HomeServe

Making home repairs and improvements easy for homeowners and trades

Annual Report & Accounts 2022

Every day, our people serve our customers with courage, persistence and integrity, to make home repairs and improvements easy.

Thanks to the c.9,000 people who now work for the HomeServe family worldwide, we are emerging from the Covid-19 pandemic stronger than ever.

Group performance highlights

HomeServe emerged from the Covid-19 pandemic well positioned across all three business divisions, with our key profit measure - adjusted profit before tax - up 15% to £220.3m (FY21: £191.3m). Statutory profit before tax increased by 271% to £175.1m, driven by the absence of any exceptional charges, as seen in the prior year, as well as good underlying growth.

Demand for our products and services remained strong as consumers continued to spend more time and money at home. All of our businesses performed well, thanks to our dedicated staff, contractors and partners. We are building innovative new capabilities such as HVAC as a Service to deepen our relationships with our affinity partners and help homeowners participate in the green homes revolution. We continue to expand our geographic footprint, and now have businesses in Belgium, Portugal and Germany as well as North America, the UK, France, Spain and Japan.

HomeServe

NORTH AMERICAN MEMBERSHIP & HVAC | EMEA MEMBERSHIP & HVAC | HOME EXPERTS

Revenue

FY22 £1,429.3m

FY21 £1,304.7m

£1,429.3m +10%

Statutory operating profit

FY22 £202.6m

FY21 £71.8m[1]

£202.6m +182%

Basic earnings per share

FY22 39.5p

FY21 9.3p[1]

39.5p +327%

Ordinary dividend per share

FY22 6.8p[2]

FY21 26.0p

6.8p -74%

To view this report online, go to **homeserveplc.com**

[1] FY21 statutory operating profit and basic EPS after exceptional charge of £92.4m.

[2] In light of the recommended cash offer for the Group announced on 19 May 2022, the Board is not recommending a final dividend. The total dividend for the year therefore consists of the interim dividend of 6.8p per share declared in November 2021.

HomeServe uses a number of alternative performance measures (APMs) to assess the performance of the Group and its individual segments. These are used in headline financial results and throughout the Strategic report. APMs are non-GAAP measures which address profitability, leverage and liquidity and together with operational key performance indicators give an indication of the current health and future prospects of the Group. Definitions of APMs and the rationale for their usage are included in the Glossary at the end of this report with reconciliations, where applicable, back to the equivalent statutory measure. The key APMs used in the strategic report are adjusted operating profit and adjusted profit before tax.

Contents

At a glance

HomeServe's purpose is to make home repairs and improvements easy, and our vision is to be the world's largest, most trusted provider of home repairs and improvements. We aspire to be able to do every job, in every home.

We run our business in three largely autonomous divisions, which benefit from shared expertise and experience. Capital allocation decisions are made at Group level, for the benefit of the business as a whole.

We expect to achieve strong earnings growth by sustaining our growth in the under-penetrated North American Membership & HVAC market; maintaining and growing our Membership & HVAC businesses in EMEA; and developing a new business model in Home Experts.

Our Responsible business framework spans our three divisions and defines the way we work. We share expertise in managing environmental, social and governance risks. We are passionate about contributing to positive change in our industry – for example by promoting environmentally friendly sources of heating and cooling and creating trades apprenticeships.

See page 20 Responsible business.

Group

Revenue

FY22	£1,429.3m
FY21	£1,304.7m

£1,429.3m +10%

Statutory operating profit

FY22	£202.6m
FY21	£71.8m[1]

£202.6m +182%

Adjusted operating profit

FY22	£246.5m
FY21	£214.3m

£246.5m +15%

NORTH AMERICAN MEMBERSHIP & HVAC

Strong, sustainable profit growth in an under-penetrated market; our most exciting near term growth opportunity.

Our Membership policies give homeowners the peace of mind of knowing that they have one number to call if they need assistance with plumbing, heating, electrics and other core services. Our growing HVAC installation business gives us the opportunity to participate in the green energy revolution, and help homeowners to transition to more eco-friendly heating.

FY22 performance

North American Membership & HVAC delivered a strong financial performance, with adjusted operating profit up 15% to $159.1m (FY21: $137.9m). The key driver of revenue and profit growth was strong growth in policies (up 6% to 8.7m), as existing customers upgraded their coverage in response to successful cross-sell marketing and continued high levels of customer service. HomeServe's HVAC buy and build strategy is most advanced in North America, with a portfolio of 19 locally branded companies acquired over the last four years. HVAC contributed $17.8m (FY21: $9.8m) in adjusted operating profit for the year, and is a fundamentally important component of our major initiatives to drive future growth in North America.

Revenue

FY22	$794.9m
FY21	$665.8m

$794.9m +19%

Adjusted operating profit

FY22	$159.1m
FY21	$137.9m

$159.1m +15%

See page 12 Business model and strategy.

EMEA MEMBERSHIP & HVAC

Established, cash-generative businesses in the UK, France and Spain with innovation to fuel future growth; new businesses launched in Portugal, Belgium and Germany; exciting joint venture in Japan.

The UK is our most established Membership business. We have a 2-3 year transformation plan to stabilise our UK business and return it to profitable growth. We are rolling out our successful HVAC buy and build strategy, seeking to partner more with energy utilities and expanding into Claims Assistance with the acquisition of CET Structures Ltd in October 2021.

In France and Spain, we have already diversified into multi-product, multi-channel businesses to support stable, profitable growth.

Our near neighbour geographic expansion strategy leverages our know-how in existing markets to develop new opportunities in Belgium, Portugal and Germany. Our Japanese joint venture is developing well.

FY22 performance

In the UK, there was good early progress on the business's transformation plan. Adjusted operating profit ended the year up 1% at £72.9m (FY21: £72.5m), customer numbers were in line with expectations at 1.5m (FY21: 1.6m) and policy retention was up for the first time in seven years to 79% (FY21: 78%). In our French business, we continue to make good progress, with adjusted operating profit up 8% to €43.0m (FY21: €39.8m) and a growing customer base, thanks to strong partnerships with water utilities and innovative digital relationships with home moving aggregators and price comparison websites. In our Spanish business, adjusted operating profit growth of 24% to €24.6m (FY21: €19.8m) was driven by good progress in Claims Assistance in Spain and Portugal, and in HVAC, where our Iberian businesses have a strong policy component and therefore have attractive recurring revenue characteristics.

Revenue

FY22	£698.5m
FY21	£667.2m

£698.5m +5%

Adjusted operating profit

FY22	£124.5m
FY21	£119.5m

£124.5m +4%

HOME EXPERTS

Highest potential growth in the long-term.

With Checkatrade in the UK, Habitissimo in Iberia and Italy, and eLocal in North America, our Home Experts platforms match homeowners with quality trades, on demand and online, to get jobs done well. Home Experts covers a much broader range of home repairs and improvements than Membership, from landscape gardening to carpet cleaning.

FY22 performance

Home Experts achieved the key milestone of divisional profitability this financial year, generating £4.3m of adjusted operating profit (FY21: £(10.2)m). The principal driver of this improvement was a much lower adjusted operating loss at Checkatrade, which continued to strengthen its position as the UK's leading online platform for matching homeowners with quality trades.

Revenue

FY22	£155.2m
FY21	£139.8m

£155.2m +11%

Adjusted operating profit/(loss)

FY22	£4.3m
FY21	(£10.2m)

£4.3m

Chairman's statement

Tommy Breen

"As part of my due diligence for the role of Chairman, I discovered an ambitious company with an exciting vision – to be the world's largest and most trusted provider of home repairs and improvements."

This is my first statement since I was appointed Chairman of HomeServe in May 2021. I first came across HomeServe and Richard Harpin while I was CEO of DCC plc. With Richard's presence as its Founder and CEO, I realised the importance of good chemistry, of a balanced, productive relationship between the Chairman and CEO, and of achieving clear recognition of the respective responsibilities of the Executives and Non-Executives on the Board. It is a privilege and a pleasure to have been entrusted with this role.

First impressions

As I have got to know HomeServe, I find that it is driven by a clear sense of purpose – to make home repairs and improvements easy. HomeServe cares passionately about its customers, its partnerships and above all, its people. Its culture is healthy and open – highly commercial, no nonsense, but caring. Doing business responsibly is part of its DNA, particularly in its customer relationships and the way it treats the people it works with. It is at the beginning of a journey to harness green energy, and is working hard to develop opportunities and manage risk in this vitally important area. Richard has surrounded himself with a strong executive team. While there is a way to go to achieve the diversity metrics expected of us as a public company, I am impressed by the constructive diversity of thought and the level of challenge the team displays. The growth prospects of the company are strong and sustainable.

See page 20 Responsible business.

Turbulent market backdrop

As for most companies, this has been a tumultuous period. All of our businesses are emerging from the Covid-19 pandemic on different timetables, and all have had to manage a return to office-based working and continued disruption to supplier interaction. On top of this came a catalogue of geo-political and economic events which present major issues for homeowners globally: significant inflationary pressure, cost of living rises and the fuel crisis; skills and materials shortages; and more urgent focus on climate change.

See page 10 Market overview.

Resilient business model and clear strategy

In the face of these pressures, HomeServe's business model proved resilient and our strategy enabled us to continue to make progress. As we had planned, we delivered improvements across our strategic and financial KPIs. Our key Group profit measure – adjusted profit before tax – was up 15% to £220.3m (FY21: £191.3m) and basic earnings per share increased to 39.5p (FY21: 9.3p). In our Membership businesses, customer numbers held steady at 8.4m worldwide (FY21: 8.4m) and policy retention was up slightly at 84% (FY21: 83%). In Home Experts, the number of paying trades on Checkatrade grew 7% to 47k (FY21: 44k) and average revenue per trade grew 31% to £1,229 (FY21: £939).

In the course of this year, we reinforced our view that the right way to run our business is in three business divisions, aligned by our common purpose. Each division has autonomy to respond to the needs of its individual markets, and has access to the shared resources, experience and expertise available across the Group.

Capital allocation decisions are taken at Group level, and our target is for all of our investments to deliver double our cost of capital. I am particularly impressed with the way capital is being deployed globally to build our HVAC business: the rates of return available to us in this growing, green space are exemplary. Group ROIC (return on invested capital) this year was 15%. This measure will be added as a component of Executive Director reward from July 2022, reflecting my belief that a real focus on how we deploy our capital is an excellent way to deliver shareholder value in the medium-term.

We aim to deliver strong, consistent earnings growth, and expect to achieve this by sustaining good growth in the under-penetrated North American Membership & HVAC market; maintaining and growing our Membership & HVAC businesses in EMEA; and developing a market-leading business model in Home Experts.

See page 12 Business model and strategy.

The financial year in review

North American Membership & HVAC delivered its seventh consecutive year of double digit adjusted operating profit growth, with adjusted operating profit up 15% to \$159.1m (FY21: \$137.9m). The business continues to expand its customer propositions to drive further growth, to help homeowners participate in the green homes revolution and to align with partners' decarbonisation ambitions.

Across EMEA Membership & HVAC, the division continued to deliver on its transformation and growth agendas and returned to profit growth, with adjusted operating profit up 4% to £124.5m (FY21: £119.5m). In the UK, there was good early progress on the business's transformation plan, with customer numbers ending the year at 1.5m (FY21: 1.6m), in line with our expectations, and policy retention up to 79% (FY21: 78%). France and Spain performed well, with further good growth in job volumes in the Spanish claims handling business. HomeServe's Japanese joint venture is making good progress, and now has access to 25% of households through four electric utility partnerships.

As expected, the Home Experts division was profitable for the first time on a full year basis, thanks to a profitable contribution from eLocal and progress at Checkatrade, which continued to strengthen its position as the UK's leading online platform for matching homeowners with quality trades.

See page 40 Operating review.

The Board and its agenda this year

HomeServe has an effective, experienced Board. All three business divisions, plus Group matters, are comprehensively represented by our four Executive Directors, with the addition of Ross Clemmow ensuring that EMEA Membership & HVAC is directly represented. One of the main areas identified for continuing development in the FY21 Board evaluation was improving the Non-Executive pipeline with a specific focus on increased diversity. Non-Executive recruitment was paused to give me the opportunity to assess the Board dynamic and consider skills gaps and succession. An offer made to a very suitable candidate in March 2022 coincided with Brookfield emerging as a potential bidder for HomeServe, and was not finalised.

Major items on the Board's agenda beyond standing items this year included a review of the decision to halt investment in our UK CRM system and detailed consideration of lessons learnt. We also made good progress on evaluating climate risks and opportunities, and agreed our Scope 3 carbon footprint targets. Going forward, we are going to combine our People and Corporate Responsibility committees to form a new Board-level committee, to accelerate activity in all areas of our responsible business strategy.

The Board's time this year has been carefully balanced between strategy and governance. Our discussions positioned us well to respond to the announcement on 24 March 2022 that Brookfield was considering a bid for HomeServe. As this process plays out, the Board will act with a clear, independent focus on doing what is right for all of our stakeholders.

See page 56 Section 172 (1) statement.

Dividend

In light of the recommended cash offer for the Group announced on 19 May 2022, the Board is not recommending a final dividend. The total dividend for the year therefore consists of the interim dividend of 6.8p per share declared in November 2021.

Conclusion

HomeServe is a very high-quality business with a clear strategy and strong management team, which has been led entrepreneurially by its founder, Richard Harpin, for almost 30 years. The offer from Brookfield recognises the quality of our business, our people and our future growth potential, and allows shareholders to realise their investment at an attractive valuation. The Board is unanimous in its support of the acquisition recommendation.

Tommy Breen

Chairman
24 May 2022

Recommended cash offer for HomeServe

On 19 May 2022, it was announced that the boards of Hestia Bidco Limited ("Bidco"), an indirect subsidiary of Brookfield Infrastructure Funds, and HomeServe have reached agreement on a recommended cash offer made by Bidco to acquire the entire issued share capital of HomeServe. Under the terms of the acquisition, HomeServe shareholders will be entitled to receive 1,200 pence for each HomeServe share, valuing HomeServe at £4.1bn on a fully diluted basis. This represents a premium of 71% to the undisturbed closing price on 23 March 2022.

The HomeServe Board is unanimously recommending the acquisition and believes that it gives shareholders the opportunity to realise their investment for cash at a fair and reasonable value. The Board believes that Brookfield would be a good owner for HomeServe. Brookfield is a long-term investor with a strong track record of accelerating companies' growth through sector expertise and access to capital. Brookfield owns high quality businesses in utility and residential sectors, and can bring operational expertise and new relationships across HomeServe's three businesses. Brookfield's experience in the energy transition space will support HomeServe's ambitions in this area.

The acquisition is currently expected to complete during the fourth quarter of 2022 via a court-sanctioned scheme of arrangement, subject to HomeServe shareholder approval and various regulatory clearances. Irrevocable undertakings to vote in favour of the scheme of arrangement have been obtained from c.12.77% of HomeServe's shareholders, principally members of HomeServe's Board.

Chief Executive's review

Richard Harpin

"We made good progress on all three of our strategic priorities: to continue to drive growth in North America; to broaden and transform our UK business; and in Home Experts, to perfect a market leading platform to match consumers with high quality trades. I am delighted to report that we made good progress on all three."

HomeServe had another successful year, financially and strategically. In line with our expectations, we delivered an acceleration in our financial performance, with our key profit measure, adjusted profit before tax up 15% at £220.3m. Statutory profit before tax rose by 271% to £175.1m, driven by the absence of any exceptional charges, as seen in the prior year, as well as good underlying growth. Our growth was well balanced between organic revenue growth and a successful acquisition strategy, particularly in HVAC buy and build and with the acquisition of CET to create a market-leading Claims Assistance business in the UK. Organic revenue rose by 7.0% (FY21: 1.6%) and we spent a total of £146m on M&A, of which £112m was in respect of FY22 acquisitions. ROIC for the year was 15% (FY21: 14%). We made good progress on all three of our strategic priorities: to continue to drive growth in North America; to broaden and transform our UK business; and in Home Experts, to perfect a market leading platform to match consumers with high quality trades.

People first

Having the right people in the right roles is fundamental to the success of any business. This year, we achieved a smooth transition to our new Chairman, Tommy Breen, and with the arrival of Ross Clemmow in the new role of CEO, EMEA, all three of our business divisions are directly represented at Board level. This gives us a good balance between operational insight and Group-level strategic direction. Throughout our business, teams continue to perform with the courage, persistence and integrity we expect of our people, and we are delighted to report that employee engagement remained above its pre Covid-19 level, at 75% (FY21: 78%).

Business model resilience

Over the course of the year, our people have continued to manage and adapt as the status of Covid-19 transitioned from pandemic to endemic. Hybrid working has become the norm for office-based roles across our business, and this universal trend has driven a shift in customer behaviour. As we spend more time in our homes, our customers are using and valuing our repair and maintenance products even more which means that in our Membership businesses, claims frequencies have increased and policy retention has risen to 84%. In Home Experts, consumer demand for home repairs and improvements remains high. The April 2022 Checkatrade Home Improvement Price Index shows a 23.3% increase in searches for tradespeople in the period January to March 2022, with early signs of a shift of emphasis from changes such as kitchen and bathroom replacements to projects focused on alternative energy sources and cost savings (insulation, for example).

The effects of economic headwinds such as inflation, labour shortages and supply chain disruption have so far proved manageable, demonstrating the resilience of our business model. We are managing to balance cost inflation with price rises and in our Membership businesses, the strength of our repair networks means that we can continue to deliver excellent service to our customers. We know from experience that our Membership customers worry about the cost of an unexpected repair to their home, and are reluctant to lose the protection we provide them when the cost of living is rising.

North American Membership & HVAC – strong financial performance and continued growth potential

North American Membership & HVAC delivered a strong financial performance, with adjusted operating profit up 15% to $159.1m (FY21: $137.9m). Business development and networking activities regained momentum and delivered access to an additional net 7m new households (FY21: 2m). We now have access to 73m households (FY21: 66m), almost 50% of the total. The market remains under-penetrated and the pipeline for new partner signings remains very encouraging. Marketing launches with new partners were delayed in H2 due to Covid-19 related staff shortages in their call centres, which temporarily limited customer growth from these new relationships. The key driver of revenue and profit growth in the period was strong growth in policies (up 6% to 8.7m), as existing customers upgraded their coverage in response to successful cross-sell marketing and continued high levels of customer service.

HomeServe's HVAC buy and build strategy is most advanced in North America, with a portfolio of 19 locally branded companies acquired over the last four years. In the period, HVAC installation revenue saw good organic growth of 19%, which, together with the five acquisitions completed in the period, drove growth of 60% to $121.6m (FY21: $76.0m). HVAC as a whole (installations and servicing) contributed $17.8m (FY21: $9.8m) in adjusted operating profit for the year, and is a fundamentally important component of our major initiatives to drive future growth in North America.

We have a key role to play in helping homeowners participate in the green homes revolution, and in helping our utility partners achieve their decarbonisation and energy conservation ambitions. After a successful trial with a large utility in New York State, HVAC as a Service (HaaS) is now launched, and provides homeowners with worry-free upgrades to new, more efficient heating and air conditioning equipment, together with an annual tune-up and breakdown cover, for a fixed monthly payment. HomeServe's installation and maintenance proposition for domestic electric vehicle charging is now available to 9m households, and is opening doors to new utility relationships. Furthermore, there is excellent growth in HomeServe's water loss cover product, up 27% to 0.8m customers (FY21: 0.6m), offered on bill via municipal water utilities to insure their customers against unexpectedly high costs from domestic water leakage. We have marketing rights to cross sell our Membership products to over 30% of these customers, and see significant potential to build this new channel.

Continued strong performance across Membership & HVAC, early success with innovative new products and excellent management, mean that North America is ahead of its original plan to achieve its Milestone 2 target of $230m of adjusted operating profit, and will continue to grow strongly beyond this point.

EMEA Membership & HVAC

HomeServe's strategy in EMEA Membership & HVAC is to grow broad-based businesses covering Membership, HVAC and Claims Assistance in the UK, France and Spain, and to expand into adjacent territories. We are also building a new business in Japan in a joint venture with Mitsubishi Corporation, and have recently established a new presence in Germany.

