

Homeserve Assistance Limited

(formerly Homeserve Assistance plc)

Accounts for the Year Ended 31 March 2005

Together with Directors'

And

Independent Auditors' Report

Company Registration Number 3763084



DIRECTORS' REPORT

The Directors have pleasure in submitting their report and accounts for the year ended 31 March 2005.

Principal Activities

The principal activity of the Company is to act as an intermediate holding company.

Results and Dividends

The company's results are shown in the profit and loss account on page 7. The directors are not proposing the payment of a dividend (2004: £6,747,000). The retained loss of £2,189,000 has been transferred from reserves (2004: profit £1,996,000).

Change of Name

On 5 April 2004 the Company changed its name from Homeserve plc to Homeserve Assistance plc. On 10 September 2004 the Company re-registered as a Limited company. On the same date, the Company changed its name from Homeserve Assistance plc to Homeserve Assistance Limited.

Post Balance Sheet Event

On 14 April 2005, the Company purchased the entire issued share capital of Chem-Dry UK Limited, Chem-Dry Northern and Southern Limited, Chem-Dry Midland and London Limited and Concept Document Recovery Limited for a combined cash consideration of £18,800,000.

Directors

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

	31 March 2005	31 March 2004
Andrew John Belk	-	-
Martin John Bennett (appointed 18 December 2004)	-	-
Ian Carlisle	-	-
Simon Michael Hancox	-	-
Richard David Harpin	-	21,300
Mark Anthony Hazlewood	-	-
Jonathan Charles King (resigned 31 May 2005)	-	-
Jeremy Peter Middleton	-	6,000
Philip Milburn	-	-
Adrian Peter Page (resigned 6 April 2004)	-	-
Caroline Emma Roberts Thomas (appointed 9 December 2005)	-	-
Christopher Peter Wall (resigned 31 May 2005)	-	-
Brian Howard Whitty	-	-
Craig Richard Wright (resigned 19 October 2004)	-	-

DIRECTORS' REPORT

On 6 April 2004 Mr Harpin's and Mr Middleton's shares in the Company were exchanged for shares in Homeserve plc, the ultimate parent undertaking.

Mr Belk, Mr Carlisle, Mr Harpin and Mr Whitty were Directors of Homeserve plc, and their interests are shown in its Annual Report.

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

	Number of shares 2005	Number of shares 2004
Martin John Bennett	1,537	-
Simon Michael Hancox	2,037	-
Mark Anthony Hazlewood	1,565	628
Jonathan Charles King	7,559	4,936
Jeremy Peter Middleton	2,913,397	1,555,818
Christopher Peter Wall	37	-

Details of the share options held by Directors in the shares of Homeserve plc, are detailed below:

	Scheme	31.3.05	Granted During Year	Exercised During Year	31.3.04	Option Price	Date of Grant	Exercisable From
M J Bennett	ESOS	20,000	20,000	-	-	£6.610	27.5.04	27.5.07
	SAYE	3,043	3,043	-	-	£5.430	30.12.04	1.3.10
S Hancox	ESOS	10,000	-	-	10,000	£5.915	9.1.02	9.1.05
	ESOS	12,500	-	-	12,500	£5.890	8.7.02	8.7.05
	ESOS	20,000	-	-	20,000	£4.700	1.7.03	1.7.06
	ESOS	28,500	28,500	-	-	£6.610	27.5.04	27.5.07
	SAYE	3,524	-	-	3,524	£4.660	10.12.02	1.2.08
J C King	ESOS	12,500	-	-	12,500	£4.100	30.11.00	30.11.03
	ESOS	12,500	-	-	12,500	£5.500	17.7.01	17.7.04
	ESOS	17,500	-	-	17,500	£5.890	8.7.02	8.7.05
	ESOS	20,000	-	-	20,000	£4.700	1.7.03	1.7.06
	ESOS	45,000	45,000	-	-	£6.610	27.5.04	27.5.07
	LTIP	45,000	45,000	-	-	-	27.5.04	-
M Hazlewood	ESOS	10,000	-	-	10,000	£5.890	8.7.02	8.7.05
	ESOS	15,000	-	-	15,000	£4.700	1.7.03	1.7.06
	ESOS	20,000	20,000	-	-	£6.610	27.5.04	27.5.07
	SAYE	1,744	1,744	-	-	£5.430	30.12.04	1.3.08
C Wall	ESOS	20,000	-	-	20,000	£4.700	1.7.03	1.7.06
	ESOS	20,000	20,000	-	-	£6.610	27.5.04	27.5.07
	SAYE	3,043	3,043	-	-	£5.430	30.12.04	1.3.10

