

Company statement of recognised income and expense

year ended 31 March 2009

	Notes	2009 £000	2008 £000
Actuarial (losses)/gains on defined benefit pension scheme		(2,049)	714
Loss on cash flow hedge	33	(1,947)	—
Tax on items taken directly to equity	51	(1,476)	(107)
Net (expense)/income recognised directly in equity		(5,472)	607
(Loss)/profit for the year		(6,121)	43,965
Total recognised income and expense for the year attributable to equity holders of the Company		(11,593)	44,572

Company balance sheet

31 March 2009

	Notes	2009 £000	2008 £000
Non-current assets			
Investment in subsidiaries	47	108,468	108,468
Deferred tax assets	51	2,456	4,138
		110,924	112,606
Current assets			
Trade and other receivables	48	153,568	150,630
Cash and cash equivalents	48	65,515	76,839
		219,083	227,469
Total assets		330,007	340,075
Current liabilities			
Trade and other payables	49	(67,403)	(13,330)
Current tax liabilities		(2,718)	(2,685)
Derivative financial instruments	22	(1,947)	—
Bank overdrafts and revolving credit facilities	50	(55,000)	(90,000)
		(127,068)	(106,015)
Net current assets		92,015	121,454
Non-current liabilities			
Retirement benefit obligation	39	(1,919)	—
		(1,919)	—
Total liabilities		(128,987)	(106,015)
Net assets		201,020	234,060
Equity			
Share capital	27	8,167	8,147
Share premium account	28	33,486	32,507
Merger reserve	29	70,992	70,992
Share incentive reserve	57	2,623	1,551
Capital redemption reserve	32	1,200	1,200
Hedging reserve	33	(1,947)	—
Retained earnings	58	86,499	119,663
Total equity		201,020	234,060

The financial statements were approved by the Board of Directors and authorised for issue on 19 May 2009. They were signed on its behalf by:

Jonathan Simpson-Dent
Chief Financial Officer
19 May 2009

Company cash flow statement

year ended 31 March 2009

	Notes	2009 £000	Restated (note 45) 2008 £000
Net cash inflow/(outflow) from operating activities	45	35,317	(1,685)
Investing activities			
Interest received		5,765	1,082
Dividends received from subsidiary undertakings		—	53,000
Purchase of own shares		—	(7,331)
Issue of shares from the employee benefit trust		2,010	2,523
Net cash from investing activities		7,775	49,274
Financing activities			
Dividends paid		(20,415)	(16,893)
Share capital issued		999	1,156
(Decrease)/increase in bank overdraft and revolving credit facilities		(35,000)	44,987
Net cash (used in)/from financing activities		(54,416)	29,250
Net movement in cash and cash equivalents		(10,324)	76,839
Cash and cash equivalents at beginning and end of year		76,839	—
Cash and cash equivalents at end of year		65,515	76,839

Notes to the financial statements

year ended 31 March 2009

Company only

The following notes 44 to 59 relate to the Company only position for the year ended 31 March 2009.

44. Significant accounting policies

As provided by s230 of the Companies Act 1985, the Company has not presented its own income statement. The Company's loss for the year was £6,121,000 (2008: £43,965,000 profit).

The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except that investments in subsidiaries are stated at cost.

Included within 'Amounts receivable from Group companies' are amounts advanced to the HomeServe plc Employee Benefit Trust for the purchase of shares. The shares are held in trust to satisfy obligations under share option schemes and are recognised at cost.

45. Notes to the cash flow statement

	2009 £000	2008 £000
Operating loss	(10,651)	(13,451)
Adjustments for:		
Share-based payment expense	1,405	1,307
Operating cash flows before movements in working capital	(9,246)	(12,144)
(Increase)/decrease in receivables	(5,003)	1,078
Increase in payables	50,320	5,340
Cash generated from/(used in) operations	36,071	(5,726)
Income taxes received	1,911	4,041
Interest paid	(2,665)	—
Net cash inflow/(outflow) from operating activities	35,317	(1,685)

The Directors have considered the balance sheet presentation of cash and cash equivalents in the prior year and have appropriately restated these corresponding amounts in the cash flow statement.