In the UK, there was good early progress on the business's transformation plan. Adjusted operating profit ended the year at £72.9m (FY21: £72.5m); customer numbers were in line with our expectations at 1.5m (FY21: 1.6m); and policy retention was up for the first time in seven years to 79% (FY21: 78%) thanks to continued strong customer service. There was good progress on strengthening and deepening our partnerships with water utilities; HVAC business acquisitions are bringing HomeServe's successful buy and build strategy into the UK; and CET, acquired in October 2021 to give HomeServe a strong position in the UK Claims Assistance market, delivered a good in-year contribution to adjusted operating profit. We continue to see the energy sector as a good source of medium-term growth, but our energy partners are currently focused on conserving existing customer business in the face of market turmoil and severe price pressure, with little opportunity to market additional services. Nevertheless, our relationships with E.On and Shell Energy remain strong and the number of households they serve has grown from 5.7m in May 2021 to 6.2m in March 2022, so we are well placed to scale up these relationships when market conditions stabilise. Following last year's decision to de-commission eServe, all customers have now been successfully migrated back to Ensura, simplifying the operation of the business.

In our French business, we continue to make good progress, with adjusted operating profit up 8% to €43.0m (FY21: €39.8m). Gross new Membership customer additions were at record levels, growing by 12% in the period, thanks to strong partnerships with water utilities and innovative digital relationships with home moving aggregators and price comparison websites. Our French HVAC businesses are leading the way in the promotion of low carbon forms of heating and cooling, which accounted for 60% of installations in the period. We made progress in Belgium, servicing our first Membership customers through our partnership with Eneco and adding an HVAC business.

In our Spanish business, adjusted operating profit growth of 24% to €24.6m (FY21: €19.8m) was driven by good progress in Claims Assistance in Spain and Portugal, and in HVAC, where our Iberian businesses have a strong policy component and therefore attractive recurring revenue characteristics. The team's deep expertise in Claims Assistance has helped develop a new proposition – the service customer model – which enables large utilities to purchase an à la carte set of services from HomeServe (for example marketing, campaign execution, network management), while retaining ownership of the end customer. The first partnerships for this model have been formed in Spain and Portugal, and there is a strong pipeline of opportunities for FY23.

Chief Executive's review continued

Our Japanese joint venture completed its third full financial year. It continues to sign new partnerships, and now has access to 25% of Japanese households through four electric utility relationships. Customer numbers are building steadily, and policy retention is very high at 91%. We signed our first municipal water partner in the second half of the year, giving confidence that our proposition will work for the municipalities who dominate domestic water supply.

Home Experts – significant progress at Checkatrade

As expected, Home Experts achieved the key milestone of overall profitability this financial year, generating £4.3m of adjusted operating profit (FY21: loss of £10.2m). The principal driver of this improvement was a much lower adjusted operating loss at Checkatrade.

Checkatrade continued to strengthen its position as the UK's leading online platform for matching homeowners with quality trades, with nearly a fifth of consumers who used a trade (tradesperson) in the 12 months to February 2022 having done so via Checkatrade. The number of paying trades on the platform grew by 7% to 47k (FY21: 44k), and average revenue per trade exceeded our Milestone 1 target at £1,229 (FY21: £939), an increase of 31%. We are continuing to develop our offer to trades, to ensure that we deliver value and stay relevant whether their order books are full or not, and the introduction of the £1,000 Checkatrade Guarantee resonates well with consumers and trades alike. I am delighted with the way that Checkatrade is building its position as a recognised, differentiated market leader, helped by the next instalment of our proven Julius Caesar TV advertising campaign, which promotes the Checkatrade Guarantee. The business remains on track to be profitable in FY23, and continues to make progress towards its Milestone 1 operating profit target of £45-90m.

Elsewhere in Home Experts, in North America eLocal's adjusted operating profit declined by 15% to $14.5m (FY21: $17.1m) as consumer demand fell from last year's Covid-19 driven peak levels. Nevertheless, eLocal's sophisticated pay-for-performance model delivered good momentum in monetisation, with revenue per monetised call growing by 5%, and the signing of a new strategic agreement with a key affiliate reinforced eLocal's strong position in search engine management for lead generation. In Iberia and Italy, Habitissimo continues to improve its operating model and halved its operating losses.

Conclusion

HomeServe has emerged from the Covid-19 pandemic with all three of our business divisions performing strongly. Our Membership-based business model continues to be resilient, predictable and highly cash generative, and we are well positioned for continued growth. The strong growth we are seeing in North American Membership & HVAC is sustainable, thanks to disciplined management and innovation focused on the green homes revolution. In EMEA Membership & HVAC, we are building multiple new opportunities and managing a productive transformation of our UK business. In Home Experts, we have built a market-leading platform to match homeowners with quality trades, which works better than word of mouth.

Brookfield has made an offer for HomeServe which recognises the high quality of our businesses and our people as well as our future growth potential, and allows shareholders to realise their investment at an attractive valuation. Brookfield is committed to providing long-term capital and global expertise, which I am confident will accelerate progress towards our vision to be the world's largest, most trusted provider of home repairs and improvements, delivering for customers and tradespeople.

Richard Harpin
Founder and Chief Executive
24 May 2022

NORTH AMERICAN MEMBERSHIP & HVAC

HomeServe. The Do-It-For-You Experts™

For almost 20 years, we've been serving our 4.8 million Membership customers in the US and Canada with one mission in mind: to be the first place people turn to for emergency home repairs.

With a home repair plan from HomeServe, you have the peace of mind knowing that the Do-It-For-You Experts will be there to fix it. We send local, licensed and expert technicians to fix your repair, helping free you from the worry and inconvenience that comes with emergency home repairs.

Market overview

FY22 update

As the response to Covid-19 transitions from pandemic to endemic, the secular shifts that will remain permanent features for many societies are becoming clearer. One that is of significant relevance for HomeServe is the greater proportion of time that many homeowners are now spending working from home. This benefits both the Membership & HVAC divisions and Home Experts.

In Membership, product usage (as seen in claims frequencies) has settled at a higher level than the pre-pandemic baseline, with more time spent working from home resulting in higher levels of wear and tear on key home systems (e.g. toilet flushes).

In Home Experts, more home working is likely to see homeowners continue to seek improvements to their homes to make the home environment flexible, pleasant and productive. Recent research from Checkatrade detects a shift in focus from cosmetic improvements to projects which deliver environmental or cost of living benefits, such as insulation.

"What we are seeing is that customers are more astute about the build process - specifically where planning stipulates an older or heritage property. Here we are asked to source sustainable materials and request fitting, such as heat pumps and triple glazing.

But outside of this, we are seeing more customers wanting to spend their money on fancy bespoke kitchens, media walls, cinema rooms and lighting too."

Emma Kemp, Director at I-furb Bespoke Construction

Our target market

Homeowners

Based on our experience worldwide over our three decades of trading, we have insight into the typical levels of consumer adoption of home assistance policies which enables us to segment homeowners into three groups.

30% Insurance minded

Overview

- Drawn to the convenience of a trusted solution for dealing with a problem in their home
- Like to budget carefully and avoid unexpected repair bills
- Have historically tended to be an older demographic often on fixed incomes, however millennials are now attaining home ownership at greater scale.

HomeServe offer:
Membership & HVAC

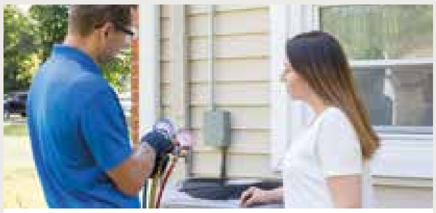
What's changing?
This segment is evolving, reflecting wider demographic shifts in home ownership, notably as millennials come to the fore. The growth in share of home ownership by millennials has also been correlated with a slightly more affluent, digitally conversant consumer than seen historically.

20% DIYers

Overview

- Have the knowledge, skills and motivation to carry out repair work themselves
- These homeowners may call on a third party for jobs requiring specialist skills, equipment or qualifications

HomeServe offer:
HVAC & Home Experts



What's changing?
In most countries, there are fewer confident DIYers and younger homeowners are less likely to live closer to the support network provided by their family.

50% Home Improvers

Overview

- Find a trade when needed – by word of mouth, paper directories and increasingly online
- Finding a high-quality trade, without hassle, is often just as important as financial considerations
- Typically appeals to a younger demographic whose instincts are to search online

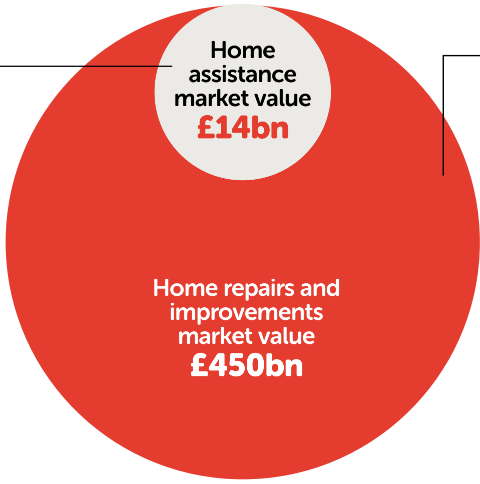
HomeServe offer:
Home Experts

What's changing?
There is a significant opportunity to accelerate the shift in consumer demand online in searching for reputable tradespeople, as has already been seen for property, cars and travel.

Market size

Membership & HVAC

This is our traditional market in the geographies where we are currently established, and essentially covers specialist home emergency cover for plumbing, heating and electricals. Membership was HomeServe's first business, which we have been operating since 1993. More recently, we have been adding to our HVAC installation capabilities in the UK, North America, France and Spain, to be able to replace equipment for customers as well as repair and service it.



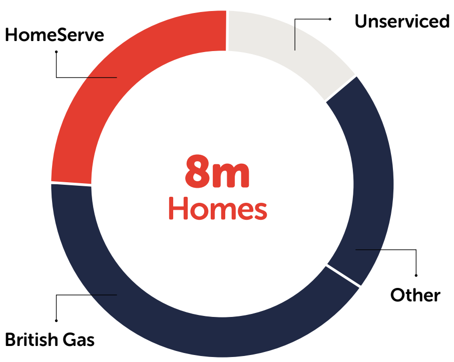
Home Experts

This is a much broader market, covering trades from plumbing to kitchen fitting, carpet cleaning to garden design. It is an expanding market, as more and more trades are developed to serve the needs of modern-day homeowners – for example, professional flat pack furniture assemblers and home WiFi gurus did not exist fifteen years ago. We expect it eventually to follow property, car purchases and travel, all of which are now over 60% online in terms of consumer demand.

Home Assistance penetration

There is a marked difference in penetration between our most mature market, the UK, and our highest growth market in North America. Our experience shows that with most affinity partners, maximum uptake amongst their customer base is around 30%. This holds across each of our established territories and therefore drives our view of the addressable market.

UK addressable market

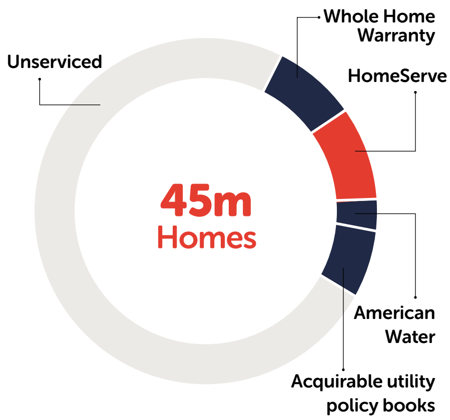


Total households: 28m

The UK market, where our historical focus has been on water, is nearing maturity. The UK is the only market where HomeServe has a bigger competitor, but the competitive dynamic is stable. As conditions stabilise in the retail energy supply market, HomeServe has opportunities to win more customers through this channel. Additionally, the adjacent segment of Claims Assistance has been growing in recent years, and HomeServe has a strong position in this market through its CET business.

See page 43 Operating review

North America addressable market



Total households: 151m

North America remains a significantly under-penetrated market. The key to growth is to sign more affinity partners to reach the over 50% of households who have yet to see a HomeServe offer from their utility. There are various whole home warranty providers including Frontdoor, and a handful of utilities still operating their own in-house programs.

HomeServe has exciting product development opportunities through offerings like HVAC as a Service and water loss cover (i.e. ServLine).

See page 41 Operating review

Competitive positioning

In Membership, HomeServe has clear market leadership in North America, and is also the largest independent provider in France and Spain.

HomeServe's utility-partnership model remains largely unique across each of its territories, reflecting the large barriers to entry for new players to build relationships with typically risk averse utilities.

In Home Experts, Checkatrade and Habitissimo are leaders in their respective markets, whilst eLocal will be able to build further scale in the vast US market.

HomeServe

Checkatrade

habitissimo

eLocal.com

Business model and strategy

What we do

To insurance-minded homeowners, we provide policies to cover a range of home emergencies via subscription-based Membership services. The cost of repairs covered under our policies is underwritten by third-party insurers, to insulate us from surges in demand and ensure that we can always put our customers' needs first. Our HVAC installation, repairs and servicing capabilities mean that we can participate in the domestic green energy revolution by promoting eco-friendly sources of heat and cooling.

In Membership & HVAC, our established route to market is via partnerships with utilities and municipalities, for whom we are an important source of added value. Our data-rich marketing approach and careful product design help us to grow our customer base. Our customers stay with us because of the excellence of our customer service and the peace of mind our annual cover gives them. Our local networks of employed and subcontracted trades ensure consistently high service standards whenever we visit a customer's home.

For people who prefer to deal with issues as they arise ('Home improvers'), and DIYers who need specialist help, we have online, on-demand Home Experts platforms that match homeowners with local trades (tradespeople) – Checkatrade in the UK; eLocal in North America; Habitissimo, principally in Spain, Portugal and Italy; plus a minority interest in maison.fr in France.

In Home Experts, trades are our customers, and our job is to match them with consumers who need their services in their local area. We help them to grow their business by providing customer contacts and quote requests, and also manage their reputation with trustworthy online reviews.

We run our business in three largely autonomous divisions, which all benefit from our five key sources of value, these evolve as our business grows. Capital allocation decisions are made at Group level, for the benefit of the business as a whole.

Our Responsible business framework spans our three divisions and defines the way we work. We share expertise in managing environmental, social and governance risks. We are passionate about contributing to positive change in our industry – for example by promoting environmentally friendly energy sources and creating trades apprenticeships.

By giving our businesses autonomy, and collaborating to share expertise and experience, we aim to deliver strong, consistent earnings growth and move towards our vision of being the world's largest and most trusted provider of home repairs and improvements. We aspire to be able to do every job, in every home.

See page 10 for Market overview.

See page 20 for our Responsible business.

See page 32 for Principal risks and uncertainties.

Our key sources of value

David Bower, Chief Financial Officer, HomeServe plc

"HomeServe is built on five key sources of value, the combination of which is unique to us."

Partnerships: we create connections which generate value for all parties. In Membership & HVAC, we connect utilities and municipalities, homeowners and trades, in a network of relationships which is unique to us. In Home Experts, we connect consumers and trades and provide unique value add, such as the Checkatrade Guarantee. Our expertise at forming strong partnerships has taken years to build and is a competitive differentiator.

Capacity for innovation: in Membership & HVAC, we are constantly refreshing our customer and partner propositions to optimise customer growth and develop our affinity partnerships. Green energy is a key current focus, where we are promoting solutions to challenging aspects of the green homes revolution such as the cost of moving to an alternative heating and cooling source. In Home Experts, we are developing a unique business model to match consumers with quality trades to get jobs done well.

Customer obsession: we cherish our reputation for strong customer service by putting our customers at the heart of everything we do. In Membership & HVAC, our customers are homeowners and in Home Experts, our trades are our customers.

Trades network management: in both Membership and Home Experts, we create and manage networks of trades to deliver great service to consumers. These networks have taken years to optimise and perfect.

Financial resources and expertise: we are disciplined in the way we deploy capital and have clear processes in place to decide where we will, and will not, invest.


NORTH AMERICAN MEMBERSHIP & HVAC
EMEA MEMBERSHIP & HVAC
HOME EXPERTS
Responsible business
Customers
People
Communities
Environment
Sources of value

Business model and strategy continued

NORTH AMERICAN MEMBERSHIP & HVAC STRATEGY

Tom Rusin, CEO, North American Membership & HVAC

North American Membership & HVAC is focussed on providing exceptional customer service; on continuing to sign new affinity partnerships to give us access to more households; on developing the best products and services to match the needs of our customers and our utility partners; and on marketing effectively and engagingly through affinity partner and local HVAC brands. We operate a high-quality network of vetted tradespeople through a combination of directly employed and network contractors. We use M&A to acquire existing policy books as well as high quality, profitable HVAC businesses. By doing all of this, we generate repeat and recurring income and a strong return on invested capital (ROIC).

Our priorities include continuing to develop our relationships with our affinity partners. We built our business using direct mail to reach customers, and are now making our business more digital across the board. We are broadening our product range to appeal to millennials as well as older demographics. We are constantly building and refreshing our team of outstanding leaders, who have proven ability to lead with courage, persistence and integrity. We are committed to doing business responsibly, and to building a diverse workforce right across our organization with the skills and capabilities we need to continue to grow.

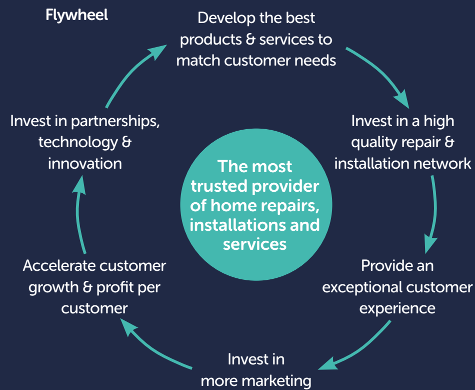
See page 41 for North America Membership & HVAC Operating review.

Key performance indicators

1. New Membership customer additions (m)
2. Net income per Membership customer ($)
3. Retention rate (%)
4. HVAC adjusted operating profit ($m)

See page 32 for Principal risks and uncertainties.

Flywheel



TARGETS

North American Membership & HVAC is our biggest short to medium-term growth opportunity.

Membership customers

FY22	4.8m
FY21	4.7m

4.8m +3%
Medium-term target 6-7m

Income per Membership customer

FY22	$113
FY21	$108

$113 +5%
Medium-term target $120-125

Margin (policies)

FY22	25%
FY21	25%

25% –
Medium-term target 24-26%

HVAC adjusted operating profit

FY22	$17.8m
FY21	$9.8m

$17.8m +79%
Medium-term target $30-45m

Adjusted operating profit

FY22	$159.1m
FY21	$137.9m

$159.1m +15%
Medium-term target $230m

EMEA MEMBERSHIP & HVAC STRATEGY

Ross Clemmow, CEO, EMEA Membership & HVAC

In EMEA Membership & HVAC, we are passionate about solving everyday home emergencies and improving sustainability in the home. We aspire to being best in the world at connecting trades with customers to get home repairs done easily. We drive profitable, recurring revenue through Membership and repeat jobs, and are building three key capabilities – Membership, HVAC and Claims Assistance.

Our dedicated and experienced local management teams are developing highly efficient, multi-skilled networks of marketers, customer service experts and technicians capable of creating and supporting market leading products and services, including electric vehicle charging and green heating solutions. Across EMEA, we are driving to make our businesses more digital.

UK Membership is our most established business. While the competitive landscape is stable, it is the only one to operate with a larger competitor. Customer numbers for our traditional plumbing and drainage products are past their peak, so we are looking to expand our product line and partnerships to stabilise our customer book at around 1.5m customers. We have established a 2-3 year transformation plan to stabilise our UK business and return it to profitable growth, which will build a more efficient, multi-channel, multi-product business. We are rolling out our successful HVAC buy and build strategy, increasing our presence in the energy markets and expanding into Claims Assistance with the acquisition of CET in October 2021.

In France and Spain, we have already diversified into multi-product, multi-channel businesses to support stable, profitable growth. In Spain, we have developed a new model ("service customer") to return our Membership business to growth following the end of our partnership with Endesa. Our near neighbour geographic expansion strategy leverages our know-how in existing markets to develop new opportunities in Belgium, Portugal and Germany.

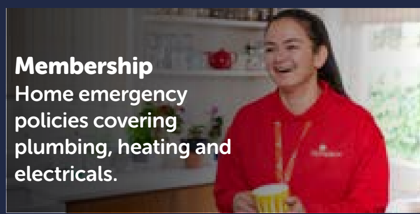
We have a promising joint venture in Japan with Mitsubishi Corporation.

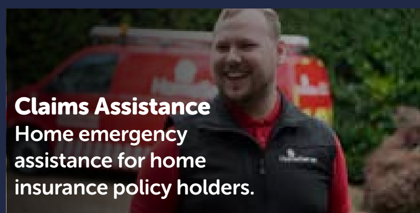
See page 43 for EMEA Membership & HVAC Operating review.

See page 32 for Principal risks and uncertainties.