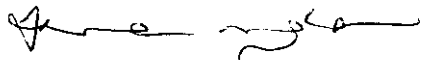
ESOS options are exercisable for a 7 year period from the date shown. SAYE options are exercisable for a 6 month period from the date shown. LTIP options awarded are exercisable following the fifth anniversary of the date of grant.

DIRECTORS' REPORT

Auditors

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

By Order of the Board



Anna Maughan

Company Secretary

9 December 2005

Registered Office: Cable Drive, Walsall, WS2 7BN.

Registered in England and Wales

DIRECTORS' RESPONSIBILITIES

In Relation to the Accounts

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

In preparing the accounts the Directors are required to:

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

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

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

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

INDEPENDENT AUDITORS REPORT

To the shareholders of Homeserve Assistance Limited (formerly Homeserve Assistance plc)

We have audited the financial statements of Homeserve Assistance Limited (formerly Homeserve Assistance plc) for the year ended 31 March 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement, notes to the cash flow statement and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

Basis of audit opinion

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

INDEPENDENT AUDITORS REPORT

accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

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

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Birmingham

12 December 2005

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Administrative expenses		-	(200)
Operating loss	3	-	(200)
Income from shares in Group undertakings		1,345	12,015
Interest payable	4	(4,817)	(4,475)
(Loss)/profit on ordinary activities before taxation		(3,472)	7,340
Taxation on (loss)/profit on ordinary activities	5	1,446	1,403
(Loss)/profit on ordinary activities after taxation		(2,026)	8,743
Dividends paid and proposed	6	-	(6,747)
Retained (loss)/profit for the year	13	(2,026)	1,996

The results above are all from continuing operations.

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

A statement of movement in reserves is given in note 13 to the financial statements.

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

BALANCE SHEET

As at 31 March 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Investments	7	106,987	92,520
Current assets			
Debtors	8	3,572	10,833
Creditors - amounts falling due within one year	9	(106,059)	(97,110)
Net current liabilities		(102,487)	(86,277)
Total assets less current liabilities		4,500	6,243
Creditors amounts falling due after more than one year	10	(4,421)	(4,138)
Net (liabilities)/assets		79	2,105
Equity capital and reserves			
Equity share capital	12	109	109
Profit and loss account	13	(30)	1,996
Equity Shareholders' (deficit)/funds	14	79	2,105

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

The accounts were approved by the Board of Directors on 9 December 2005



A. J. Belk

Director

CASH FLOW STATEMENT

For the year ended 31 March 2005

	Note	2005 £'000	£'000
Net cash outflow from operating activities	(a)		(1,382)
Returns on investments and servicing of finance:			
Equity dividends received		9,430	
Interest payable		(4,817)	
Net cash inflow from returns on investments and servicing of finance			4,613
Taxation:			
Corporation tax received			2,027
Acquisitions and disposals:			
Investment in subsidiary undertakings		(19,309)	
Net cash outflow from acquisitions and disposals			(19,309)
Dividends paid			(5,701)
Financing:			
Repayment of inter-company loans		(5,610)	
Net cash outflow from financing			(5,610)
Decrease in cash	(b)		(25,362)

The Company had no cash flows in the preceding financial year, see note d for prior year non-cash movements.

NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities

	2005 £'000
Operating profit	-
Increase in debtors	(1,405)
Increase in creditors	23
Net cash outflow from operating activities	(1,382)

(b) Reconciliation of Movement in Net Debt

	2005 £'000	2004 £'000
Decrease in cash	25,362	-
Repayment of inter-company loans	(5,610)	7,236
	19,752	7,236
Net debt brought forward	85,347	78,111
Net debt carried forward	105,099	85,347

(c) Analysis of Net Debt

	2005 £'000	2004 £'000
Bank overdraft	25,362	-
Inter-company loans	79,737	85,347
	105,099	85,347

(d) Non-cash transactions

The following non-cash transactions were undertaken during the preceding year, all of which resulted in movements in intercompany loans:

	2004 £'000
Dividends receivable	7,527
Dividends payable	(5,988)
Inter company interest charged	(4,475)
Settlement of deferred consideration	(4,300)
	(7,236)

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies

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

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention, in accordance with applicable United Kingdom law and accounting standards. The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Homeserve plc which prepares consolidated accounts. Accordingly, the results presented in these accounts are for the company only.

(b) Investments

Investments acquired in exchange for shares in the company are recorded at the nominal value of the shares issued less any provision for impairment. Investments acquired for cash are recorded at cost less any provision for impairment.

(c) Taxation

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

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

A deferred tax asset is recognised when there is expected to be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. Directors

No Directors received emoluments as Directors of the Company from either the Company or any other group Company.

3. Operating Loss

In both periods, the audit fee was borne by a fellow group undertaking.

NOTES TO THE ACCOUNTS

4. Interest Payable

	2005 £'000	2004 £'000
Intercompany loan interest	4,691	4,475
Bank interest payable	126	-
	<u>4,817</u>	<u>4,475</u>

5. Taxation on (Loss)/Profit on Ordinary Activities

	2005 £'000	2004 £'000
The tax credit for the year comprises:		
UK corporation tax	1,446	1,343
Total current tax	<u>1,446</u>	<u>1,343</u>
Deferred taxation:		
Origination and reversal of timing differences	-	60
Total tax on profit on ordinary activities	<u>1,446</u>	<u>1,403</u>

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

	2005 £'000	2004 £'000
Current tax charge at standard rate	1,091	(2,202)
Non-taxable dividends received	355	3,605
Origination and reversal of timing differences	-	(60)
Current tax credit for the year	<u>1,446</u>	<u>1,343</u>

NOTES TO THE ACCOUNTS

6. Dividends Paid and Proposed

	2005 £'000	2004 £'000
Ordinary interim dividend paid of £nil (2004: £9.57) per share	-	1,046
Ordinary final dividend payable of £nil (2004: £52.16) per share	-	5,701
	-	6,747

7. Investments

Cost and net book value	£'000
At 1 April 2004	92,520
Additions	12,429
Transfer from associated undertaking	2,038
At 31 March 2005	106,987

The additions during the year are in relation to the acquisition on 21 December 2004 of the entire issued share capital of Sergon BRM Limited for consideration of £11,408,000 and an increase in the investment in Homeserve Emergency Services Limited by £1,021,000 following an adjustment to deferred consideration payable based on the performance of the 2002 acquisition.

Investments in Home Service Insurance Services Limited and Affinity Partners Limited were transferred from Homeserve GB Limited, a fellow subsidiary undertaking, at net book values of £38,000 and £2,000,000 respectively.

NOTES TO THE ACCOUNTS

7. Investments (continued)

The company's principal subsidiary undertakings, all of which operate in the UK, are as follows. With the exception of Homeserve Emergency Services Limited, which holds preference shares, all subsidiaries have only ordinary shares in issue.