46. Other information

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

	2009 Number	2008 Number
	154	120
	£000	£000
Their aggregate remuneration comprised:		
Wages and salaries	10,335	12,541
Social security costs	322	1,849
Other pension costs	822	644
	11,479	15,034

	2009 £000	2008 £000
Fees payable to the Company's auditors for the audit of the Company's financial statements	50	45
Total audit fees	50	45

	2009 £000	2008 £000
Other services pursuant to legislation	—	—
Tax services	63	52
Total non-audit fees	63	52

Notes to the financial statements

year ended 31 March 2009

47. Subsidiaries

Details of the Company's principal subsidiaries at 31 March 2009 are as follows. All companies are accounted for using the acquisition method.

	Place of incorporation ownership (or registration) and operations	Proportion of voting interest %	Proportion of power held %
Intermediate Holding Companies			
HomeServe Assistance Limited ¹	England	100	100
HomeServe Enterprises Limited ¹	England	100	100
HomeServe International Limited	England	100	100
UK Membership			
HomeServe Care Solutions Limited	England	100	100
HomeServe Retail Warranties Limited	England	100	100
HomeServe Warranties Limited	England	100	100
HomeServe Membership Limited	England	100	100
HomeServe At Home Limited	England	100	100
HomeServe Claims Management Limited	England	100	100
Affinity Partners Limited	Guernsey	100	100
UK Emergency Services			
HomeServe Emergency Services Limited	England	100	100
Chem-Dry Franchising Limited	England	100	100
Chem-Dry UK Limited	England	100	100
Concept Document Recovery Limited	England	100	100
HomeServe Property Repairs Limited	England	100	100
HomeServe Contents Services Limited	England	100	100
Anglia (NW) Limited	England	100	100
Continental Europe			
HomeServe Ibérica SL	Spain	100	100
Reparalia S.A.	Spain	100	100
SPT Consult GCV	Belgium	100	100
United States of America			
Home Service USA Corp	USA	100	100
Home Service Repair Management Corp	USA	100	100

¹ Directly held investments. All other subsidiary investments are held indirectly through these intermediary holding companies.

The movement in investments is as follows:

	£000
1 April 2007, 1 April 2008 and 31 March 2009	108,468

48. Financial assets

Trade and other receivables

	2009 £000	2008 £000
Accounts receivable from Group companies	151,616	149,262
Other receivables	890	200
Prepayments and accrued income	1,062	1,168
	153,568	150,630

Trade receivables

The Company has a policy for providing 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.

Of the trade receivables balance at the end of the year, there is no significant concentration of credit risk, with exposure spread across a large number of subsidiary undertakings.

Included in the Company's trade receivable balance are debtors with a carrying amount of £nil (2008: £23,000) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances. The average age of receivables not impaired is 15 days (2008: 15 days).

Ageing of past due but not impaired receivables:

	2009 £000	2008 £000
1–30 days	—	23
31–60 days	—	—
61–90 days	—	—
91 days +	—	—
Balance at 31 March past due but not impaired	—	23
Current	151,616	149,239
Balance at 31 March	151,616	149,262

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large.

No allowance for doubtful debts are considered necessary based on prior experience and the Directors' assessment of the current economic environment.

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 £65,515,000 (2008: £76,839,000) 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.

Notes to the financial statements

year ended 31 March 2009

49. Financial liabilities

Trade and other payables

	2009 £000	2008 £000
Trade creditors and accruals	4,686	2,981
Amounts payable to Group companies	61,254	5,285
Taxes and social security, excluding corporation tax	612	760
Other creditors	851	4,304
	67,403	13,330

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days (2008: 45 days).

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

50. Bank overdrafts and revolving credit facilities

	2009 £000	2008 £000
Bank overdrafts and revolving credit facilities	55,000	90,000

Details of the borrowing facilities are given in note 23 to the financial statements.

51. Deferred tax

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

	Retirement benefit obligations £000	Share schemes £000	Total £000
At 1 April 2007	194	3,798	3,992
Credit to income	—	253	253
(Charge)/credit to equity	(194)	87	(107)
At 1 April 2008	—	4,138	4,138
Credit to income	—	(206)	(206)
Credit/(charge) to equity	537	(2,013)	(1,476)
At 31 March 2009	537	1,919	2,456

There is no unprovided deferred tax.

52. Events after the balance sheet date

There were no post-balance sheet events between the balance sheet date and the signing of the financial statements.