IN A NUTSHELL

We are growing broad-based businesses in the UK, France, Spain, Belgium, Portugal, Germany and Japan based on three key capabilities:

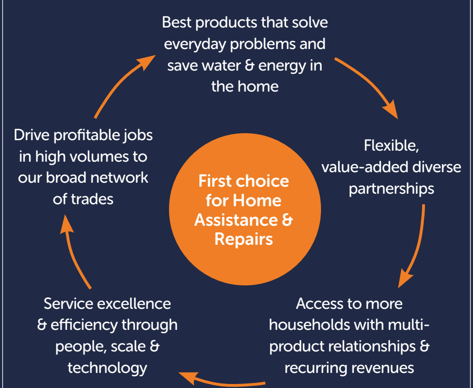




Key performance indicators

1. New customer additions (m)
2. Retention rate (%)
3. Proportion of revenue from non-Membership businesses (%)

Flywheel



Business model and strategy continued

HOME EXPERTS STRATEGY

Richard Harpin, Founder and Chief Executive

Our Membership & HVAC businesses are built on a single business model, which we have adapted and scaled to serve different geographies. My ambition is to build an equally successful business model for the significantly bigger £450bn home repairs and improvements market.

In Home Experts, we match homeowners with quality trades, on demand and online, to get jobs done well. By doing this successfully, consumers will come back again and again, and we'll deliver more high quality leads to our tradespeople.

Checkatrade	the UK's leading online directory of checked and vetted trades
habitissimo	the market leader in Spain
eLocal.com	in the US, where we took our stake to 90% in September 2021

To make our platforms a success, we are building products and services that inspire loyalty from trades and consumers alike. For consumers, we help them check a trade's reputation as well as book a job. We make it easy for them to find the trade they need and see relevant content to help with their search. We are even introducing free guarantees. For trades, we let them control how much work they get, and how much they pay. We are underpinning our platforms with intelligent, scalable, tech-enabled solutions and data management.

There are many challenges associated with building a successful platform business, such as balancing supply and demand and attracting and retaining trades through feast and famine. Our teams at Checkatrade, Habitissimo and eLocal are learning from each other and making great progress.

Our model is most advanced at Checkatrade in the UK.

See page 48 for Home Experts Operating review.

TARGETS

For Checkatrade only.

Trades

FY22	47k
FY21	44k

47k +7%

Medium to long-term target 150,000-200,000k

Average revenue per trade

FY22	£1,229
FY21	£939

£1,229 +31%

Medium to long-term target £1,200-1,300

Adjusted operating loss

FY22	(£2.8m)
FY21	(16.0m)

(£2.8m) -83%

Medium to long-term target £45-90m

Key performance indicators

1. Paying trades (k)
2. Average revenue per member (£)
3. Contacts (m)

Flywheel

Getting every household job done easily

- Offer a marketplace for getting household jobs done that beats word of mouth
- Generate more jobs from consumers & repeat consumer usage
- Attract more high quality available trades
- Profitably monetise jobs & services for trades & consumers
- Invest more in product development, marketing, technology & data

EMEA MEMBERSHIP & HVAC

HomeServe was founded in the UK in 1993, expanded into France in 2001, Spain in 2007 and Japan in 2019. In the last year, we have started to build our footprint in Belgium, Portugal and Germany. One of the strengths of our Membership & HVAC business model is its international appeal.

Key performance indicators

At HomeServe we measure progress against the key strategic initiatives of our three divisions by tracking relevant key performance indicators (KPIs). Additionally, KPIs are also tracked at the Group level. We now run our business in three largely autonomous divisions, each of which are at different stages of development and have different growth drivers. As such, the KPIs presented here are refreshed from prior years to more accurately capture the specific growth drivers of each division.

Directors' remuneration is structured to support the achievement of the Group's objectives, and to drive its financial and operational performance. As such, each of the Group KPIs shown below forms a part of the package of performance measures to which executive directors' remuneration is linked. **See page 97 Directors' remuneration policy.**

Definitions for each KPI are given below, in addition to the division to which they correspond and factors driving movements on the prior year. Further detailed commentary at the business unit level is available in the Operating review.

Please see the Glossary for a reconciliation of adjusted profitability measures to the equivalent statutory metric.

Group

1. Adjusted profit before tax

The Group's key profit measure by which we monitor business growth.

A return to strong profit growth driven by North America and Home Experts.

FY22	**£220.3m**
FY21	£191.3m
FY20	£181.0m
FY19	£161.7m
FY18	£141.7m

2. ROIC

Tracks the return on invested capital (ROIC), being the Group's ability to generate returns from each unit of capital (both debt and equity) being utilised in the business. The Group calculates ROIC by expressing net operating profit after tax as a percentage of invested capital (being the average value through the year of total assets net of current payables, cash and cash equivalents).

Modest improvement in ROIC year on year driven by a first full year operating profit in Home Experts.

FY22	**15%**
FY21	14%
FY20	14%
FY19	15%
FY18	16%

3. Growth in adjusted earnings per share - EPS

(3-year CAGR ending 31 March)

Tracks our ability to grow the Group's earnings for shareholders, offering indicative potential for shareholder returns through both distributions (dividends) and capital appreciation.

Return to strong EPS growth following a pandemic-impacted FY21.

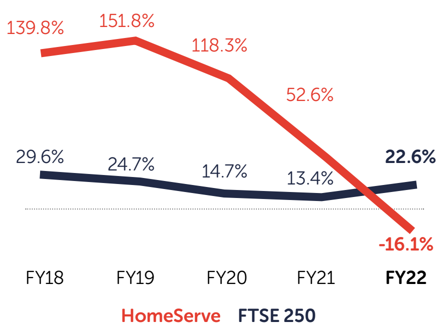
FY22	**9.5%**
FY21	8.3%
FY20	15.3%
FY19	19.8%
FY18	21.1%

4. Relative total shareholder returns

(3 years ending 31 March)

Tracks the return to shareholders from dividends and share price gains, relative to the FTSE constituents from 31 - 200.

HomeServe shares impacted by de-rating during second half of calendar 2021.

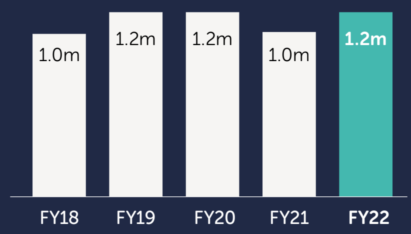


NORTH AMERICAN MEMBERSHIP & HVAC

1. New Membership customer additions

Tracks our success in organically converting our addressable market into revenue-generating customers.

Return to growth in organic customer additions following Covid-19 impacted FY21.



2. Net income per Membership customer

Tracks our ability to deliver value added products and services to existing customers, which in turn leads to growth in their number of policy holdings and income per customer derived by HomeServe.

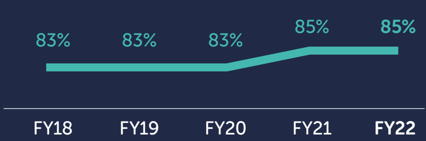
Good growth in the year as existing customers continue to increase their policies held as they upgrade through the suite of products.

FY22	**$113**
FY21	$108
FY20	$102
FY19	$96
FY18	$91

3. Retention rate

Tracks our ability to continually design products that are valued by customers, and deliver great service when customers come to use the products, such that they want to renew their membership

Remains extremely strong at 85%, with core value proposition continuing to resonate well with homeowners.



4. HVAC adjusted operating profit

Tracks our ability to drive organic growth from the existing HVAC portfolio and continue to source and acquire high quality targets.

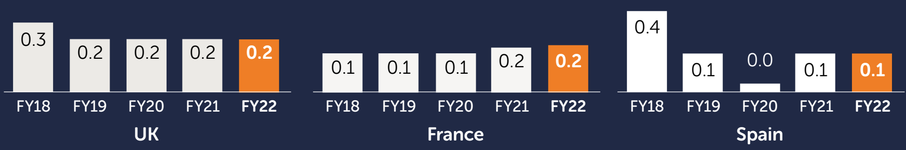
Good growth in profit contribution from HVAC, reflecting annualisation of prior year acquisitions and organic growth from existing businesses.

FY22	**$17.8m**
FY21	$9.8m
FY20	$5.0m

EMEA MEMBERSHIP & HVAC

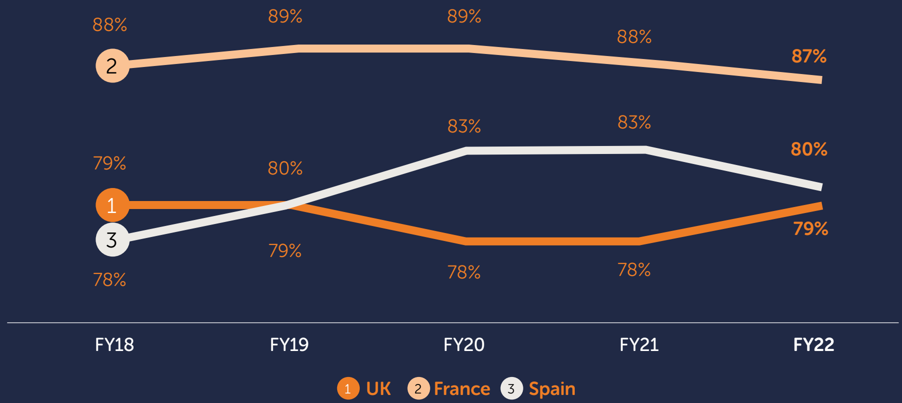
1. New customer additions (m)
Tracks our success in organically converting our addressable market into revenue-generating customers.

Continued good growth in France reflecting strong traction with non-utility partners in particular; UK customer additions impacted by retail energy supply market.



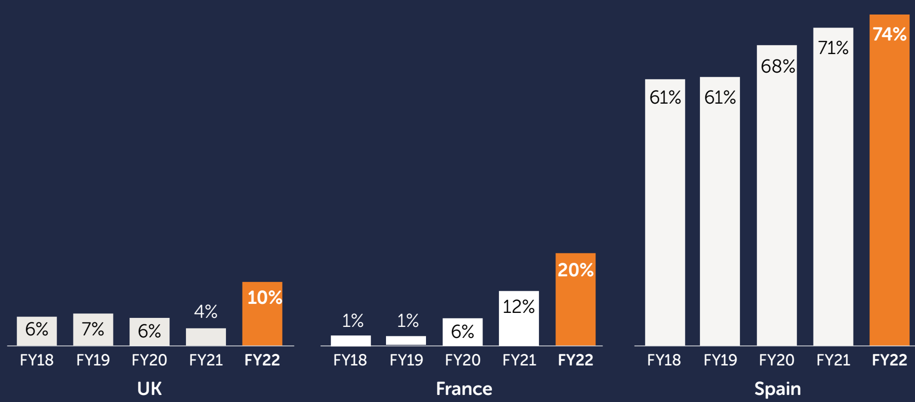
2. Retention rate
Tracks our ability to continually design products that are valued by customers, and deliver great service when customers come to use the products, such that they want to renew their membership.

Greater product usage and increased value perception drive increase in UK; higher proportion of first year policies drives slight reduction in France; reduction in Spain reflects continued run-off of Endesa policy book



3. Proportion of revenue from non-Membership businesses
Tracks the diversification of the EMEA businesses into the complementary product offerings of HVAC and Claims Assistance.

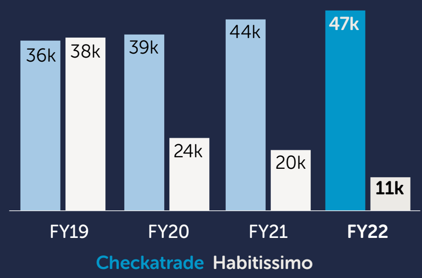
Continued growth in claims handling in Spain and traction with HVAC buy-and-build in France. CET contribution and HVAC growth drives UK increase.



HOME EXPERTS

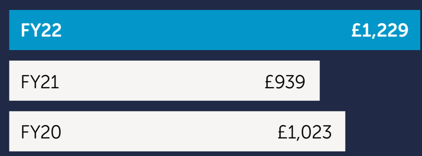
1. Paying trades
The number of paying customers in our Home Experts business, being tradespeople. Tracks our progress in building an engaged and high quality online community of trades.

Trades growth of 7% at Checkatrade; implementation of Directory Extra model at Habitissimo sees paying trades fall.



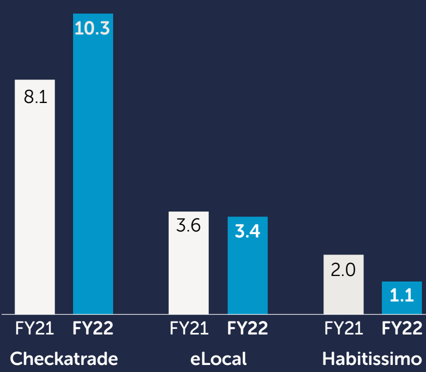
2. Average revenue per member
Data shown for Checkatrade only. Tracks our ability to design, deliver and monetise value-added services to our online community of tradespeople.

Strong growth driven by monetisation initiatives and non-repeat of discounts given to trades at the onset of the pandemic.



3. Contacts (m)
Tracks our ability to continually deliver value to our tradespeople, whether on a subscription or paying for performance, in the form of access to consumers' home improvement job requirements.

Contrasting performance at Checkatrade and eLocal reflects different pace at which pandemic effect seen. Reduction at Habitissimo reflects transition to Directory Extra and focus on Continental European markets.



*Unless otherwise stated, Home Experts metrics are for Checkatrade only.

Responsible business

Our relationships with our key stakeholders are critical to the success of our business.

Homeowners

Homeowners are the key consumers of our services, and making home repairs and improvements easy for them is at the heart of our business. It is essential that we remain abreast of their changing needs and requirements through market research and customer feedback. We want homeowners' interest in HomeServe to increase, and are working to build brand awareness to achieve this goal.

FY22 update

We are working across our business to make it easier for homeowners to interact with us. This year our French business introduced new AI call handling software called Atlantis. Atlantis is designed to make the customer experience smoother for homeowners and has been well received so far.

Affinity partners and the communities they serve

Affinity partnerships with utilities provide our most important marketing channels in Membership. We continue to expand our range of partnerships, but recognise the importance of maintaining our existing relationships, understanding the pressures and opportunities in the utilities sector and delivering excellent customer service to justify our partners' faith in us. We work with our partners to add value to the communities they serve.

FY22 update

In North America in particular, our utility partners are under pressure from their regulators to make a positive contribution to the decarbonisation agenda. We are working with them to develop new products, to accelerate the adoption of alternative energy sources, and to promote domestic electric vehicle charging.

Financial community

We maintain a regular dialogue with current and prospective shareholders and the wider investment community to make sure they have sufficient information and contact to drive investment decisions. We invest time in our banking relationships and with our financial markets advisors.

FY22 update

Beyond our regular programme of shareholder engagement, we introduced our Chairman to shareholders this year with a productive set of meetings.

Trades (tradespeople) including directly employed engineers and contractors

We want to make home repairs and improvements easy for trades as well as homeowners. For our business to grow, the network of trades we work with must expand – be they directly employed engineers, the sub-contractor network that powers our Membership business, or the trades who find work via Checkatrade, Habitissimo and eLocal. We are working to deliver value to our trades, wherever they sit in our network, and expect their influence on our business to increase as we grow.

FY22 update

We introduced flexible memberships at Checkatrade, so that trades can flex their membership to suit their changing needs. Through the HomeServe Foundation, we continued our campaign to promote trades apprenticeships.

Our people, their representatives and the communities in which they live

We have a diverse international work force – technicians, contact centre teams, marketers, salespeople, accountants, lawyers, and HR specialists to name but a few. We are investing more than ever in developing our people, focusing on key policy areas like diversity and inclusion and ensuring that our people's voices are heard as we deliver our plans for growth. We encourage our people to engage in the communities where they live and work, and support them when they do so.

FY22 update

Our focus this year was on diversity and inclusion. We make every effort to ensure people feel welcome and are treated fairly, regardless of their race, gender, gender identity, age, sexual orientation, religion, or experience.

Underwriters and other key suppliers

We work with large reputable suppliers, who have established and responsible business practices. Three of our largest plc procured suppliers are Salesforce, CISCO and Oracle, all of whom have their own responsible business standards. In our plc procurement process we complete an appropriate level of due diligence, which reviews the potential supplier's approach to sustainable and ethical procurement, and ensures business between the two parties will be conducted responsibly.

One of our key supplier groups is made up of the firms who underwrite the short-term cost of our Membership repair network, protecting our business from short-term claims volatility and enabling us to always do the right thing for our customers. We continue to manage these and our other key supplier relationships carefully and review them regularly.

FY22 update

We have built strong and stable relationships with our suppliers over the years and continue to be a responsible part of our supply chains, for example, by paying to terms.

Regulators, government, opinion formers and influencers

We maintain active relationships with our regulators and will build our relationships with government, opinion formers and influencers as our business grows.

HomeServe Foundation

FY22 update

The HomeServe Foundation hosted a parliamentary roundtable this year with ministerial departments, key decision makers and influencers to discuss the findings of the UK Domestic Trades Skills Index, and to produce recommendations to increase the number of apprentices by providing more support to small or medium sized businesses.

Responsible business continued

Customers

Customer satisfaction[1]

4.74/5 star rating

Customer dissatisfaction[2]

4.46%

At HomeServe, the customer is at the heart of everything we do. We care about offering the best products and ensuring the best possible customer experience throughout the customer journey.

Our purpose is to make home repairs and improvements easy and a key area of focus for us currently is how to make greener choices easier for customers. We look forward to delivering our solutions for this in the near future.

Membership and HVAC businesses

The Group has adopted a customer governance framework with which each of the Membership businesses must comply. On an annual basis the businesses are required to complete a detailed questionnaire on compliance with the framework. This questionnaire is signed off by the business unit's CEO, with whom ultimate responsibility for customers rests. The results are reported to the Audit & Risk Committee.

Each of the Membership businesses has incorporated the legal and compliance functions of the HVAC businesses in their territory. They are now working with the local HVAC businesses to develop appropriate KPIs and to provide them with an appropriate level of support and oversight on customer service matters.

Governance

Each of our Membership businesses has a Board appointed committee, chaired by a Non-Executive Director, which is responsible for providing oversight and challenge on matters relating to culture, the customer, laws and regulations.

Each committee has developed a KPI dashboard to assess the quality of customer service. The metrics vary depending on what is most relevant for each business but typically cover customer satisfaction, quality of service, product values, cancellation rates, claims repudiation rates and complaints.

Call recording and screening

Wherever possible, sales, claims and complaints calls are recorded and subject to formal call screening processes.If a call is assessed as having failed to meet the expected standard of service, the customer is re-contacted and the agent is provided with formal feedback and coaching.

Compliance function

Each business has a compliance function which provides advice to operational management on customer and regulatory matters and undertakes monitoring activities.

Measurement

Customer surveys are used at a minimum of three touch points throughout the customer journey: sales, claims handling, and engineer/ contractor work at customers' homes. Each business has developed their own KPI based on what is most appropriate for the business. It is either a percentage of dissatisfaction or a 5-star satisfaction rating, and some of our businesses track both. The KPI is incorporated in senior executive and management bonus schemes.

Incentive schemes for front line staff

Incentive schemes for front line staff have been carefully chosen to elicit the right behaviours from our agents, particularly in regard to great customer service. Whilst such schemes do include commercial targets, the primary driver is quality of service, and agents only receive payment if the quality threshold is exceeded.

FY22 customer service wins

For the third year in a row HomeServe Spain won the 'Best Customer Service" award from Mystery Shopper.

The UK business won 'Best Vulnerable Customer Initiative' at the Modern Insurance Magazine, Customer Service Excellence Awards 2022 for their Customer First initiative. They reached 70,000 reviews on Trustpilot and are rated excellent.

HomeServe France won three customer service awards this year, including: '100% Customer Service Made in France', 'Elected Customer Service of the Year' from ESCDA for the sixth year in a row, and for the second year in a row the 'Wow Effect' category in the CX awards.

Home Experts

Our Home Experts businesses have different customer and legal frameworks, recognising the different regulatory environments in which they operate. However, these frameworks follow the same core principles: commitment to great customer service, a customer promise articulating commitment to both members (trades) and consumers, compliance with laws and regulations, and formal oversight and challenge.

[1] Used by our North American, French and Spanish businesses. [2] Used by our UK and Spanish businesses.

We take great pride and care in delivering for our customers and we focus on working with third parties and partners who share our passion for the customer. We monitor their performance to ensure they deliver to the same high standards that we expect of ourselves.

Information and cyber security

Across our businesses we have strong information and cyber security processes in place to protect our customers and our business. Overall responsibility for the Group's information and cyber security strategy sits with the Group Chief Information Security Officer. He is supported by our Group cyber security team, who provide consultancy, direction, and oversight on our policies, frameworks, and strategy.