Subsidiary Undertakings	Holding	Nature of Business
Homeserve Care Solutions Limited	100%	Stain guarding services
Homeserve Claims Management Limited	100%	Claims handling
Homeserve Emergency Services Limited	100%	Replacement glazing service
Homeserve GB Limited	100%	Plumbing, heating and electrical home assistance
Homeserve at Home Limited	100%	Repair of domestic goods and appliances under warranty
Homeserve Retail Warranties Limited	100%	Intermediate holding company
Homeserve Warranties Limited	100%	Administration of warranty contracts
Affinity Partners Limited	100%	Reinsurance
HomeService Insurance Services Limited	100%	Insurance
Principal Services (International) Limited	100%	Dormant
Principal Services (Admin) Limited	100%	Dormant
Regency Finance and Insurance Services Limited	100%	Motor vehicle warranty administrators
Regency Finance and Insurance Services (Administration) Limited	100%	Motor vehicle warranty administrators
Sergon BRM Limited	100%	Building repair and construction contract management
Servowarm Limited	100%	Warranties service and repair for domestic boilers

NOTES TO THE ACCOUNTS

8. Debtors

	2005 £'000	2004 £'000
Amounts owed from other group undertakings	1,397	-
Dividends receivable from other group undertakings	1,345	9,430
Corporation tax recoverable	762	1,343
Other debtors	8	-
Deferred tax asset (note 11)	60	60
	3,572	10,833

9. Creditors – amounts falling due within one year

	2005 £'000	2004 £'000
Bank overdraft	25,362	-
Amounts owed to other group undertakings	79,737	85,347
Other creditors	223	200
Proposed dividends	-	5,701
Deferred consideration	737	5,862
	106,059	97,110

10. Creditors – amounts falling due after one year

	2005 £'000	2004 £'000
Deferred consideration	4,421	4,138

11. Deferred Tax Asset

	2005 £'000	2004 £'000
Deferred Tax		
Deferred tax asset is recognised as follows		
Origination and reversal of timing differences	60	60
The movement in deferred tax is:		
At 1 April	60	-
Credited to the profit and loss account	-	60
At 31 March	60	60

NOTES TO THE ACCOUNTS

12. Equity Share Capital

	2005 £'000	2004 £'000
Authorised 112,000 ordinary shares of £1	112	112
Issued and fully paid 109,300 ordinary shares of £1	109	109

13. Profit and Loss Account

	£'000
Balance at 1 April 2004	1,996
Retained loss for the year	(2,026)
Balance at 31 March 2005	(30)

14. Reconciliation of Movements in Shareholders' (Deficit)/Funds

	2005 £'000	2004 £'000
(Loss)/profit for the period	(2,026)	8,743
Less dividends	-	(6,747)
Net (reduction)/additions to shareholders' (deficit)/funds	(2,026)	1,996
Opening shareholders' funds	2,105	109
Closing shareholders' (deficit)/funds	79	2,105

15. Ultimate Parent Company

The ultimate parent and controlling party is Homeserve plc, registered in England and Wales. The consolidated accounts of the Group are available to the public and may be obtained from Cable Drive, Walsall, West Midlands, WS2 7BN.

NOTES TO THE ACCOUNTS

16. Related Party Transactions

The net amounts owed to group companies were as follows:

	2005 £'000	2004 £'000
Receivable from Homeserve GB Limited	-	2,097
Receivable from Homeserve Claims Management Limited	-	374
Receivable from Homeserve International Limited	1,361	-
Receivable from Homeservice Insurance Services Limited	36	-
Receivable from Affinity Partners Limited	1,182	-
Payable to Homeserve Sergon Limited	(5)	-
Payable to Homeserve Enterprises Limited	(7)	-
Payable to Homeserve plc	(77,089)	(77,330)
Payable to Homeserve Retail Warranties Limited	(2,636)	(1,058)
	<u>(77,158)</u>	<u>(75,917)</u>

17. Post Balance Sheet Events

On 14 April 2005, the Company purchased the entire issued share capital of ChemDry UK Limited, ChemDry Northern and Southern Limited, ChemDry Midland and London Limited and Concept Document Recovery Limited for a combined cash consideration of £18,800,000.