53. Related party transactions

	Provision of services		Purchase of services		Amounts owed by related parties		Amounts owed to related parties	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
Harpin Limited	—	2	177	278	—	—	35	98
Pilot Services (GB) Limited	—	—	33	57	—	—	5	23
Joint Ventures	2,026	—	—	—	1,581	—	—	—
Subsidiary Companies	8,394	7,731	—	—	151,616	149,262	61,254	5,285

Harpin Limited and Pilot Services (GB) Limited are related parties of the Company because they are controlled by Richard Harpin.

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.

54. Share capital, share premium account, merger reserve, capital redemption reserve and hedging reserve

The movements on these items are disclosed in notes 27, 28, 29, 32 and 33 to the financial statements.

55. Share-based payments

During the year ended 31 March 2009, the Company had five (2008: five) share-based payment arrangements, which are described below:

i) Executive Share Option Plan ('ESOP')

The ESOP provides for a grant price equal to the closing quoted market price of the Company's shares on the day before the date of grant. The vesting period is three years and is dependent upon the real increase in Earnings Per Share over the vesting period. In addition, since 2006, vesting has also been dependent upon a share price target. If the options remain unexercised after a period of 10 years from the date of grant, the options expire.

ii) 2005 Key Executive Incentive Plan ('KEIP')

The KEIP provides for a grant price equal to the closing quoted market price of the Company's shares on the day before the date of grant. The awards vest in two tranches, the first being between three and four years from the date of grant and the second being on the second anniversary of the vesting of the first tranche. The number of awards vesting is dependent upon the Profit Before Tax of the Group for the year ending 31 March 2009 and is subject to a minimum share price criteria during the year ending 31 March 2010. If the options remain unexercised after a period of 10 years from the date of grant, the options expire.

iii) Long Term Incentive Plan ('LTIP')

The LTIP provides for the grant of nil cost options. The vesting period is between three and five years and is dependent upon the Total Shareholder Return performance of the Group over the relevant performance period. If the options remain unexercised after a period of 10 years from the date of grant, the options expire.

iv) Deferred Bonus Plan ('DBP')

The DBP enables the individual to defer receipt of their annual cash bonus (up to a maximum of 100%) and to invest an equivalent amount in the ordinary share capital of the Company.

The deferred bonus may be matched by the Company dependent upon the Company's relative Total Shareholder Return over a three year period, up to a maximum of 300% of the deferred amount for upper decile performance. The shares cannot normally be exercised for three years and lapse if not exercised within 10 years from the date of grant.

v) Save As You Earn Scheme ('SAYE')

The SAYE is open to all UK employees and provides for an exercise price equal to the closing quoted market price on the day before the date of grant, less a discretionary discount. The options can be exercised during a six month period following the completion of either a three or five year savings period.

Notes to the financial statements

year ended 31 March 2009

55. Share-based payments (continued)

	ESOP	KEIP	LTIP	DBP ¹	SAYE
2008					
Number					
Outstanding at 1 April 2007	969,575	334,352	241,500	124,432	80,178
Granted	169,966	—	15,732	33,969	16,305
Expired	(42,450)	(35,000)	(24,485)	(10,738)	(5,700)
Exercised	(105,000)	—	(34,515)	—	(292)
Outstanding at 31 March 2008	992,091	299,352	198,232	147,663	90,491
Exercisable at 31 March 2008	553,000	—	—	—	25,702
Weighted average exercise price (£)					
Outstanding at 1 April 2007	8.01	13.10	—	—	8.41
Granted	17.18	—	—	—	14.50
Expired	13.37	12.77	—	—	7.33
Exercised	7.64	—	—	—	5.43
Outstanding at 31 March 2008	9.39	13.14	—	—	9.52
Exercisable at 31 March 2008	5.74	—	—	—	5.19
Range of weighted average exercise price of options outstanding at 31 March 2008					
£0.00 to £4.99	140,000	—	—	—	7,851
£5.00 to £9.99	539,000	148,000	—	—	51,639
£10.00 to £14.99	143,125	25,000	—	—	31,001
£15.00 to £19.99	169,966	126,352	—	—	90,491
Weighted average remaining contractual life	6	8	1	1	2
Weighted average fair value of options awarded in 2008	£3.93	—	£8.58	£6.98	£5.07
	ESOP	KEIP	LTIP	DBP ¹	SAYE
2009					
Number					
Outstanding at 1 April 2008	992,091	299,352	198,232	147,663	90,491
Granted	—	—	237,849	—	53,687
Lapsed	(61,535)	(186,043)	(23,439)	—	(22,918)
Exercised	(10,000)	(16,640)	(15,732)	—	(32,765)
Outstanding at 31 March 2009	920,556	96,669	396,910	147,665	88,495
Exercisable at 31 March 2009	669,000	48,311	—	43,160	2,563
Weighted average exercise price (£)					
Outstanding at 1 April 2008	9.39	13.14	—	—	9.52
Granted	—	—	—	—	7.60
Lapsed	15.67	12.69	—	—	12.33
Exercised	9.61	9.61	—	—	6.24
Outstanding at 31 March 2009	8.97	14.63	—	—	8.74
Exercisable at 31 March 2009	6.41	13.09	—	—	9.18
Range of weighted average exercise price of options outstanding at 31 March 2009					
£0.00 to £4.99	140,000	—	—	—	—
£5.00 to £9.99	529,000	27,197	—	—	74,117
£10.00 to £14.99	113,220	11,475	—	—	14,378
£15.00 to £19.99	138,336	57,997	—	—	—
Weighted average remaining contractual life	5	7	1	—	3
Weighted average fair value of options awarded in 2009	—	—	—	—	£2.61