We maintain a Group Cyber Security Policy, aligned with and based on the internationally recognised ISO 27001 standard, and a Group information and cyber security strategy. These are approved by a Board Director and our information security management framework ensures we provide updates to the Board's Audit & Risk Committee. Managing cyber security from a centralised function achieves efficiencies through economies of scale and enables our cyber security maturity to be developed consistently across the Group.

Each of our businesses directly manage their own information and cyber security risk to ensure focus and accountability is maintained at an operational level. Both local and Group oversight procedures are carried out, including regular reporting and reviews. An ongoing security improvement plan is maintained for each business, to ensure delivery of the strategic roadmap and to allow us to support business change as well as react to the ever-evolving threat landscape. Our co-sourced internal audit partner, PwC, undertake specific audits in each of our businesses annually to validate activities and approaches.

People

Employee engagement

75% -3ppts

FY22	75%
FY21	78%

We aim to build a workforce that is skilled, adaptable, and future focused, to enable our business to grow. We know that if we take care of our people, our people will take care of our customers and our business.

Following the Covid-19 pandemic, we learnt that our people value hybrid working practices which offer them the flexibility to excel in both their work and personal lives. Therefore, we aim to evolve our working practices across all our businesses to facilitate hybrid working.

HomeServe employed an average of c. 8,600 people globally through FY22, with about 37% of these being based in the UK, 30% in the US and 33% in Continental Europe. Over 7,700 people are employed in our Membership and HVAC businesses and around 800 in our Home Experts businesses – Checkatrade, Habitissimo and eLocal. We directly employ c. 1,300 engineers.

We want to be an employer of choice in every market, town, and city where we operate, from Walsall to Chattanooga, to enable us to attract, recruit and retain the best people. Our businesses operate on strong foundations, championing human rights, equal opportunities, diversity, and inclusion, fair pay, and a strong Health & Safety culture.

People strategy

Our people strategy is overseen at Board level by the People Committee, informed by the International People Forum, which is made up of employee representatives from across our businesses. It has been agreed that during FY23 we will expand the remit of the Board's People Committee and it will become the ESG & People Committee thereby improving the Board's oversight of ESG matters, which align with those of the People Committee.

We continue to make important strides in delivering our people strategy. The business and the Board are focused on making HomeServe a great place to work, a place that reflects the composition of the communities in which we work and offers all our employees the opportunity to realise their full potential. Specifically, we are focused upon the four pillars of our people strategy.

1. Building an inclusive culture by valuing diversity at every stage of the employee lifecycle, and establishing a clear 'tone from the top' on the importance of equality in our decision making.
2. Continuing to evolve our employee engagement strategy, so that we can understand the needs of our people and make HomeServe an even better place to work.
3. Further developing our internal capability so that we can create a rich talent pipeline that will fuel the future needs of our growth plans.
4. Creating a performance and reward environment that enables our most talented people to deliver to their greatest potential, whilst at the same time providing a fair share of our success.

Developing our culture

The HomeServe Way defines how we operate, built around our core values of courage, persistence, and integrity. These values were developed from lessons learnt over our years of operating, and are continually communicated and promoted Group-wide by the Group's management team. The HomeServe Way plays a decisive role in our hiring, promotion, and recognition activity.

Responsible business continued

People continued

The HomeServe Way

I lead with Courage.

- I believe in our strategy, keep things simple and strive for great results and continuous improvement.
- I am decisive, speak my mind and confront challenges.
- I value innovation, "failing fast" and learning from experiences.

I lead with Persistence

- I work hard, do my best, take responsibility and am accountable for delivering results.
- I am optimistic, have a "can do attitude", choose action and make things happen.
- I am resilient when faced with setbacks, collaborate and find solutions.

I lead with Integrity

- I am honest, act with integrity and seek the truth.
- I value open communication and debate and listen respectfully to challenges and opinions.
- I act with humility and openness and embrace diversity to build great teams.

We are proud of our values-led culture. It underpins our ability to innovate and adapt to changing circumstances. We care about our people, and our people care about our business, which is reflected in our employee engagement survey, where 79% stated that they were proud to work at HomeServe.

Employee engagement

HomeServe has again taken part in an annual global engagement survey which received a response rate of 78% from our people. Each of our markets have worked hard over the last 12 months to overcome the challenges of hybrid working and maintain a sense of belonging to our culture. The results from our March 2022 survey reinforced the passion and resilience of our people as we received an employee engagement score of 75%, which shows consistently high engagement levels, and our results are still tracking higher than pre-pandemic engagement scores.

Survey	Global People Survey 2018	Global People Survey 2019	Global People Survey 2020	Global People Survey 2021	Global People Survey 2022
Global Employee Engagement	71%	71%	82%	78%	75%

The results of our most recent survey demonstrate positive outcomes from our people with 76% of our employees saying that taking everything into account this is a great place to work, 88% of people believe that the Company has taken the right measures to protect employees' health during the Covid-19 pandemic, and 89% of people said that when you join the Company you are made to feel welcome.

2021 was our most successful year to date in receiving recognition for our achievements in employee engagement; HomeServe Membership Limited, HomeServe Spain, HomeServe France, Checkatrade and Habitissimo all received places on their country's Best Workplace lists. As a result of these achievements the HomeServe Group earned a place on Europe's Best Workplaces list and ranked 24th in the Great Place to Work Best Multination Workplaces category.

Maintaining an engaged and valued workforce globally remains a key priority for HomeServe as we know that an engaged workforce leads to higher productivity levels and better outcomes for our customers. Employee engagement also impacts on our ability to attract and retain key talent and is therefore crucial to our recruitment strategy. HomeServe remains committed to conducting an annual employee engagement survey to gather feedback from employees, and to acting on the key areas of focus identified in each business.

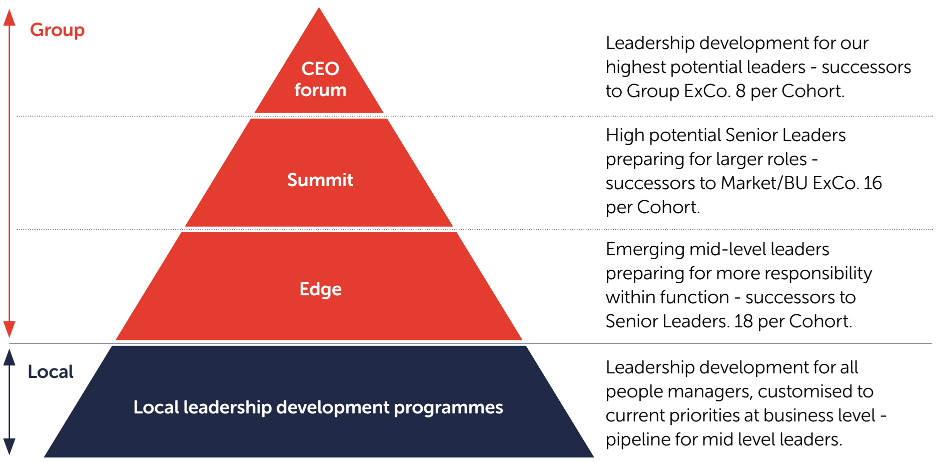
Learning and development

Our employees are supported by their leaders in regularly reviewing their personal development plans. The way we all learn is different, so we have a number of ways to support our people including self-directed learning solutions, webinars, bite-size sessions, and on-the-job activities. We also support individuals in pursuing professional qualifications from various awarding bodies.

Talent management programmes

Despite the impact of the Covid-19 pandemic, we continued to build on and evolve our suite of talent development programmes. In total, over 60 leaders have attended one of our flagship programmes this year, and whilst the delivery methodology has transferred online, the content and learning has remained focused on developing our most promising people to be ready for leadership. Female representation on the last cohort of our Edge programme was 42%.

Group-wide talent programmes



Diversity, Equality & Inclusion (DE&I)

We know that making HomeServe an inclusive place to work will make us a stronger, better business. Our priority is to ensure that the diversity of our people reflects the societies in which we operate, and that difference is valued and celebrated.

We make every effort to ensure people feel welcome and are treated fairly, regardless of their race, gender, gender identity, age, sexual orientation, religion, or experience. We recognise the importance of self-identification, given the broad circumstances under which discrimination can happen.

We are committed to addressing under representation across the organisation. Since the last Hampton Alexander review, we are pleased to have increased the level of female representation on our Board from 22.2% to 27.3%. However, we recognise that this improvement was not enough to meet the original Hampton Alexander target of 33% representation. Further details on the Board's efforts to increase diversity can be found on page 80. Female representation on our Executive Committee, and our Executive Committee and direct reports combined, has declined over the year. To address this, we intend to introduce internally monitored gender representation targets across the organisation and particularly at the senior leader level. We believe this will help us with our progress towards achieving the new targets set out by the FTSE Women Leaders Review (previously the Hampton Alexander Review).

Our performance in the FTSE Women Leaders Review (published in February 2022) was as follows:

Benchmark	Board	ExCo	ExCo & Directs
HomeServe 2021	27.3%	16.7%	25.0%
HomeServe 2020	22.2%	28.6%	30.4%
FTSE 250 2021	36.8%	24.4%	30.7%

As at 31 March 2022, the level of female representation amongst our Senior Leaders was 31%. We recognise this population as being a key pipeline of talent to executive roles in the future and therefore we remain committed to increasing the level of female representation in this group.

	31 March 2022		31 March 2021	
	Female	Male	Female	Male
Board	**3 (27%)**	**8 (73%)**	3 (25%)	9 (75%)
ExCo	**2 (17%)**	**10 (83%)**	3 (23%)	10 (77%)
Senior Leaders[1]	**59 (31%)**	**133 (69%)**	58 (32%)	122 (68%)
Rest of workforce	**4,566 (57%)**	**3,426 (43%)**	3,330 (48%)	3,623 (52%)
Total workforce[2]	**4,625 (57%)**	**3,559 (43%)**	3,388 (47%)	3,745 (53%)

[1] Includes ExCo. [2] Total workforce includes the rest of workforce and Senior Leaders. It does not include the Board.

Across the HomeServe Group, we are committed to building a fair, inclusive and diverse culture and we are confident that we reward jobs of equal value equitably and fairly. Our mean Gender Pay Gap for FY22 is as follows (based on April 2021 data).

	Mean Pay Gap	
Entity	2021	2020
HomeServe Membership	**19.0%**	20.0%
Checkatrade	**32.6%**	31.0%
HomeServe UK	**21.4%**	21.2%

A key driver of our pay gap continues to be the balance of women in our senior leadership roles, together with a low volume of females in technical and engineering roles, which in the case of the latter, feed into the higher graded managerial roles in field operations. Despite the volume of males in engineering roles being in line with national averages, we believe there is a significant opportunity to attract more females into these roles through targeted recruitment and career development activities.

We have taken steps to accelerate our overall DE&I efforts, with a Board agreed DE&I global strategy and a Head of DE&I appointed to lead this agenda. We established a Group-wide DE&I Council responsible for ensuring focus on and progress against our DE&I plan. The Council is chaired by one of our Non-Executive Directors and is overseen at Board level by our People Committee. All of these steps are aligned with our Group DE&I Policy, which can be found on our corporate website: **www.homeserveplc.com/media/sgznnesr/hs-dei-policy-vs-2-0-apr-2022.pdf**

Our established employee resource groups are central to driving our DE&I plans at a grassroots level and these groups continue to engage employees with diversity initiatives as well as raise awareness through the promotion of events throughout the year.

At a senior level, we have identified a best-in-class executive level DE&I programme to support our most senior leaders, which we intend to run in FY23. The programme aims to build confidence and understanding around DE&I, which is crucial to delivering long lasting and significant cultural change.

Linked to our DE&I strategy we have a robust communications plan to ensure that we have a consistent and clear narrative on DE&I both internally and externally. This in turn improves understanding, drives momentum, and increases employee engagement and advocacy.

We are confident that our new strategic approach to DE&I, led by our Board and supported by our DE&I Council, and our employee resource groups, will accelerate our DE&I ambitions and lead to continued business success.

Responsible business continued

People continued

Health & Safety

Health and Safety (H&S) at HomeServe remains paramount, with our continued aspiration being to operate with minimum risk. Across our organisation we drive a positive health and safety culture, aim to implement continuous improvement in H&S performance, conduct regular training programmes, and have robust processes and systems in place to identify, control, mitigate and manage any H&S related risks.

David Bower, CFO, is the Board Director responsible for H&S. HomeServe's H&S Policy is set at a Group level where the objective is to provide support, challenge, share best practice and provide updates to the Executive Directors and Audit & Risk Committee three times a year, with a H&S report being provided to the Board twice a year, highlighting issues, trends, and new initiatives. Local HR and operations directors have the responsibility to lead, champion and deliver the H&S Policy and framework locally and in newly acquired businesses. Governance and oversight of H&S activity, risk mitigation, incident trends and strategic objectives is managed within the local subsidiaries and escalated through Group reporting processes.

The Covid-19 pandemic significantly reduced our accident rates during FY21, largely due to a reduced number of vehicles on the road and a limited number of employees working from office locations. FY22 has seen the businesses adopt hybrid working and working practices beginning to normalise, however Covid-19 and the unique circumstances it presented has made a year-on-year comparison more challenging.

The Accident Frequency Rate and Lost Time Injury Rate are industry best practice measures provided by the UK regulator HSE. These measures are also in line with US standards and are used across various boards in the US. The purpose is to allow for a consistent ratio regardless of the number of employees within a business.

Accident frequency rates (total number of reportable incident/total worked x 200,000): Number of reported incidents per 200,000 employee hours worked)

	FY19	FY20	FY21	FY22
HomeServe UK	7.39	5.59	3.41	**4.56**
HomeServe North America	2.08	3.44	3.11	**3.36**
HomeServe France	5.93	5.16	4.40	**6.23**
HomeServe Iberia	2.30	2.22	1.06	**2.44**
Checkatrade	10.96	5.77	–	**–**
Habitissimo	2.89	2.08	–	**–**
eLocal	n/a	n/a	n/a	**–**

Lost time injury frequency rates (total number lost time accidents x 200,000 divided by total headcount x average hours per month per employee including average overtime)

	FY19	FY20	FY21	FY22
HomeServe UK	2.17	1.55	1.05	**1.63**
HomeServe North America	1.32	2.45	1.58	**1.50**
HomeServe France	2.06	3.05	3.06	**3.74**
HomeServe Iberia	0.94	1.34	0.51	**1.51**
Checkatrade	5.32	2.02	–	**–**
Habitissimo	3.85	1.56	–	**0.71**
eLocal	n/a	n/a	n/a	**–**

Fatalities
Across our businesses there were no fatalities this year.

Communities

At HomeServe we want to be good citizens of the communities where we operate, so that our people and partners are proud to be associated with us.

Our community activities are organised locally by each of our businesses, to leverage local knowledge and understanding of how best to contribute to our communities. A uniting thought around all of our community endeavours is the importance to people of their homes.

Corporate responsibility programmes

One of our most established programmes is the HomeServe Foundation, HomeServe's registered charity. It is focused on tackling the UK skills shortage in the trades sector. The Foundation has set its target to create 25,000 apprentices in the UK by 2025. This year the Foundation launched its 'Try a Trade' schools engagement programme working with over 500 students in 15 different schools so far, and its free Apprenticeship Matching Service for SMEs.

The North American team's HomeServe Cares Foundation (HSCF) is in its second year of operations. It is a grant programme designed to help communities improve the quality of life for their residents.

HomeServe Cares Foundation

Caring for People · Caring for Community · Caring for Vets · Caring for Good

This year each of our EMEA businesses introduced their own community programmes. In Spain, the team introduced Llevando Sonrisas (Bringing Smiles). It enables employees to get support for their chosen causes within the pillars of the programme: taking care of people's homes, helping vulnerable groups, the environment, and building healthy habits. France launched their new CSR strategy, Empreinte 2030, focused on three pillars: the customer, our social footprint, and the environment. Our UK business launched their Charity and Community Strategy, which enables employees to make a difference individually, locally, and nationally. The business chooses one national charity partner, our regional offices choose a local partner, and then individuals can support causes through the Nominate a Good Cause platform.

NOMINATE A GOOD CAUSE

Long standing partnerships

In addition to their charity programmes, many of our businesses have long standing partnerships with charities close to their hearts. In Spain, the team works closely with the Down Madrid Foundation, the Spanish Federation of Food Banks, and SOS Children's Villages. Our French business is working with Habitat & Humanisme for the seventh year. The UK team continues to be a Cornerstone Employer.

Ukrainian appeal

In light of the recent humanitarian crisis in Ukraine, many of our HomeServe businesses set-up appeals to raise money for this important cause. In total we have raised £14,445.

Responsible business continued

Environment

Participating in the transition to a lower carbon future

Introduction
Governments and corporates globally are facing up to the challenge of climate change. The countries in which we operate have either signed up to Net Zero carbon emission targets, or are in process of doing so. This includes the UK and France, where Net Zero targets are enshrined in law. Within this context, the residential sector – and by consequence the market segments we serve – will be core to delivering this decarbonisation effort. We already see a strong policy focus, as well as growing demand and adoption by households of low carbon solutions and behaviours – from electric vehicles to renewable energy and smart home energy management. We want to be the place our customers turn to for the solutions needed to make this change.

We aim to participate in and enable the Net Zero transition by:

- Making our own house greener - reducing the impact of our operations, supply chain and customer solutions through operational excellence, collaboration, and innovation
- Helping our customers make their homes greener - reducing their environmental impact by offering attractive solutions.

We recognise that our management of environmental issues is important to our stakeholders and to our long-term growth. Our business activities result in both direct and indirect environmental impacts, which we are committed to reducing through ambitious goals and timely action. We also believe that we can enable positive impacts through the products and services we provide and be a key player in the Net Zero transition.

Our Group Environment Policy, which includes our climate considerations and targets, is available on our website at: **www.homeserveplc.com/media/2iwmkpts/homeserve-environment-policy-jan-22.pdf**

Making our house greener
To make our house greener we set Scope 1&2 and Scope 3 GHG emission reduction targets and have committed to verify these with the Science Based Targets initiative (SBTi) during FY23. For more information on our targets see the Metrics and targets section on page 31.

We have identified a number of actions we will need to take to achieve the reduction in Scope 1 & 2 (our direct emissions) including:

- All offices procuring renewable electricity by 2030
- Implementing energy efficiency measures in our facilities (such as upgrading cooling systems)
- Transitioning our fleet to electric vehicles.

Our UK Membership business has the biggest fleet in the Group (currently c.750 vans) and during the year, they completed a feasibility study on the use of electric vehicles and agreed their vehicle transition plan. The first two electric vans were delivered in January 2022 and the plan assumes that they will fully transition to an electric fleet by 2030 depending on vehicle and infrastructure availability.

Regarding our Scope 3 (upstream and downstream supply chain emissions), we have identified that emissions from installed heating are the main source of our climate impact – accounting for around 80% of our Scope 3 emissions. As a result, the transition from fossil fuel-based heating to greener alternatives (such as heat pumps) will be key to our decarbonisation pathway. In order to achieve our Scope 3 target, our internal analysis indicates that we will need to convert around 50% of residential heating sales to heat pumps by 2030. Our HVAC businesses are actively considering how this will be achieved. During the year we acquired a specialist heat pump installation business in France, and we are seeking similar opportunities in our other territories as part of our HVAC buy and build strategy.

Helping customers make their homes greener
We know that part of our responsibility to the environment is about helping to make our customers' homes greener, and making green the easier choice. We are investigating different solutions and this year we made progress in the following areas:

- HVAC as a Service launched in New York State. HVAC as a Service will make replacing and maintaining HVAC equipment more financially manageable, which will enable some consumers to choose greener HVAC options. Improving homeowners access to HVAC equipment will also better prepare customers' homes for the weather impacts of climate change. Our French HVAC businesses are leading the way in the promotion of alternative energy sources, which accounted for 60% of installations in the period.
- HomeServe's installation and maintenance proposition for domestic electric vehicle charging is now available to 9m households.

Task Force on Climate-related Financial Disclosures

The Group has complied with the requirements of the Financial Conduct Authority's Listing Rule 9.8.6R(8) by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures except for the following matters; 1b management's role in assessing and managing climate-related risk and opportunities; 2b impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning; 4a the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process; 4c the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

This is our first year of reporting and we recognise that we have areas to further develop to meet the TCFD requirements. Our progress so far is summarised in the table below. Over the coming reporting cycles, we intend to progress our climate-related risk and opportunity workstreams and aim to meet more of the TCFD objectives. These will include developing a carbon emissions reduction pathway and monitoring process, developing a clearer structure for management's role in managing climate-related risks and opportunities, and further exploring the opportunities we have identified.

