768
Chem-Dry UK Limited	-	-	-	9
Homeserve Emergency Services Limited	-	-	-	2,786
Homeserve Claims Management Limited	-	-	-	234
Homeserve Membership Limited	-	-	**50**	16
Homeserve plc	-	61	**169**	-
Recommend Limited (t/a Improveline)	-	-	-	11,813
	-	61	**219**	17,626

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

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

	2010 £000	2009 £000
Short-term employee benefits	**432**	942
Post-employment benefits	**29**	51
Share-based payment	**412**	77
	873	1,070

The highest paid director received emoluments of £635,000 (2009 £222,000) Payments were made to defined contribution pension scheme of £25,000 (2009 £13,000)

27 Financial instruments

Principal financial instruments

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

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

All principal financial instruments are stated at amortised cost

Notes to the Accounts

Year ended 31 March 2010

27 Financial Instruments (continued)

Categories of financial instruments

	2010 £000	2009 £000	2008 £000
Financial assets			
Cash and bank balances	**100**	3,279	-
Loans and receivables	**579**	12,522	31,898
	679	15,801	31,898

	2010 £000	2009 £000	2008 £000
Financial liabilities			
Other	**3,741**	32,587	39,234

Capital risk management

The Company manages its capital to ensure that it is able to meet its liabilities as they fall due The capital structure of the Company consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in notes 19 to 21

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

	2010 £000	2009 £000
Shareholders' funds	**(10,355)**	(10,450)
Bank overdrafts	**(10,489)**	-

Financial risk management objectives

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

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

Interest rate risk

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

27 Financial Instruments (continued)

The maturity profile of the Company's financial liabilities is provided in the table below Interest is payable on the bank overdrafts and revolving credit facilities

	Bank overdrafts £000	Trade payables £000	**Total £000**
2010			
Under 2 months	10,489	3,741	**14,230**
Total	**10,489**	**3,741**	**14,230**

	Bank overdrafts £000	Trade payables £000	Total £000
2009			
Under 2 months	-	32,587	32,587
Total	**-**	**32,587**	**32,587**

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

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

	2010	2009
Increase in interest rate	**10%**	10%
Effect on profit before tax (£000)	**(18)**	(7)

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

The directors consider there to be no further credit risk arising from other financial assets of the Company

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

Liquidity risk

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