¹ The figures in the table relate to the number of deferred options only.

The weighted average share price at the date of exercise for share options exercised during the year was £14.68 (2008: £18.70).

The estimated fair values are calculated by applying a Black-Scholes option pricing model for the ESOP and SAYE and Monte Carlo simulations for the KEIP, LTIP and DBP. The assumptions used in the models are as follows:

Input	Assumption
Share price	Price at date of grant
Exercise price	Per scheme rules
Expected volatility	20% – 30%
Option life	Per scheme rules
Expected dividends	Based on historic dividend yield
Risk-free interest rate	3.8% – 5.2%

Levels of early exercises and lapses are estimated using historical averages.

The Company recognised total expenses of £1,405,000 (2008: £1,307,000) related to equity-settled share-based payment transactions.

56. Retirement benefit schemes

Details of the Company only defined contribution and defined benefit schemes are provided in note 39.

57. Share incentive reserve

	£000
Balance at 1 April 2007	1,544
Share-based payment charges in the year	1,307
Share options exercised in year	(1,300)
Balance at 1 April 2008	1,551
Share-based payment charges in the year	1,405
Share options exercised in year	(333)
Balance at 31 March 2009	2,623

58. Retained earnings

	£000
Balance at 1 April 2007	90,524
Dividends	(16,893)
Total statement of recognised income and expense	44,572
Current tax on exercised share option gains taken directly to equity	429
Issue of trust shares	(269)
Share options exercised in the year	1,300
Balance at 1 April 2008	119,663
Dividends	(20,415)
Total statement of recognised income and expense	(11,593)
Adjustment to prior year dividends	(3,500)
Current tax on exercised share options taken directly to equity	117
Issue of trust shares	(53)
Share options exercised in the year	333
Movement in cash flow hedge	1,947
Balance at 31 March 2009	86,499

Notes to the financial statements

year ended 31 March 2009

59. 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 and revolving credit facilities
- trade receivables
- inter-company receivables and payables
- trade payables

All principal financial instruments are stated at amortised cost.

Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the appropriate balance of debt and equity. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 50, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings as disclosed in notes 54, 57 and 58.

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

	2009 £000	2008 £000
Shareholders' funds	201,020	234,060
Bank overdrafts and revolving credit facilities	(10,515)	13,161

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 Company enters into interest rate swaps, in which the 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. These swaps are designated to hedge underlying debt obligations.

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

	Bank overdrafts and revolving credit facilities £000	Trade payables £000	Total £000
2009			
Under two months	55,000	67,403	122,403
Between two and six months	—	—	—
Total	55,000	67,403	122,403

	Bank overdrafts and revolving credit facilities £000	Trade payables £000	Total £000
2008			
Under two months	50,000	13,330	63,330
Between two and six months	40,000	—	40,000
Total	90,000	13,330	103,330

The Company has entered into an interest rate swap in order to manage the interest rate risks arising from the Company's operations and its sources of finance. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

At 31 March 2009 the Company had in place an interest rate swap to hedge loans subject to variable interest rates linked to LIBOR whereby it receives a floating rate of interest based on one month LIBOR on a notional principal of £50m (2008: £50m) and pays a fixed rate of interest of 4.9% (2008: 4.9%). The remaining term of the interest rate swap is one year. The fair value of the interest rate swap at 31 March 2009 was £1,947,000 liability (2008: £nil). The timing of the impact on the income statement of the swap is up to one year from the balance sheet date. The impact of the cash flow hedge on the income statement will be expensed through the finance cost line.