Disclosure objective	Our progress	Compliance status
Governance	Structure in place to provide Group-wide oversight of climate risks and opportunities. Individual business units manage their own day to day climate risks. Read more on page 29.	Work in progress – Board oversight is clear but management's role needs further development.
Strategy	This year we undertook a detailed review of the impact of a number of climate-related scenarios. We detail our top three risks and opportunities on page 30.	Work in progress – more work is needed on understanding the quantitative impact on business strategy and financial planning and on different scenarios.
Risk management	Climate change was identified as a Global Enterprise Risk this year, which means that it will have regular Group oversight from the Audit & Risk Committee. Read more about how we identify and manage risk on page 32 and more about our Climate change risk specifically on page 33.	Fully consistent.
Metrics and targets	We have set targets in respect of our Scope 1, 2 and 3 emissions and have committed to verify them with SBTi. We are currently developing processes for tracking and monitoring our targets. Read more about this on page 31.	Fully consistent in respect of disclosure of Scope 1, 2 and 3 emissions. Further work is needed to align metrics to our strategy and to report on performance against our targets.

Governance

The Board's oversight

The Board has ultimate responsibility for oversight of climate-related risks and opportunities. David Bower, CFO, is the nominated Director for activity on an operational basis. During the year, he was supported by the Group Corporate Responsibility Committee which was chaired by the Chairman of the Board and comprised of representatives from our operating businesses and from a number of Group functions. The Audit & Risk Committee is responsible for considering climate risk and for reviewing the content of our TCFD disclosures. The Remuneration Committee is responsible for determining our Remuneration Policy, including how ESG factors are taken into consideration in the policy and our incentive schemes. For information on these committees see pages 86 and 92 respectively.

During the year, the Board has considered and approved our Scope 3 emissions target and received updates on various workstreams. It has been agreed that during FY23, we will expand the remit of the Board's People Committee and it will become the ESG & People Committee thereby improving the Board's oversight of ESG matters. The Group Corporate Responsibility Committee will become the ESG Forum and will be used to develop plans and facilitate the sharing of experience and best practice across our businesses.

Management's role

The management teams in each of our businesses are responsible for managing the climate-related risks and opportunities faced by the Group on a day-to-day basis and for delivering on actions. During the year, there has been particular focus on identifying and defining the key risks faced by each of our businesses and in our HVAC businesses on how we can provide greener heating alternatives.

Strategy

We believe that the Net Zero transition will create multiple opportunities for us to support our customers to improve their homes and adopt solutions that will create value for them as well as reduce their climate impact. To support our customers, we will need to find innovative solutions and services and ensure that our organisation and its people can develop in terms of both strategy and skills.

During the year, we completed a detailed review of climate-related scenarios in terms of both risks and opportunities from a Group-wide perspective. An initial longlist was developed following workshops and interviews with key stakeholders across HomeServe's businesses. Interview attendees included; the CFO, Company Secretary and the Global Managing Director, HVAC.

Following the development of the longlist, a prioritisation exercise was undertaken to identify which risks and opportunities have the potential to have the most material impact on the Group. Multiple climate scenarios were used to assess the climate-related risks and opportunities, including those aligned to limiting the rise in global temperature to well below 2-degrees. Additionally, scenarios were included in the analysis to assess current policy commitments, as well as the potential

Responsible business continued

Environment continued

impacts from physical risks under high emissions scenarios. Risks have been assessed on the basis of:

- **Likelihood** – the probability of a climate-related risk or opportunity taking place, considering outcomes across all scenarios assessed. The direction of travel of each relevant scenario parameter was assessed (i.e., whether under each scenario, a parameter is projected to increase, decrease, or not change).
  - For transition risks and opportunities, projections based on current commitments and trends were compared to the accelerated transition aligned to a 2-degrees, Paris Agreement aligned scenario.
  - For physical risks and opportunities projections were based on current commitments and trends were compared to a RCP8.5 scenario with failure of climate mitigation actions and correspondingly high emissions.
- **Velocity** – assessing the time period in which the exposure to each climate risk or opportunity is expected to become significantly different to today. The purpose of this measure is to assess how fast external pressures are changing. Velocity was assessed using the following time horizons;
  - Present – between 2021 and 2024
  - Short-term – between 2025 and 2029
  - Medium-term – between 2030 and 2034
  - Long-term – beyond 2035.
- **Materiality** – the annual financial impact of each identified climate-related risk and opportunity was estimated. To assess financial materiality, the relationship between the driver of each climate-related risk and opportunity (e.g., the external climate scenario), and HomeServe's financial data was modelled. In most instances, the relationship between the scenario parameter and impacted value driver was directly correlated, in that one would change because of a change in the other. To understand and compare the relevant materiality of these financial impacts, thresholds were developed based on HomeServe's risk management financial materiality thresholds.

The nature of assessing climate-related risk and opportunities means that the assessment undertaken is not without its limitations. Some of the key challenges faced by HomeServe throughout this process were associated with the estimation of financial materiality and use of climate projections in the prioritisation of risk.

The top three risks and opportunities are set out below:

Risks	Time horizon	Description and mitigations
Severe weather	Short to Medium-term	The expected increase in the frequency and severity of storms and floods could lead to a range of challenges for our operation. For example, we could see the number of claims increasing, supply chain disruption and difficulties in scheduling repairs. To mitigate this, we will be working to understand the local impacts of extreme weather events and increasing the flexibility and capacity of our employed and sub-contractor network.
Capability and capacity gap for the installation of heating alternatives	Short-term	Our HVAC businesses could face a shortage of skilled engineers as low carbon technologies are deployed and replace conventional heating technologies. To mitigate this risk, we are engaging with suppliers, installers, and partners to understand the projected market, including which technologies are most likely to be adopted. In addition, we are working, through the HomeServe Foundation, to increase apprenticeships.
Climate regulation	Medium-term	Emerging regulation could impact us in a number of ways, including increased operating costs as a result of higher energy, fuel, and parts. To mitigate this we have set emissions targets and are working on a decarbonisation strategy.

Opportunities	Time horizon	Description
Installation of heating alternatives	Short-term	The commercialisation and deployment of low carbon heating solutions will present opportunities for installation, maintenance, and cover. Uptake of new technologies will be driven by both regulation and incentivisation.
New products and services	Short-term	The low-carbon transition will create more low-carbon markets which will create opportunities for HomeServe. A key example of this is the EV charging market which is expected to grow rapidly over the next decade. Detailed analysis and pilot activity is underway in a number of our markets and we will report on this in future years.
Weather related increases in demand for products and services	Long-term	Warmer temperatures in some regions as a result of climate change may result in greater demand for home cooling equipment. HomeServe can play a role in helping customers to reduce the impacts of warmer temperatures through our HVAC services.

Risk Management

An overview of our risk management framework is set out on page 33 including our processes for identifying, assessing, and managing risks. The section above provides further detail of how we assess the size and scope of the identified climate-related risks.

During the year, climate was added as a Group Enterprise Risk (GER) and as such is being managed in the same way as other significant risks. The Audit & Risk Committee considers all Group Enterprise Risks at each of its meetings.

At a Group level, we have identified three initial risks and three initial opportunities (detailed opposite). These high-level risks and opportunities have been shared with local businesses and they have been asked to consider the climate and environmental risks that will be relevant to them and to add them to their local risk registers. The relevant risks at a local level will not necessarily be the same as those identified at a Group level and will differ from business to business.

Metrics and targets

To support our carbon reduction ambitions we have agreed science-based targets for our own operations (Scope 1&2), aligned to limiting global warming to 1.5-degrees, and our value chain (Scope 3), in line with a 2-degrees temperature pathway. For both of these targets our base year is FY22 and our reduction target will be set to be achieved by 2030. We are committed to seeking approval of these targets by the SBTi during FY23.

To achieve these targets, we will be tracking and reporting on our carbon emissions on an annual basis. For our Scope 1&2 emissions we track our gas, electric and vehicles' fuel. For Scope 3 we track the categories which are relevant to our business, these include: purchased goods and services; capital goods expenditure; fuel and energy related activities; upstream transportation and distribution; waste generated in operations; business travel; employee commuting; use of sold products; and end-of-life treatment of sold products.

During FY23 we are looking to develop a more detailed carbon emissions reduction plan, with short-term goals to help achieve our targets, and regular monitoring and tracking of key metrics.

This year was the first time we responded to the CDP climate change questionnaire, and we received a score of B-. We look forward to tracking our progress over subsequent years of participation in the CDP.

Greenhouse Gas Emissions

Scope 1 & 2

	Group		UK	
	Tonnes of CO_2e FY22	Tonnes of CO_2e FY21	Tonnes of CO_2e FY22	Tonnes of CO_2e FY21
Scope 1 Combustion of fuel and operation of facilities	**19,725**	13,698	**5,848**	6,181
Scope 2 (location-based) Electricity, heat, steam and cooling purchased for own use	**1,701**	1,574	**541**	347
Scope 2 (market-based) Electricity, heat, steam and cooling purchased for own use	**2,463**	1,995	**961**	561
Total scope 1 & 2 (location-based)	**21,426**	15,272	**6,389**	6,528
Tonnes of CO_2e per employee	**2.48**	2.05	**2.02**	2.13

	Group		UK	
	KwH FY22	KwH FY21	KwH FY22	KwH FY21
Combustion of fuel and operation of facilities	**80,877,971**	59,359,630	**22,554,989**	26,745,195
Electricity, heat, steam and cooling purchased for own use	**6,442,998**	5,256,707	**2,243,377**	1,489,254
Total	**87,320,969**	64,616,337	**24,798,366**	28,234,449

We have reported on all of the emissions sources required under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 – commonly referred to as Streamlined Energy and Carbon Reporting (SECR). Our Scope 1 & 2 footprint has been verified to the ISO14064-3 standard by The Carbon Trust. Our Scope 1 emissions exclude refrigerant gas data as it was not feasible to collect and has a negligible effect on our total emissions.

Scope 3

Our Scope 3 data has not yet been verified, due to the timing of this report. However, we present our initial Scope 3 footprint below, and are in the process of having this data verified to the ISO14064-3 standard by The Carbon Trust. If the verification highlights any issues with our initial footprint, we will restate our data in next year's Annual Report.

Category	Total emissions 2022 (t CO_2e)
1a: Purchased goods and services (product related)	25,050
1b: Purchased goods and services (non-product related)	63,852
2: Capital goods	9,005
3: Fuel and energy related activities	5,655
4: Upstream transportation and distribution	14,665
5: Waste generated in operations	43,867
6: Business travel	1,667
7: Employee commuting	8,001
11: Use of sold products	838,250
12: End-of-life treatment of sold products	132
Total	**1,010,144**

In accordance with GHG protocol we also measure our outside of scope emissions. The below biogenic CO_2 emissions relate to the customer use-phase of wood/pellet stoves sold by our operations in France:

Category	Total out of scope emissions 2022 (t CO_2e)
Biogenic emissions	42,189

Principal risks and uncertainties

Risk management at HomeServe forms a significant part of the overall governance structure. The overall risk policy and process is set at Group level with the implementation and ownership being adopted by our local businesses.

HomeServe's framework includes risk appetite, materiality scoring matrices and key risk indicators. Each business is expected to adhere to the Group risk framework and to report regularly on its risk registers and key risk indicators but, if appropriate, the Group framework may be customised to local requirements as long as minimum standards are met. It is designed to support the Group, and its individual businesses, in making well-informed decisions as well as providing reasonable levels of assurance (total assurance is not attainable) that risks are being correctly identified and are then subject to robust management. A mechanism exists to extend the Group's risk framework to any significant new business that is acquired or established immediately upon acquisition or start-up.

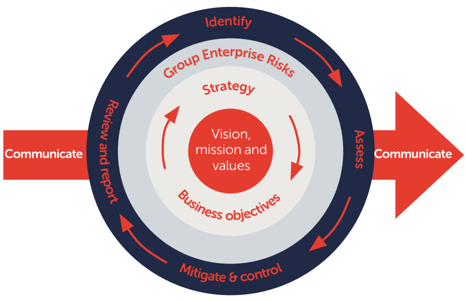
The Board formally reviews and satisfies itself on the effectiveness of the risk management framework by delegation to its Audit and Risk Committee. The Group risk function reports to the Audit and Risk Committee three times a year to enable it to do so.

HomeServe's risk management process

HomeServe's individual businesses consider both operational and strategic risks in the risk management process. Strategic risks consist of identifying both the inherent external and internal risks the organisation faces, with operational risks representing the potential inadequacies in the internal governance and management processes in place.

The key components of HomeServe's risk management process are:

- HomeServe's purpose, vision and values, which facilitate its strategy and inform business objectives
- Principal risks and uncertainties facing the Group are identified by the Executive Directors and where applicable implemented as Group Enterprise Risks (GERs) across the local businesses. Group-wide risks and mitigation processes are regularly reviewed by the Group Audit and Risk Committee
- Risks are consistently identified, assessed, prioritised, mitigated, controlled, monitored and reported through local Risk Committees and at a Group level to the Executive Directors and the Group Audit and Risk Committee
- Oversight, communication and risk management support is provided to local businesses by the Group risk function, particularly with regard to risks likely to have more significant impact on the Group's overall objectives.



Our tolerance to risk

The Group's risk appetite is subject to an annual review of its definition, content and criteria for assessment scores. The Board's assessment of risk appetite is guided by HomeServe's vision to become the world's most trusted provider of home repairs and improvements, and by its purpose to make home repairs and improvements easy.

HomeServe's risk appetite is comparatively low. This recognises; firstly, its status as a plc which requires strong governance and reputation and, secondly, its regulated status in certain markets which requires compliance with local laws, rules and guidance.

Our risk assessment

Assessment of risk should look at what could go wrong and not focus on whether the risk has been entirely mitigated.

HomeServe's assessment of risk is approached from a top down and a bottom up perspective. Group Enterprise Risks (GERs), which are those risks that directly link to our business model and strategy, are identified through our Executive Directors.

At a local level, each business identifies strategic and operational risks which are captured on detailed risk registers.

All risks are assessed in respect of likelihood and impact based on the materiality matrix included in the Group risk framework. Risks are then scored on an inherent and residual basis and rated as red, amber or green. A risk, once identified, can be managed within HomeServe's risk appetite through controls, whether manual or automatic and the effectiveness of controls will manage the impact and likelihood of a risk crystallising. Consideration is given to whether risks are within or outside appetite and particular attention is given to the controls that are in place and the actions being taken to mitigate the risks. Incidents are recorded and reported on at the relevant committees.

Risk management governance

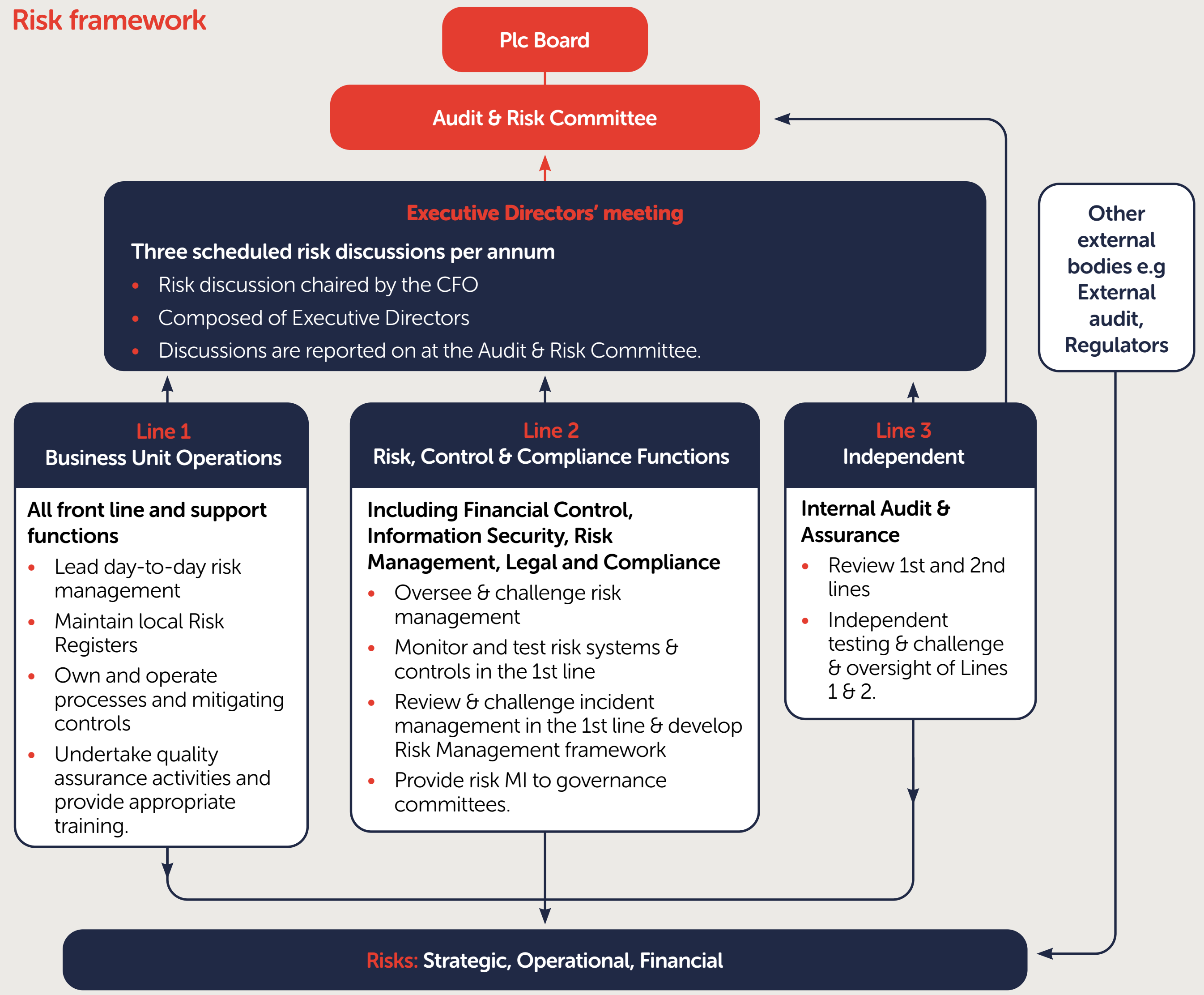
Risk registers are reviewed at local committees and boards across the Group. The Executive Directors and the Audit & Risk Committee having regular oversight of both the Group Enterprise Risks and the principal risks identified by each business.

Oversight of the risk management process is provided by the Assurance & Risk Director, local risk and compliance teams, the Audit & Risk Committee and, ultimately, the Board.

The specific responsibilities and activity carried out by local risk teams and the Group risk function are summarised by the "three lines of defence" framework set out opposite. This is widely recognised as best practice across multiple industry sectors.

Using the approach set out opposite, the Board has assessed the principal risks ("Group Enterprise Risks") faced by the Group and is satisfied that appropriate risk mitigation plans are in place and are being implemented.

Risk framework



Changes in FY22

Covid-19

Although the continuing public health response to Covid-19 has begun to shift from treatment as a pandemic to being endemic across most of the territories in which the Group operates, it remains an area of focus. Due to differences by country in the specific approach of national governments, and sub-national public bodies, the risk and response to Covid-19 continues to be managed locally with consideration of the specific risk environment for each business. Any impact seen is then reported to both the Executive Directors and the Audit and Risk Committee.

Climate risk

Governments and corporates globally are facing up to the challenge of climate change. Climate change is both a risk and opportunity for HomeServe.

The expected increase in the frequency and severity of severe weather such as storms and floods could lead to a range of challenges for our operations and emerging regulation could impact HomeServe in a number of ways, including increased operating costs as a result of higher energy, fuel and parts. In addition, the HVAC businesses could face a shortage of skilled engineers as low carbon technologies are deployed and replace conventional heating technologies. More details of the risks and opportunities identified by HomeServe can be found in the TCFD disclosure on page 29.

HomeServe are working to understand the local impacts of extreme weather events and to increase the flexibility and capacity of its employed and sub-contractor network. Additionally, HomeServe have set emissions targets and are working on plans to deliver the targets, as well as a wider decarbonisation strategy. This will include HomeServe's HVAC M&A strategy, which is targeting the addition of specific capabilities which will enable HomeServe to address both market and local regulatory changes (such as heat pump installers).

Critical risks

In the 2021 Annual Report & Accounts, HomeServe identified a number of risks as critical risks whereby failures in any one of the business units would result in a change in the risk environment at a Group level. Local businesses are required to ensure that risks designated by the Group to be 'critical' risks are actively managed. These are risks where compliance with a minimum level of control is considered to be non-negotiable (an example of a 'critical' risk is health & safety). Best practice in respect of identifying and mitigating 'critical' risks is shared across the Group.