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).

	2009	2008
Increase in interest rate	10%	10%
Reduction in profit before tax (£000)	207	102

Notes to the financial statements

year ended 31 March 2009

Credit risk

The Company trades only with creditworthy third parties and subsidiary undertakings. It is the Company's policy that customers who wish to trade on credit terms are reviewed for financial stability.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents the Company's exposure to credit risk arises from default of the counterparty.

The Company manages the risk associated with cash and cash equivalents through depositing funds only with reputable and creditworthy banking institutions.

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 manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecast and actual cash flows. Included in note 23 are details of the undrawn facilities that are available to the Company and the Group to further reduce liquidity risk.

All of the Company's financial liabilities are due for payment within one year, based on contractual payment terms.

Five year summary

2005–2009

Continuing operations

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Revenue					
UK Membership	228,183	236,452	188,157	159,386	127,300
UK Emergency Services	233,601	291,660	297,209	218,106	100,243
Continental Europe (excluding joint ventures)	40,250	18,961	9	151	104
United States of America	15,904	8,097	3,841	1,857	793
Eliminations	(497)	(295)	(11,854)	(12,499)	(7,729)
External sales	517,441	554,875	477,362	367,001	220,711
Profit/(loss)					
UK Membership	87,228	76,302	56,720	43,960	38,904
UK Emergency Services	8,006	15,144	15,977	13,077	4,473
Continental Europe	3,406	765	(221)	(1,595)	(630)
United States of America	(294)	(2,248)	(2,381)	(1,032)	(508)
	98,346	89,963	70,095	54,410	42,239
Amortisation of acquisition intangibles	(12,105)	(10,320)	(6,451)	(3,658)	(310)
Exceptional costs	(6,549)	(2,154)	—	—	(2,787)
Impairment of UK Emergency Services assets	(97,184)	—	—	—	—
Operating (loss)/profit	(17,492)	77,489	63,644	50,752	39,142
Net interest	(4,218)	(5,651)	(2,566)	(776)	(320)
(Loss)/profit before tax	(21,710)	71,838	61,078	49,976	38,822

Following the transfer of the claims management and policy repair networks from UK Emergency Services to UK Membership, the information for 2008 has been re-presented to be consistent with the Group structure for 2009. It is not practicable to re-present this information for 2005, 2006 and 2007.

Shareholder analysis

as at 31 March 2009

Number of shares	Number of shareholders	% of total shareholders	% of shares
1–1,000	1,435	63.6	0.6
1,001–10,000	557	24.7	2.6
10,001–50,000	157	7.0	5.6
50,001–100,000	35	1.6	3.6
100,001–250,000	29	1.3	7.7
250,001–500,000	19	0.8	10.3
500,001–1,000,000	11	0.5	12.0
Over 1,000,000	12	0.5	57.6
	2,255	100	100
Unit trusts			39
Private investors			27
Pension funds			16
Other			15
Unknown			3
			100

Shareholder information

Financial calendar

2009

31 July	Annual General Meeting
4 August	Final dividend for the year ended 31 March 2009 to be paid
November	Interim results for the six months ending 30 September 2009 to be announced

2010

January	Interim dividend for the year ending 31 March 2010 to be paid
May	Preliminary announcement of results for the year ending 31 March 2010
June	2010 Annual Report and Accounts to be circulated

Shareholder helpline

HomeServe's shareholder register is maintained by Computershare Investor Services PLC who are responsible for making dividend payments and updating the register, including details of changes to shareholders' addresses. If you have a query about your shareholding in HomeServe, you should contact Computershare:

Tel: 0870 707 1053

Address: PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH

Website: www-uk.computershare.com/investor

Website

The HomeServe website at www.homeserve.com provides news and details of the Company's activities plus information for shareholders. The investor section of the website contains real time and historical share price data as well as the latest results and announcements.