To further strengthen the overall control framework, during FY22 these critical risks were formally recognised as Group Enterprise Risks and, as such, data privacy and health and safety are now included below as Group Enterprise Risks.

Group Enterprise Risks

The following table sets out what the Board believes to be the principal risks and uncertainties facing the Group, the mitigating actions for each and, where applicable, updates on any change in the profile of each risk during the past year. All risks carry equal importance and weighting for the Board, however additional focus and priority may be given to specific risks for a period of time in certain circumstances, for example, following a material acquisition or to implement plans to reduce any risk which exceeds the appetite threshold. The principal risks and uncertainties should be read in conjunction with the Operating review and the Financial review. Additional risks and uncertainties of which HomeServe is not currently aware or are believed not to be significant may also adversely affect strategy, business performance or financial condition in the future.

Principal risks and uncertainties continued

Strategic risks

Competition

Overview
In any of HomeServe's markets, a successful new entrant or an existing competitor adapting more quickly to changing customer demands and needs could adversely impact its business and its financial results. This could result in fewer customers, lower retention rates, revenue and profitability.

Competitors with active M&A programmes could also show interest in HomeServe's targets, leading to missed opportunities or over-paying.

Competitive threats today include, but are not limited to;
- Utilities running Membership programmes in-house
- Adjacent products, for example, Whole Home Warranty
- Existing competitors moving into other geographies
- New entrants, for example, Amazon or Google investing heavily to enter the home services space with new products or technologies
- Incumbent competitors to Home Experts in the UK, for example, Rated People, MyBuilder.

Mitigations
HomeServe demonstrates to utilities that they can benefit more by partnering with HomeServe due to its long-term investment horizon.

Regular market reviews in each business identify new entrants and increases in competitor activity, for example, aggressive pricing initiatives.

Agile product development responds to changing consumer needs. Shared learning between its markets, analysing consumer trends and developing leading products and services.

HomeServe believes it has the winning Home Experts model in Directory Extra which, alongside Checkatrade, Habitissimo is now implementing. Continued learning and idea-sharing happens between the Home Experts businesses.

FY22 update
During the year American Water Works Company, Inc. ("American Water") reached an agreement to sell its Homeowner Services Group ("HSG") to funds advised by Apax Partners LLP. HSG has historically been a key competitor of HomeServe's Membership business in North America. Whilst it could be anticipated that HSG may be more aggressive under its new owners, HomeServe remains the clear market leader in the North American home assistance market. Furthermore, HomeServe's differentiated solutions for utilities and high levels of service for homeowners continues to be a source of competitive advantage.

Information security & cyber resilience

Overview
In line with other businesses, HomeServe is subject to the increased prevalence and sophistication of cyber-attacks, which could result in unauthorised access to customer and other data or cause business disruption to services.

A successful cyber-attack might have a significant impact on reputation, reducing the trust that customers place in HomeServe and could lead to legal liability, regulatory action and increased costs to rectify. A lapse in internal controls and a subsequent data breach or loss would have a similar impact. Total customer numbers and policy retention rates may reduce and partners may terminate affinity relationships if they perceive customer data to be at risk.

Mitigations
HomeServe has a number of defensive and proactive practices across the Group to mitigate this risk. There is a detailed information security policy, which is communicated across the Group and training is provided as required. Regular penetration testing is in place to assess defences and HomeServe continues to invest in IT security, ensuring secure configurations and processes, access controls, appropriate security tooling and effective communication of policies and procedures to all employees.

FY22 update
The Group's businesses continued to invest in security capabilities as part of strategic activities in response to evolving threats, with a focus on ensuring any new solutions support its continued hybrid working arrangements. During the year, a business in Spain that was acquired in FY21 experienced a ransomware attack. This was contained within that business, demonstrating the importance of the Group's commitment to, where necessary, increasing the security of acquisitions prior to integrating operations with other Group businesses. In addition, wider capabilities and relationships across the Group were leveraged to help respond and recover, as well as accelerate delivery of security improvements.

Data privacy

Overview
In the operation of its businesses HomeServe collects customer, employee, commercial and other data. Without appropriate mitigating controls there is a risk that such data could be inappropriately collated, processed, stored or disclosed, or indeed lost or compromised.

This could result in business disruption, reputational damage and financial loss as well as regulatory action resulting in additional costs, loss of customers and potential loss of partners.

Mitigations
HomeServe utilises several mitigating controls to manage the data privacy risk. Expertise within the local businesses is supported by a detailed data protection framework designed to promote best practice for the processing of personal data. In addition, oversight and support is provided through a centralised Group function. The Group function continues to support new acquisitions in the implementation of the framework. Oversight is supported through monitoring controls, key risk indicators, governance committees and the audit function.

FY22 update
Over the last year, the continued focus on the management of data has resulted in an overall reduction in the risk exposure across the Group. As such, all businesses are currently operating within the Group's appetite for this risk.

Key sources of value
Partnerships
Capacity for innovation
Customer obsession
Trades network management
Financial resources and expertise

Risk score movement from the prior year
No change
Increased
Reduced
New

Strategic risks

Climate risk

Overview
Governments and corporates globally are facing up to the challenge of climate change.

Climate change is both a risk and opportunity for HomeServe.

The expected increase in the frequency and severity of severe weather such as storms and floods could lead to a range of challenges for our operations and emerging regulation could impact HomeServe in a number of ways, including increased operating costs as a result of higher energy, fuel and parts. In addition, the HVAC businesses could face a shortage of skilled engineers as low carbon technologies are deployed and replace conventional heating technologies. More details of the risks and opportunities identified by HomeServe can be found in the TCFD disclosure on page 29 of the Annual Report & Accounts.

Mitigations
HomeServe are working to understand the local impacts of extreme weather events and to increase the flexibility and capacity of its employed and sub-contractor network.

All of HomeServe's international businesses maintain (and regularly test) business continuity plans.

HomeServe have set emissions targets and are working on a decarbonisation strategy.

HomeServe's HVAC M&A strategy is targeting the addition of specific capabilities which will enable HomeServe to address both market and local regulatory changes (such as heat pump installers).

HomeServe are engaging with suppliers, installers and partners to understand the projected market, including which technologies are most likely to be adopted. In addition, HomeServe are working, through the HomeServe Foundation, to increase apprenticeships in relevant trades.

FY22 update
HomeServe have set Group wide targets for emissions and are working on plans to deliver the targets.

HomeServe have identified high-level risks and opportunities, and these have been shared with local businesses. Local businesses are considering how these impact on them and what actions are needed to mitigate the risks.

To monitor and measure performance against the decarbonisation journey, an Environment Management System is being developed.

M&A strategy

Overview
HomeServe has an active M&A strategy focused on two primary areas; Membership policy books and a buy and build strategy to grow its HVAC footprint.

There is a risk HomeServe could overpay for transactions or underestimate the time and resource required to integrate new businesses, potentially leading to lower than anticipated cash inflows and revenue, increased costs, reduced profitability and an increased likelihood of impairment.

By contrast, a successful M&A strategy should diversify risk by, for example, introducing new partners and channels, increasing profitability and should lead to increases in KPIs such as customers and policies.

Mitigations
- Strict criteria when building a prospects pipeline.
- Independent advisers engaged in due diligence processes.
- Strong track record and experience of acquiring and growing policy books.
- Local management expertise with oversight from central plc function.
- Clear investment hurdles and completion of post-investment reviews.
- All investments require local and, where applicable, plc Board approval.

FY22 update
There has been no change to the underlying risk of HVAC M&A, with all acquisitions continuing to be appraised by dedicated M&A teams, and transactions approved by local and/or plc Board. Furthermore, during the year the plc Board approved a formal set of target investment guidelines for HVAC M&A across the Group.

Operational risks

Digital transformation

Overview
As distinct from technology investment (below) digital transformation relates principally to interactions with customers (be they homeowners or trades), ensuring HomeServe offers a multi-channel, multi-media approach to interact with them and that it does so in an efficient and cost-effective manner.

If HomeServe is not flexible enough to respond to changing needs, customers may explore competitor products and choose not to renew. There is also a reputational risk as complaints logged via social media can quickly escalate if not dealt with in an appropriate and timely manner.

Mitigations
HomeServe continues to review and respond to customer comments and needs and customers are offered a number of channels through which they can engage with HomeServe: telephone, website, digital live chat, paper, email and social media.

FY22 update
The use of automation across the Membership business to enhance the service levels given to customers continues to be pursued across the Group. In particular natural language call automation now accounts for a sizeable proportion of first notification of loss (FNOL) calls in both North America and the UK.

Principal risks and uncertainties continued

Operational risks

Regulation

Overview
In its Membership businesses, HomeServe is subject to regulatory requirements relating to, for example,product design, marketing materials, sales processes and data protection.

HomeServe believes that regulation has a positive impact and encourages a culture that promotes customers' interests and will improve HomeServe's prospects over both the short and long-term.

Like many companies HomeServe is also subject to wider regulation concerning, for example, anti-corruption, anti-fraud and bribery and modern slavery. Specific policies can be found at **www.homeserveplc.com/who-we-are/governance/policies**

Failure to comply with regulatory requirements in any of its countries could result in the suspension, either temporarily or permanently, of certain activities.

Much regulation is intended to protect customers and failure to adhere to the high expectations customers have of HomeServe could lead to reduced retention and higher customer losses. In addition, legislative changes relating to partners may change their obligations with regard to the infrastructure they currently manage and hence the products and services HomeServe can offer to customers. It is possible such legislative changes could reduce, or even remove, the need for some of HomeServe's products and services.

Mitigations
Compliance with local regulation as a minimum to ensure products are designed, marketed and sold in accordance with all relevant legal and regulatory requirements; and that the terms and conditions are appropriate and meet the needs of customers.

Best practice shared across the Group.

Regulatory specialists, compliance teams and Non- Executive Directors in each business. HomeServe maintains regular dialogue with the FCA in the UK. In North America, there is regular contact with the Attorneys General.

FY22 update
In the UK, in line with new FCA requirements across the general insurance industry, the Membership business implemented changes to enable customers to opt-out of auto-renewal online, in addition to the telephony and postal channels already available to them.

In France, the Membership business was focussed on implementing changes to certain of its telephony sales processes to support compliance with new government regulations which took effect at the beginning of April 2022.

Underwriting capacity & concentration

Overview
In Membership, HomeServe markets and administers policies that are underwritten by independent third-party insurers. HomeServe acts as an insurance intermediary and does not take on any material insurance risk.

These arrangements are a core part of the Membership model and help protect HomeServe from short-term risk, for example, of rising claims costs or frequencies.

Seeking new underwriters and obtaining relevant regulatory approvals may take time, leading to business disruption.

Lack of suitable underwriters could force HomeServe to underwrite policies in-house, exposing it to material insurance risk.

A material change in the operating model would also drive a change in accounting policy that could affect short-term profitability. Customer numbers and retention rates may fall if customers experience reduced service levels or are not covered throughout any period of disruption.

Mitigations
With the exception of the UK, at least two underwriters share the policy books in each country.

In the UK, HomeServe maintains relationships with a number of other underwriters who are willing and able to underwrite the business.

Regular (at least every 6 months) reviews with all underwriters to ensure that current product performance and trends are understood.

FY22 update
Each of HomeServe's underwriting relationships remain strong, with regular engagement during FY22, and the financial position of each of the underwriting partners continues to be very solid.

In the normal course of business, the regular data sharing and review of actuarial performance with underwriters continues to support the underwriting of risks. This is despite pockets of higher product usage (associated with higher levels of home working) and higher average job cost (associated with a more inflationary macro-economic environment).

Key sources of value	Risk score movement from the prior year
Partnerships	No change
Capacity for innovation	Increased
Customer obsession	Reduced
Trades network management	New
Financial resources and expertise	

Operational risks

Technology investment

Overview
As distinct from digital transformation (above), this risk principally relates to investment in the key systems the Group relies on to manage its daily operations.

Appropriate and timely maintenance and investment is required to ensure systems continue to meet the changing needs of the business and its customers.

Failure in back-office systems may lead to business interruption, and lack of investment to provide timely and appropriate data could jeopardise the ability to analyse performance indicators and react to any trends.

Over-investment in any new initiatives could see investment outweigh future benefits and lead to impairment.

Mitigations
All decisions are subject to the Group's strict investment criteria and hurdles. Major IT programmes are allocated specific governance structures and oversight with members of senior management sitting on the Programme Board.

HomeServe engages a number of external advisers on large software projects to provide appropriate breadth and depth of experience and expertise to ensure there is no over-reliance on any one supplier and to support management in project delivery.

FY22 update
In the UK, following the FY21 decision to fully impair the eServe CRM system, the business transferred sales activity back to the existing system, and all policies have been migrated back to the existing system. The business anticipates that the longer-term CRM solution will be a third-party, cloud-based offering learning from successful project implementations elsewhere in EMEA.

In Spain, the business successfully migrated all customer policies to a Salesforce CRM system.

In France, the business continued to extend the rollout of a third-party standardised enterprise resource planning (ERP) platform to businesses in its HVAC portfolio.

Partner loss

Overview
Underpinning HomeServe's success in its chosen markets are close commercial relationships (affinity partner relationships) principally with utility companies, and municipal utility providers. The loss of multiple relationships could impact HomeServe's future customer and policy growth plans and retention rates. Growth plans, particularly in North America, focus on signing new partners to extend reach and provide new marketing opportunities to grow the business.

HomeServe has benefitted from government policy changes in certain regions to form new partnerships, for example, liberalisation of energy markets in Spain. Any reversal, for example to re-nationalise utilities, could have an adverse impact. Albeit HomeServe does have strong experience working with public sector municipals in North America.

With over 1,000 partners across the Group, it is inevitable that a few partners each year may choose not to renew a contract as priorities or commercial pressures change. In the UK and North America, where partner bases are more diversified, the impact is considered small. In France, the loss of, for example, Veolia would have a bigger impact similar to that of Endesa in Spain where the back book is now in run-off. Any partner loss or failure to sign new partners could impact households, customers and also retention rates.

Mitigations
A portfolio of partners in each business diversifies risk.

Partners signed on long-term contracts with beneficial financial terms for each party.

HomeServe seeks to renew contracts early, ahead of any expiration date.

Regular dialogue with all partners, particularly in markets with more concentrated partner relationships, for example, France.

FY22 update
In North America, HomeServe continued to sign new partners at the rate of around two per week. During the year the business exited a relationship with a partner with which it had built a customer book of c.0.1m, however the business does not see any wider in-sourcing trend in the North American market.

In the UK, the business renewed relationships with four water partners accounting for 5m households during the year. Notwithstanding the contraction in the number of retail energy suppliers caused by high wholesale prices, the household coverage the business has via its energy relationships increased during the year.

In Japan, further partnership agreements were signed with electric utilities, meaning HomeServe now has access to around 14m households in that territory.

Principal risks and uncertainties continued

Operational risks

People

Overview	Mitigations	FY22 update
HomeServe's ability to meet growth expectations and compete effectively is, in part, dependent on the skills, experience and performance of its personnel. Retention of people in established businesses is key, as is recruitment of talented people in growth businesses, for example, Home Experts. The inability to attract, motivate or retain key talent could impact overall business performance. HomeServe has several growth opportunities and ensuring appropriate bandwidth at the top of the organisation is key to maintaining effective control and oversight. Gender Pay disclosures in the UK, and reviews such as that previously undertaken by Hampton Alexander, also play an increasing role in informing HomeServe's People agenda. This ensures HomeServe have the appropriate diversity of people, experience and ideas to move the business forward.	Employment policies, remuneration and benefits packages and long-term incentives are regularly reviewed and designed to be competitive with other companies. Employee surveys, performance reviews and regular communication of business activities are used to understand and respond to employee views and needs. Processes exist to identify high performing individuals and ensure that they have fulfilling careers, and HomeServe is managing succession planning effectively.	HomeServe employed an average of c.8,600 people globally through FY22. 78% of those people completed the Global People Survey, returning an engagement score of 75%, down 3 percentage points on the prior year but remaining higher than the pre-pandemic level. Labour markets in each of the territories that the Group's businesses operate in have been tighter, as the impact of Covid-19 has begun to move to its endemic phase. Across the Group this has been seen in slightly higher rates of attrition, alongside some pockets of slightly longer lead times in recruitment.

Failure to deliver strategic growth

Overview	Mitigations	FY22 update
HomeServe has several opportunities to develop its businesses. There is a risk that it fails to determine where to focus energy, time and resources and, as a result, misses opportunities or does not deliver strategic growth targets or achieve the expected or desired outcomes.	The leadership of each of HomeServe's three divisions have clarified the combination of assets and competencies that leads to repeatable strong operational and financial performance, and that drives each division towards its overarching strategic objectives, in the form of a flywheel. Additionally, the key behaviours required across the businesses to deliver those objectives are codified, acting as a mission statement for all employees. All new business opportunities are then assessed against this framework, and immediately de-selected if they are not instrumental to turning the flywheel. In the Home Experts division in particular, the key value driver across the three different platforms has been distilled – thereby helping to guide both assessment of strategic opportunities and operational priorities.	As the least mature of the Group's three divisions, resource is focused on managing this risk at Home Experts. A quarterly forum has met during the year, convening the leaders of each platform, to share experience from local markets. This has helped each business further refine its approach to key strategic decisions.

HVAC integration

Overview	Mitigations	FY22 update
The higher volume of HVAC acquisitions requires disciplined and often standardised processes to ensure successful integration into HomeServe, creating strong links to the Membership business and achieving synergies with, for example, the engineer network. Failure to integrate acquisitions quickly and effectively could result in failure to deliver synergies, and increase costs, resulting in failure to achieve predicted revenues and potentially lead to impairment.	Integration plans form part of all business case approvals. Post-investment reviews provide learning for future acquisitions. Dedicated teams and resources and retention of key management personnel in the acquired businesses.	A total of 20 HVAC acquisitions were made in FY22 across the US, France, Spain, the UK, Belgium and Germany. In both the US and France, a number of portfolio businesses have begun operating on standardised ERP platforms, with expected rollout to all portfolio businesses in time.

Key sources of value
Partnerships
Capacity for innovation
Customer obsession
Trades network management
Financial resources and expertise

Risk score movement from the prior year
No change
Increased
Reduced
New

Operational risks

Health and safety

Overview
In common with other organisations, HomeServe has an obligation to provide a safe working environment for its colleagues, customers and stakeholders. With HomeServe's continued growth, through recent M&A, health and safety has been added as a new risk to mitigate the potential increase in risk exposure due to the rise in the number of HVAC engineers.

An overarching health and safety policy at the Group level provides support to health and safety leads in each of the Group businesses who are responsible for ensuring compliance with industry regulations, as well as prevailing standards specific to each territory.

Non-compliance with these standards would naturally lead to personal injury, substantial fines and penalties, and reputational damage.

Mitigations
A governance structure is in place, with health and safety matters being subject to oversight of the Audit and Risk Committee and, where applicable, the plc Board.

Strategic Safety & Health Improvement Plans.

Robust health and safety policies and standards at the Group level, with compliance required by individual businesses.

Health and safety leads appointed in all jurisdictions, who have responsibility for delivering and championing the health and safety policy and framework locally and in any newly acquired businesses.

Mandatory training in safe working practices.

FY22 update
Support, oversight and reporting continues to be provided to the local health and safety leads within each of the businesses. This is against a backdrop whereby health and safety is being managed within appetite in each of the Group's businesses.

Financial risks

Financial

Overview
Interest rate risk

Fluctuations in interest rates could lead to HomeServe being exposed to higher interest costs on its underlying debt obligations.

Credit risk

There is a risk that customers do not pay monies owed, thereby meaning lower amounts of cash are recovered relative to expected receivables.

Liquidity risk

There is a risk that short-term and long-term funding necessary to meet business needs and take advantage of strategic priorities becomes unavailable.

Financial misstatement risk

There is a risk of financial misstatement, whereby material errors in financial reporting mean that accounts prepared by HomeServe do not give a true and fair view of the state of the Group's affairs – furthermore exposing HomeServe to possible reputational damage.

Mitigations
Interest rate risk

HomeServe's policy is to manage interest cost using a mix of fixed and variable rate borrowings. Where necessary, this is achieved by entering into interest rate swaps for certain periods, in which HomeServe agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed notional principal amount. These swaps are designed to economically hedge underlying debt obligations.

Credit risk

The risk associated with cash and cash equivalents is managed by only depositing funds with reputable and creditworthy banking institutions. The risk of a policyholder defaulting is mitigated as any policy cover will cease as and when any premium fails to be paid.

Liquidity risk

HomeServe manages liquidity risk by maintaining adequate reserves and banking facilities, and continuously monitoring forecast and actual cash flows.

Financial misstatement risk

HomeServe manages the risk of financial misstatement by ensuring that businesses comply with a toolkit that sets out the minimum standards on financial control. The financial results for each business are subject to reviews on a monthly basis from local management, Group finance and the plc Board.

FY22 update
During FY22 HomeServe arranged an additional £30m of funding for six years via the US private placement market with a fixed interest rate of 2.47%.

Operating review

Financial performance

£million	Revenue 2022	Revenue % Chg v. 2021	Statutory operating profit/(loss) 2022	Statutory operating profit/(loss) % Chg v. 2021	Adjusted operating profit/(loss) 2022	Adjusted operating profit/(loss) % Chg v. 2021	Adjusted operating profit/(loss) % Chg v. 2021 CCY
North American Membership & HVAC	**583.0**	+15%	**101.7**	+24%	**117.7**	+12%	+15%
UK	**337.5**	-0%	**68.9**	n/a	**72.9**	+1%	+1%
France	**152.7**	+15%	**29.4**	+3%	**36.4**	+2%	+8%
Spain	**207.5**	+6%	**17.6**	+20%	**20.8**	+18%	+24%
New Markets	**0.8**	n/a	**(5.6)**	-44%	**(5.6)**	-11%	-11%
EMEA Membership & HVAC	**698.5**	+5%	**110.3**	+656%	**124.5**	+4%	+7%
Home Experts	**155.2**	+11%	**(9.4)**	-62%	**4.3**	n/a	n/a
Inter-segment [1]	**(7.4)**	n/a	—	—	—	—	—
Group	**1,429.3**	+10%	**202.6**	+182%	**246.5**	+15%	+18%

[1] Inter-segment revenue includes transactions with other Group companies removed on consolidation and principally comprise royalty and other similar charges.

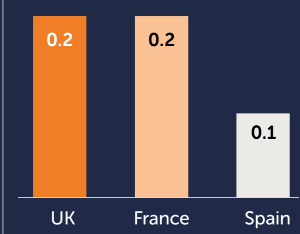
The net impact of changes in the Euro and USD exchange rates between FY21 and FY22 resulted in a £47.6m decrease in the reported revenue and a £6.2m decrease in adjusted operating profit.

North American Membership & HVAC KPIs

	2022	2021
New Membership customer additions (m)	1.2	1.0
Membership customers (m)	4.8	4.7
Net income per Membership customer ($)	113	108
Policy retention rate	85%	85%
HVAC adjusted operating profit ($m)	17.8	9.8

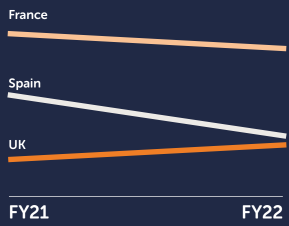
EMEA Membership & HVAC KPIs

Organic new customer additions (m)



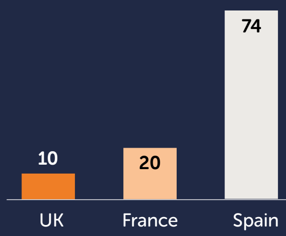
	2022	2021
UK	**0.2**	0.2
France	**0.2**	0.2
Spain	**0.1**	0.1

Policy retention rate (%)



	2022	2021
UK	**79%**	78%
France	**87%**	88%
Spain	**80%**	83%

Non-membership sales (%[2])



	2022	2021
UK	**10%**	4%
France	**20%**	12%
Spain	**74%**	71%

Home Experts KPIs

Paying trades (k)

	2022	2021
Checkatrade	**47**	44
eLocal	**n/a**	n/a
Habitissimo	**11**	20
Group	**58**	64

ARPT[3]

	2022	2021
Checkatrade	**£1,229**	£939
eLocal	**n/a**	n/a
Habitissimo	**€831**	€511
Group	**n/a**	n/a

Contacts (m)

	2022	2021
Checkatrade	**10.3**	8.1
eLocal	**3.4**	3.6
Habitissimo	**1.1**	2.0
Group	**14.8**	13.7

[2] Proportion of total revenue derived from non-Membership activities (UK: HVAC installations and £15.7m in respect of CET, France: HVAC installations, Spain: Repair income and HVAC installations)
[3] Average revenue per trade.

HomeServe uses a number of alternative performance measures (APMs) to assess the performance of the Group and its individual segments. These are used in headline financial results and throughout the Strategic report. APMs are non-GAAP measures which address profitability, leverage and liquidity and together with operational Key performance indicators give an indication of the current health and future prospects of the Group. Definitions of APMs and the rationale for their usage are included in the Glossary at the end of this report with reconciliations, where applicable, back to the equivalent statutory measure. The key APMs used in the strategic report are adjusted operating profit and adjusted profit before tax.

NORTH AMERICAN MEMBERSHIP & HVAC

Affinity partner households

FY22 73m

FY21 66m

73m +10%

Membership customers

FY22 4.8m

FY21 4.7m

4.8m +3%

Income per Membership customer

FY22 $113

FY21 $108

$113 +5%

Membership policies

FY22 8.7m

FY21 8.2m

8.7m +6%

Retention rate

85% 85%

FY21 **FY22**

85% –

North American Membership & HVAC delivered a strong financial performance. The strong growth we are seeing is sustainable, thanks to disciplined management and innovation focused on the green homes revolution.

$million	2022	2021	Change
Revenue			
Net policy income	**556.4**	510.7	9%
Repair income	**110.6**	74.9	48%
Membership	**667.0**	585.6	14%
HVAC installations	**121.6**	76.0	60%
Other	**6.3**	4.2	50%
Total revenue	**794.9**	665.8	19%
Adjusted operating costs	**(635.8)**	(527.9)	20%
Adjusted operating profit	**159.1**	137.9	15%
Adjusted operating margin	**20%**	21%	-1ppt

£million	2022	2021	Change
Revenue			
Net policy income	**408.7**	388.1	5%
Repair income	**80.4**	57.1	41%
Membership	**489.1**	445.2	10%
HVAC installations	**89.3**	57.9	54%
Other	**4.6**	3.3	40%
Total revenue	**583.0**	506.4	15%
Adjusted operating costs	**(465.3)**	(401.4)	16%
Adjusted operating profit	**117.7**	105.0	12%
Adjusted operating margin	**20%**	21%	-1ppt

Total customers	2022	2021	Change
Membership customers (m)	**4.8**	4.7	3%
Water loss customers (m)	**0.8**	0.6	27%
Total customers (m)	**5.6**	5.3	5%
Income per customer inc. water loss ($)	**99**	96	3%

Financial performance

Net policy income grew by 9%. Though customer growth of 3% was more muted due to the Piedmont policy book sale and the Q4 Omicron impact, average policy holdings per customer rose to 1.8 (FY21: 1.7), with a resultant higher rate of policy growth at 6%.

Repair income, which partly comprises non-installation jobs completed by HomeServe's directly owned HVAC operations, again rose strongly – up 48% – largely reflecting the impact of a full 12 months' activity from FY21 acquisitions.

HVAC installation income similarly benefited from the annualisation of FY21 acquisitions, but also saw good organic growth of 19% in those businesses owned throughout FY21. Together, this drove 60% growth in HVAC installation revenue on the prior year, with HVAC as a whole (being both installations and fee for service work captured in the repair income line) contributing $17.8m (FY21: $9.8m) in adjusted operating profit for the year.

Operating review continued – North American Membership & HVAC

Adjusted operating costs rose by 20%, slightly ahead of revenue growth, largely reflecting an increase in marketing activity during the year. The adjusted operating margin of 20% was in line with that delivered in FY20, and 15% growth in adjusted operating profit was at a level which further underpins confidence in the business's trajectory towards the Milestone 2 target of $230m.

Operational performance

Notwithstanding an impact from Covid-19, and specifically the Omicron variant, that came later than seen in other territories, the North American Membership & HVAC business continued to execute against its clear strategy and remains ahead of its original plan to achieve its Milestone 2 adjusted operating profit target of $230m.

There was strong conversion of the high quality pipeline of prospective utility partnerships brought forward from the prior year. This resulted in new affinity relationships which, together with increased household coverage of existing partners, enable access to an additional net 7m (FY21: 2m) households. Business development was aided by a return to in-person networking with utilities, and the incremental 7m was after the removal of c.1m households of Piedmont Natural Gas Company ("Piedmont"), with whom an affinity partnership ended during the year, as previously announced.

North American Membership & HVAC benefits from strong relationships with utilities, based on deploying HomeServe's customer-centric service offering in a way that aligns with many of a utility's core objectives, whether they are providers of water or energy. Key initiatives to strengthen this proposition gained further traction during the year. In water, the business continued to highlight the benefits of its water loss cover product (acquired as Servline in December 2019), which offers utilities a fully insured solution in the event of abnormally high costs due to water leakage from a homeowner's system. Water loss customers grew strongly by 27% to 0.8m (FY21: 0.6m). The offering is a particularly effective way to engage municipal water providers, and the business already has rights on over 30% of the 0.8m water loss customers to market its fuller suite of products. In energy, the electric vehicle ("EV") charging point solution which the business has developed enabled three large energy utilities to offer their customers EV charge point installation and protection, providing a gateway to a new relationship with a 4.6m household utility (incremental to the net 7m affinity partner households signed during the year), as well as an expanded relationship with an existing partner.

The core proposition of a hassle-free, swift and cost-effective solution for home emergencies continued to resonate strongly with homeowners as well as utilities. Organic gross customer additions of 1.2m (FY21: 1.0m) all came from existing utility partnerships launched prior to FY22, as launch marketing with utilities signed in-year were delayed – largely due to Omicron. The rate of customer additions in the second half was impacted somewhat by higher employee absence in partner call centres due to Omicron, whilst the completion of the disposal of the first tranche of policies back to Piedmont also drove more muted customer growth. Existing customers continued to upgrade their policy holding through the suite of products however, and higher levels of marketing were re-directed into this cross-sell channel than the prior year, resulting in continued strong policy growth of 6% – the key driver of revenue and profit progression.

The business continued to differentiate its value proposition to customers through high levels of service, with the customer satisfaction rating (scored out of five) advancing to 4.80 for the year (FY21: 4.71). The business also further deployed technology to aid the customer experience, with natural language call automation assisting over 2m customers during the year.

With a portfolio of 19 locally branded companies ("LBCs") acquired over the last four years, the HVAC buy and build strategy is furthest advanced in North America. LBCs completed 19k jobs for Membership policyholders during the year (FY21: 14k), with a further five acquisitions during the year meaning there are now 0.4m policies across the portfolio. A further two LBCs were migrated to Service Titan, a cloud-based system to handle operations and marketing, during the second half, with 91% of the LBC portfolio by revenue live on the system at the end of FY22.

The HVAC offering means the North American business has the assets and capabilities to support homeowners with more efficient and green equipment as the residential decarbonisation transition accelerates. During the year the business successfully developed and trialled "HVAC as a Service" with a large utility in New York state, with homeowners getting access to new more efficient equipment, a repair plan and the facility to track energy savings for a fixed monthly fee, which aids affordability compared to a large initial outlay. With many energy utilities having carbon reduction objectives, this new service offering further demonstrates the high alignment between the Membership offering and the goals of utilities.

EMEA MEMBERSHIP & HVAC

In EMEA Membership & HVAC, we are building multiple new opportunities and managing a productive transformation of our UK business.

The EMEA division comprises the established Membership & HVAC businesses in the UK, France and Spain, HomeServe's share of the joint venture operation with Mitsubishi Corporation in Japan and expansion initiatives into adjacent territories in Europe.

Each of the UK, France and Spain are pursuing a strategy to broaden their business to encompass the complementary offerings of Membership, HVAC and Claims Assistance.

£million	2022	2021	Change
Total revenue	**698.5**	667.2	5%
Adjusted operating costs	**(574.0)**	(547.7)	5%
Adjusted operating profit	**124.5**	119.5	4%

UK

Affinity partner households

FY22	24m
FY21	26m

24m -7%

Customers

FY22	1.5m
FY21	1.6m

1.5m -8%

Income per customer

FY22	£141
FY21	£144

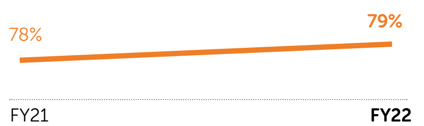
£141 -2%

Policies

FY22	4.0m
FY21	4.4m

4.0m -9%

Retention rate



79% +1ppt

The UK business made good progress in the early stages of the transformation plan set out in May 2021.

£million	2022	2021	Change
Revenue			
Net policy income	**212.5**	233.2	(9%)
Repair income	**95.7**	80.3	19%
Membership	**308.2**	313.5	(2%)
HVAC installations	**17.2**	12.1	42%
Other	**12.1**	13.3	(9%)
Total revenue	**337.5**	338.9	(0%)
Adjusted operating costs	**(264.6)**	(266.4)	(1%)
Adjusted operating profit	**72.9**	72.5	1%
Adjusted operating margin	**22%**	21%	+1ppt

Financial performance

As anticipated, net policy income declined 9% driven by the lower customer base. Notwithstanding the lower base of customers and policies, repair income grew by 19% on the prior year – largely reflecting the benefit of a five-month contribution from CET, which delivered in-year revenue (all captured in the repair income line) of £15.7m.

HVAC installation revenue grew 42%, largely reflecting a continuing recovery in installation volumes in the HomeServe branded business from a heavily pandemic-impacted FY21 as well as volumes from the first two acquired LBCs. In addition to this, average revenue per install also rose by 3%. There was a positive adjusted operating profit contribution from the LBCs, and the HomeServe branded business saw further progression in its turnaround.

Adjusted operating costs marginally declined on the prior year as an increase in volume-related costs was more than offset by lower amortisation following the full impairment of the eServe CRM system in FY21. Along with a profitable in-year contribution from CET, this drove a marginally higher adjusted operating profit than the prior year.

Operational performance

The UK business made good progress in the early stages of the transformation plan set out in May 2021. The plan has four key element: deepening and digitising existing relationships with water utilities, establishing strong relationships with energy utilities to accelerate new customer acquisition, broadening the business into the complementary offerings of HVAC and Claims Assistance and, lastly, transforming operations and customer experience through technology.

Operating review continued – EMEA Membership & HVAC continued

In Membership, the solid foundation of relationships with water utilities was further strengthened during the year as partnerships with utilities covering 5m households were renewed, for an average of five-year terms. Since the year end, partnerships with utilities covering a further 6.5m households have been renewed, meaning that over 75% of water utility relationships by households have now been secured until at least 2026. Relationships were also deepened during the year, with sales introductions from partners' own call centres now live across all water partners.

The business continues to see the energy channel as a source of medium-term growth. Pressure on the wholesale energy market continues to mean consumer switching and propensity to take additional services is at lower levels than seen historically, but the business is well placed to scale up its initiatives as and when market conditions stabilise.

The net 2m reduction in affinity partner households reflects the ending of the Thames Water relationship (on 1 April 2021), partially offset by the signing of Shell Energy (in May 2021) as well as growth in both E.On and Shell's household coverage during H2.

The business continued to deliver high service quality to policyholders, despite additional complexity posed for field management during the second half due to the Omicron Covid-19 variant. With higher levels of homeworking now being established as a permanent feature of the post-pandemic landscape, claims frequencies stabilised, albeit at a slightly higher level than the pre-pandemic period. This has served to reinforce product value perception – with the policy retention rate increasing to 79%, the first increase in seven years. The customer book finished the year at 1.5m (FY21: 1.6m).

The business continued to further embed service delivery improvements. More than 25% of claims notification calls are now automated through either digital or intelligent voice solutions, and the integrated claims and field management solution was extended to cover all contractor activity as the year closed. Following the year end, the business successfully migrated the last batch of policies back to its Ensura system from eServe. This gives stability for CRM activities and simplifies the operation of the business.

Consistent with the strategic direction of the EMEA division, the October 2021 acquisition of CET Structures Ltd ("CET") significantly grew the business's share in the UK Claims Assistance market, with CET providing Claims Assistance for one in eight UK households. CET continued to deliver high service levels in home emergency jobs on behalf of its roster of blue-chip UK home insurance brands.

In HVAC, the business acquired its third LBC as part of its buy and build initiative, further strengthening its coverage of the north-west of England. A strong pipeline is in place to extend the LBC network to other UK regions. In the existing HomeServe branded business, installation volumes continued to recover well from the pandemic impact seen in FY21, growing by 16%.

France

Affinity partner households

FY22	19m
FY21	19m

19m –

Customers

FY22	1.2m
FY21	1.2m

1.2m +4%

Income per customer

FY22	€114
FY21	€109

€114 +5%

Policies

FY22	2.7m
FY21	2.4m

2.7m +12%

Retention rate

FY21	88%
FY22	87%

87% -1ppt

Our French HVAC businesses are leading the way in the promotion of alternative sources of heating and cooling, with 60% of installations in the period being a low-carbon unit.

€million	2022	2021	Change
Revenue			
Net policy income	**136.9**	126.6	8%
Repair income	**0.3**	0.3	(19%)
Membership	**137.2**	126.9	8%
HVAC installations	**36.2**	17.9	103%
Other	**6.5**	3.7	77%
Total revenue	**179.9**	148.5	21%
Adjusted operating costs	**(136.9)**	(108.7)	26%
Adjusted operating profit	**43.0**	39.8	8%
Adjusted operating margin	**24%**	27%	-3ppts

£million	2022	2021	Change
Revenue			
Net policy income	**116.2**	113.0	3%
Repair income	**0.2**	0.3	(23%)
Membership	**116.4**	113.3	3%
HVAC installations	**30.7**	16.0	92%
Other	**5.6**	3.3	68%
Total revenue	**152.7**	132.6	15%
Adjusted operating costs	**(116.3)**	(97.0)	20%
Adjusted operating profit	**36.4**	35.6	2%
Adjusted operating margin	**24%**	27%	-3ppts

Financial performance

Net policy income rose by 8% to €136.9m as solid customer growth was combined with favourable pricing at renewal.

HVAC installation revenue again grew very strongly, more than doubling to €36.2m. Installation volumes rose by 77%, largely reflecting the annualisation of ten FY21 acquisitions, though there was also continued organic momentum in activity from LBCs owned throughout FY21. Average revenue per install also saw an 11% year-on-year increase, partly reflecting the greater exposure to higher ticket low carbon units.

Adjusted operating costs rose by 26%, ahead of revenue growth, as the business invested in key partnerships with water utilities and saw higher direct costs in HVAC from the annualisation of prior year acquisitions. The adjusted operating margin of 24% remains the highest of the Group's established Membership businesses.

Operational performance

In France, the business continued to pursue growth opportunities in Membership and build out its HVAC offering, whilst delivering continued revenue and profit progression.

In Membership, despite a second half impact from the Omicron Covid-19 variant on staffing levels in water utility partner call centres, gross new customers grew by 12% on the prior year – and were a record for the French business for the third consecutive year, with total customer growth of 4%. Digital sales through the base of non-utility partners, such as home moving aggregators and price comparison websites, were particularly strong – increasing 28% on the prior year.

The business delivered high levels of service to its policyholders, with a newly tracked customer satisfaction five-star rating measure producing a result of 4.56 for the year. In addition, the business was recognised for the sixth consecutive year with the Elu Service Client de l'annee accolade. The slight decline in retention reflects the strengthening performance in recent years of new customer joins, with a resultant mix impact on the overall retention rate of a higher proportion of year 1 policies – on which retention is typically lower. Policy retention in France nonetheless remains amongst the strongest in the Group.

The business saw further progress optimising its "on demand to policy" sales channel, which seeks to convert ad hoc repair job bookings lodged by non-policyholders into policy sales either preceding or following a successful repair. A 20% conversion rate (from booked job to policy) was achieved during the year, and attention will now turn to driving up the number of initial enquiries generated by affinity partners.

Claims and network management was successfully migrated to Salesforce during the second half and, along with previous migrations of CRM and customer complaints, means the business now operates with a single view of the customer from a flexible, cloud-based platform.

The business serviced claims and heating maintenance on behalf of its first customers in Belgium during the year, with the second half also seeing a second direct mail campaign with electric utility partner, Eneco. HomeServe's presence in Belgium was further strengthened through the acquisition of its first HVAC LBC in the territory during the second half, with a strong pipeline of further opportunities now also in place.

Across the Group, the HVAC business in France has the highest existing exposure to the installation of new heating equipment and technology, including heat pumps, and further developed its offer for consumers seeking to decarbonise their home heating during the year. 60% of HVAC installations was of low carbon equipment, with the typically higher price point of this equipment contributing to growth in the overall average revenue per installation. A further seven LBCs were acquired during the year in France, with two businesses purchased in the second half adding to the five acquisitions completed during the first half.

Operating review continued – EMEA Membership & HVAC continued

Spain

Customers

0.8m -5%

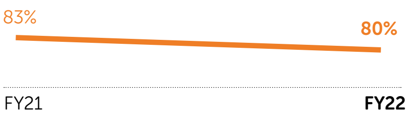
Income per customer

€57 -5%

Policies

1.0m -6%

Retention rate



80% -3ppts

In our Spanish business, adjusted operating profit growth of 24% to €24.6m (FY21: €19.8m) was driven by good progress in Claims Assistance in Spain and Portugal, and in HVAC, where our Iberian businesses are policy rich and therefore have attractive recurring revenue characteristics.

€million	2022	2021	Change
Revenue			
Net policy income	**51.5**	54.8	(6%)
Repair income	**170.7**	146.8	16%
HVAC installations	**9.0**	7.7	16%
Other	**13.0**	9.7	34%
Total revenue	**244.2**	219.0	11%
Adjusted operating costs	**(219.6)**	(199.2)	10%
Adjusted operating profit	**24.6**	19.8	24%
Adjusted operating margin	**10%**	9%	+1ppt

£million	2022	2021	Change
Revenue			
Net policy income	**43.8**	48.9	(10%)
Repair income	**145.1**	131.2	11%
HVAC installations	**7.6**	6.9	11%
Other	**11.0**	8.7	27%
Total revenue	**207.5**	195.7	6%
Adjusted operating costs	**(186.7)**	(178.0)	5%
Adjusted operating profit	**20.8**	17.7	18%
Adjusted operating margin	**10%**	9%	+1ppt

Financial performance

Net policy income decreased by 6%, with the impact of the run-off of the Endesa policy book partly offset by continued good growth in the stock of HVAC maintenance policies.

Repair income rose by 16% over the year, with good traction in both existing and new businesses. The HomeServe branded Claims Assistance business which operates in Spain saw a 7% rise in job volumes, with growth both from the bancassurer customer base as well as other partners such as energy utilities. There was an uplift in revenue contribution from Mesos year-on-year of c.€11m, reflecting a full 12 month contribution in the current year (versus just seven months in the prior year), with part of this increase drawing from its activity in Portugal. Additionally, Servitis, a Portuguese Claims Assistance business acquired during the first half, made a good top-line contribution.

HVAC installations revenue also rose by 16%. 11% growth in installation volumes was mostly organic, being in respect of those businesses owned throughout FY21, and there was also good progression in average revenue per install. Other revenue largely comprises non-installation jobs completed by the HVAC LBCs, with growth predominantly driven by annualising FY21 acquisitions as well as in-year contribution from FY22 acquisitions.

Adjusted operating costs rose by 10%, slightly behind revenue growth, mostly reflecting operating leverage in the HomeServe branded Claims Assistance business as well as a full 12-month contribution from the FY21 acquisition of Mesos.

Operational performance

The Spanish business saw significant operational and strategic progress in FY22, with its deep expertise in Claims Assistance seeing it develop a new service proposition that brings the potential of returning to Membership customer growth in the medium-term, alongside further developing its HVAC business.

The existing Claims Assistance business, which completes emergency jobs for homeowners on behalf of a largely bancassurer customer base, saw good volume growth during a year where homeowner behaviour was less influenced by pandemic restrictions. There were also strong activity levels from Mesos during its first full year under HomeServe ownership.

The 'service customer' model, in which key Claims Assistance competencies (including marketing, campaign execution and network management) are deployed for partners who continue to maintain ownership rights over the end homeowner, signed its first customers during the year from an agreement with a Portuguese energy retailer. A partnership was also struck with a large Spanish insurer under this new model, with a strong pipeline of further opportunities in place.

The Spanish HVAC business remains weighted towards maintenance (rather than installation) activity, with policies across the portfolio driving a good recurring revenue stream. Buy and build activity continued in FY22, capped by the acquisition of Grupo MH in the fourth quarter – a transformational deal which grows the policy count by 45% and enables further scale to be built in north-east Spain. Four LBCs were acquired in total during the year.

New Markets

In its third full financial year, HomeServe Japan saw further traction as it continues to invest to realise the significant market opportunity.

The New Markets division comprises the Group's initiatives to expand the Membership offering into new territories, and currently consists mainly of HomeServe's joint venture with Mitsubishi Corporation in Japan.

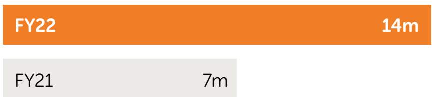
£million	2022	2021	Change
Adjusted operating loss	**(5.6)**	(6.3)	(11%)

Financial performance

The lower adjusted operating loss in New Markets reflects prospecting activity for new Membership territories that are not adjacent to established businesses having ceased at the end of FY21.

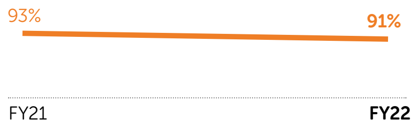
Japan

Affinity partner households



14m +94%

Retention rate



91% -2ppts

In its third full financial year, HomeServe Japan saw further traction as it continues to invest to realise the significant market opportunity.

Business development activity sustained its recent momentum, and a further two electricity utilities were signed during the year to give HomeServe Japan access to 14m households in total.

Provision of water in Japan has historically been on a municipalised basis, with all homes supplied by a municipal provider, of which there are in excess of 1,500. The business achieved its first municipal water partner signing during the second half, giving confidence to take the offering to other municipal providers.

Policy retention rates remained extremely strong at 91%, as total customers in Japan more than doubled to 41,000 (FY21: 17,000).

Other New Markets

During the second half HomeServe completed its first acquisition of an HVAC LBC in Germany. This establishes a presence in a large market with an attractive business that firmly fulfils the HVAC investment criteria set out in November 2021, as well as having strong expertise in the installation of low carbon units.

Operating review continued – Home Experts

HOME EXPERTS

As expected, Home Experts achieved the key milestone of divisional profitability this financial year, generating £4.3m of adjusted operating profit (FY21: £(10.2)m).

Home Experts comprises the Group's online platform businesses, being Checkatrade in the UK, eLocal in North America and the Group's other interests in online platforms to match consumers with tradespeople – notably Habitissimo in Continental Europe.

£million	2022	2021	Change
Revenue			
Checkatrade	**55.6**	38.9	43%
eLocal	**88.9**	91.3	(3%)
Other Home Experts	**10.7**	9.6	11%
Total revenue	**155.2**	139.8	11%
Adjusted operating costs	**(150.9)**	(150.0)	1%
Adjusted operating profit/(loss)	**4.3**	(10.2)	n/a

Paying trades

47k +7%

Average revenue per trade

£1,229 +31%

Contacts

10.3m +26%

Web visits

35.7m +23%

Continued to strengthen its position as the UK's leading online platform for matching homeowners with quality trades.

£million	2022	2021	Change
Total revenue	**55.6**	38.9	43%
Adjusted operating costs	**(58.4)**	(54.9)	6%
Adjusted operating loss	**(2.8)**	(16.0)	(83%)

Financial performance

Total revenue growth of 43% was driven by an uplift in both average revenue per trade ("ARPT") and the number of paying trades.

Adjusted operating costs grew by 6%, substantially below revenue growth, as brand strength and other initiatives enabled the business to do more efficient consumer marketing. Checkatrade remains firmly on track to reach profitability in FY23.

Operational performance

Checkatrade made good progress during FY22, as it continues to strengthen its position as the number one destination in the UK for homeowners to get their jobs done by quality, vetted tradespeople.

Sustained high consumer demand for home improvements in the UK meant a more challenging environment to promote the benefits of Checkatrade membership to extremely busy trades. However the business developed its core product to remain relevant to all trades irrespective of the state of their order books. "Lite", Standard and "Pro" packages ("LSP"), which enable trades to tailor their spend to the amount of work they desire, launched towards the end of the first half with a flexible LSP offer (meaning trades can shift up and down the tiers) becoming the lead acquisition product during the second half. Alongside market-wide search trends which pointed to a slight easing in consumer demand during the second half, LSP helped to stimulate 7% growth in paying trades for the year.

The business also delivered more value to its trades. Additional trade categories and postcodes enable trades eager for more work to boost their lead flow, with these cross-sell initiatives aided by sales agents' use of a newly developed postcode analytics tool. Slightly more than half of the 31% increase in average revenue per trade ("ARPT") was driven by cross-sell and pricing initiatives, along with an in-year benefit from the growing roster of national accounts. The balance of the increase was due to the non-repeat of discounts given to trades in FY21 at the onset of the pandemic. Taken together, these factors drove ARPT to exceed the £1,200 target set out at the June 2019 investor day.

For consumers, Checkatrade continues to be the number one destination to find a quality trade online. With 18% of all consumers who used a tradesperson in the 12 months ending February 2022 having done so via Checkatrade, the platform maintained a significant lead over the no.2 player (at 6%).

The Checkatrade Guarantee, which covers a job booked through the platform for up to 12 months to the value of £1,000, launched towards the end of the first half and has resonated strongly with consumers. Consumers covered by the Guarantee are more likely to recommend a Checkatrade trade, a good lead indicator as the business seeks to build a necessity for trades to be on the platform as a fundamental badge of quality.

Following its initial launch towards the end of the first half, the number of homeowners registered on the Checkatrade consumer portal increased materially to 0.5m over the course of the fourth quarter. Alongside the strength of the Checkatrade brand, and relevant consumer content such as price guides, this will aid the business in generating consumer demand in an increasingly efficient manner.

eLocal.com

Monetised calls

FY22 3.4m

FY21 3.6m

3.4m -3%

eLocal's sophisticated pay-for-performance model delivered good momentum in monetisation.

$million	2022	2021	Change
Total revenue	**121.6**	119.1	2%
Adjusted operating costs	**(107.1)**	(102.0)	5%
Adjusted operating profit	**14.5**	17.1	(15%)
Adjusted operating margin	**12%**	14%	-2ppts

£million	2022	2021	Change
Total revenue	**88.9**	91.3	(3%)
Adjusted operating costs	**(78.3)**	(78.1)	0%
Adjusted operating profit	**10.6**	13.2	(20%)
Adjusted operating margin	**12%**	14%	-2ppts

Financial performance

Total revenue grew by 2% to $121.6m, as a slight fall in monetised calls was more than offset by higher revenue per call.

The adjusted operating margin declined by 2 percentage points, driven by a higher mix of revenue in lower margin verticals than seen in the prior year.

Operational performance

At eLocal, consumer demand – as tracked through the volume of monetised calls – declined in the second half against very high prior year levels. During the second half of the prior year, a number of eLocal's categories saw record levels of demand either driven by, or simultaneous with, the lifting of Covid-19 protective measures, tailwinds which normalised by the second half of FY22. This was particularly evident in the legal vertical, with a number of mass litigations coming to an end during the first half. Notwithstanding this, eLocal's sophisticated pay-for-performance model delivered good momentum in monetisation, with revenue per monetised call growing by 5%.

eLocal's lead generation model effectively manages the risk of search engine algorithm changes by working with a number of affiliates, each performing its own search engine management ("SEM") activities, ensuring eLocal's lead sourcing is well-diversified. During the year, eLocal entered into a strategic agreement with a key affiliate, which will give the business direct control of a larger proportion of the leads it sources through SEM.

[1] FY20 comparative for monetised calls represents full 12 months.

Operating review continued – Home Experts continued

Other Home Experts

£million	2022	2021	Change
Total revenue	**10.7**	9.6	11%
Adjusted operating costs	**(14.2)**	(17.0)	(17%)
Adjusted operating loss	**(3.5)**	(7.4)	(53%)

HomeServe's other Home Experts businesses mainly comprises Habitissimo, the market leader in Spain and Italy, as well as modest interests in other businesses. The financial metrics set out below are on a combined basis, whilst the operational metrics are those of Habitissimo only.

habitissimo

Paying trades

FY22 11k

FY21 20k

11k -46%

Average revenue per trade

FY22 €831

FY21 €511

€831 +63%

Contacts

FY22 1.1m

FY21 2.0m

1.1m -45%

Web visits

FY22 42m

FY21 89m

42m -53%

Financial performance

The adjusted operating loss narrowed significantly during the year, largely reflecting focusing resource on the continental European markets as well as other organisational efficiencies.

Operational performance

At Habitissimo the fall in paying trades reflected the full implementation of the Directory Extra model in its largest market of Spain, as well as the strategic decision to focus on the core European markets of Spain, Italy and Portugal. This also saw Habitissimo dispose of its operations in Brazil during the first half. Refining its geographic focus will give Habitissimo a stronger platform as it seeks to implement strategic initiatives that have worked well in other Home Experts businesses, such as cultivating national accounts and driving monetisation through a balance of both subscription and "pay for performance".

Lower web visits and contacts were driven by resource being focused in trade categories and geographies in which Habitissimo is able to offer good coverage. Alongside the greater appeal to consumers of a 'directory plus' user experience, this more focussed model contributed to a sustained improvement in consumer net promoter score ("NPS") versus the prior year.

The marked increase in average revenue per trade was also driven by the strategic focus on the core European markets – where Habitissimo has historically seen higher levels of monetisation.

HOME EXPERTS

What’s the biggest benefit of being on Checkatrade?

“For me personally, I cannot recommend Checkatrade enough. We get hundreds of enquiries a month, we make full use of the directories, which get sent out periodically, and we even opt for the sponsored listings within these. They bring us a lot of additional work, alongside the listing on the website.

The biggest benefit of being on Checkatrade for us is that we do not need a sales team. Checkatrade alone brings us enough work in to employ me and 13 staff with 5 vehicles."

www.checkatrade.com/blog/trade/lee-story-with-checkatrade

Financial review

David Bower

"It was great to see 10% growth in Group revenue, to over £1.4bn, and continued delivery of improved operating leverage driving a 15% increase in both of our key adjusted profit measures."

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom.

Group statutory results

The headline statutory financial results for the Group are presented below.

£million	2022	2021
Total revenue	**1,429.3**	1,304.7
Operating profit	**202.6**	71.8
Net finance costs	**(27.5)**	(24.6)
Adjusted profit before tax	**220.3**	191.3
Amortisation of acquisition intangibles	**(44.9)**	(45.0)
Certain transaction related costs	**(0.3)**	(6.7)
Exceptional items	**—**	(92.4)
Statutory profit before tax	**175.1**	47.2
Tax	**(41.7)**	(15.4)
Profit for the year	**133.4**	31.8
Attributable to:		
Equity holders of the parent	**132.8**	31.1
Non-controlling interests	**0.6**	0.7
	133.4	31.8

Profit before tax

Adjusted profit before tax increased by 15% to £220.3m, with further strong growth in North American Membership & HVAC, stable growth in EMEA Membership & HVAC and a first-time adjusted operating profit in the Home Experts division.

Statutory profit before tax is reported after the amortisation of acquisition intangibles, exceptional items and certain transaction related costs. On this basis profit before tax was £175.1m, with good underlying growth as well as the absence of any exceptional charges as seen in the prior year.

Net finance costs

Net finance costs increased to £27.5m (FY21: £24.6m) due to the higher average net debt balance year-on-year.

Amortisation of acquisition intangibles

Acquisition amortisation relates to customer and other contracts held by third-party businesses which were acquired by HomeServe as part of business combinations and asset purchases.

The amortisation of acquisition intangibles of £44.9m (FY21: £45.0m) was broadly in line with the prior year.

Amortisation of acquisition intangibles is excluded from the adjusted performance measures reported by the Group in each specific reporting period, ensuring that these measures only reflect the revenue attributable to, and costs incurred by, the Group in managing and operating its businesses and assets at that time in each reporting period.

Certain transaction related costs

Certain transaction related costs of £0.3m (FY21: £6.7m) were incurred, with the unwinding of interest on contingent consideration in relation to previous M&A partially offset by a reduction in the fair value of option obligations and contingent consideration.

A reconciliation between adjusted and statutory amounts is included within the Glossary at the end of this announcement along with further commentary on HomeServe's use of adjusted items as an Alternative Performance Measure.

Tax strategy

The Group has continued to operate within the tax strategy approved by the Board in May 2021. The tax strategy is subject to annual review and reflects HomeServe's status as a plc, and the regulated nature of its business which requires strong governance and consideration of reputation as well as compliance with local laws, regulations and guidance. The UK elements of the tax strategy document are publicly available on the HomeServe plc website as required by UK legislation.

The Group tax strategy covers how HomeServe:

i. applies tax governance on an ongoing basis and maintains strong internal controls in order to substantially reduce tax risk;
ii. will not engage in artificial transactions the sole purpose of which is to reduce tax;
iii. holds a strategic aim to retain its low tax risk rating as determined by the UK Tax Authority's Business Risk Review process; and
iv. works with all tax authorities in an open, honest and transparent manner.

Tax charge and effective tax rate

The Group's tax charge in the financial year was £41.7m (FY21: £15.4m). The pre-exceptional effective tax rate for the year ended 31 March 2022 was 24% (FY21: 24%). The post-exceptional effective tax rate for the same period was 24% (FY21: 33%).

UK corporation tax is calculated at 19% (FY21: 19%) of the estimated assessable profit for the year. In its 2021 Budget, the UK Government announced that the main UK corporate rate would be maintained at 19% until 31 March 2023, before being increased to 25% from 1 April 2023. This proposal was substantively enacted on 24 May 2021 when the UK's deferred taxes were re-measured accordingly. However, based on the UK's deferred tax position, this UK tax rate increase did not give rise to a material effect.

The corporate income tax rates in the overseas countries in which the Group operates continue to be higher than the UK rate, which results in a Group effective rate higher than the headline UK rate. As the proportion of the Group's profits earned overseas continues to grow, the effective tax rate is expected to increase slightly.

Other comprehensive income

Included within other comprehensive income is a £3.7m re-measurement gain on defined benefit pension schemes and a £7.4m foreign exchange gain on translation.

Cash flow and financing

HomeServe's business model continues to be highly cash generative with free cash flow in FY22 of £131.0m (FY21: £135.0m).

£million	2022	2021
Adjusted operating profit	**246.5**	214.3
Exceptional items	**–**	(92.4)
Amortisation of acquisition intangibles	**(44.9)**	(45.0)
Certain transaction related income/(costs)	**1.0**	(5.1)
Operating profit	**202.6**	71.8
Impact of exceptional items	**–**	92.2
Impact of certain transaction related (income)/costs	**(1.0)**	5.1
Depreciation and amortisation	**114.1**	123.5
Other non-cash items	**(2.0)**	10.2
Increase in working capital	**(41.2)**	(25.1)
Cash generated by operations	**272.5**	277.7
Net interest and associated borrowing costs	**(24.5)**	(21.7)
Repayment of lease principal	**(14.7)**	(14.8)
Taxation	**(40.6)**	(35.1)
Capital expenditure - ordinary	**(68.2)**	(71.4)
Capital expenditure - acquisitions of policy books	**(2.3)**	–
Proceeds on disposal of fixed assets	**8.8**	0.3
Free cash flow	**131.0**	135.0
Business acquisitions	**(130.8)**	(77.3)
Business disposals	**3.0**	(3.9)
Acquisition of non-controlling interest	**(18.2)**	–
Contribution to equity accounted investee	**(3.6)**	(2.2)
Loan to investee	**(1.3)**	–
Equity dividends paid	**(89.3)**	(80.5)
Net movement in cash and bank borrowings	**(109.2)**	(28.9)
Impact of foreign exchange and other non-cash items	**(20.3)**	14.8
Movement in IFRS 16 lease liabilities	**0.4**	9.4
Opening net debt	**(513.7)**	(509.0)
Closing net debt	**(642.8)**	(513.7)

Financial review continued

Working capital
Working capital absorption was £41.2m in FY22 (FY21: £25.1m), c.3% of revenue and in line with guidance. This principally reflects the normal seasonal profile of particularly the Membership business, with a second-half weighting in policy sales continuing to be seen.

Capital expenditure
Total capital expenditure, comprising ordinary capital expenditure, policy book acquisitions and fixed asset disposal proceeds, was £61.7m (FY21: £71.1m). Ordinary capital expenditure included £11.3m (FY21: £12.8m) of payments made to partners who undertake marketing activity to acquire customers on HomeServe's behalf. The balance of £56.9m (FY21: £58.6m) was slightly lower than the prior year, reflecting the conclusion of key transformation programmes, particularly in North America and the UK. The business acquired a small policy book in North America for £2.3m (FY21: nil). Partially offsetting ordinary capital expenditure and the policy book acquisition, were proceeds of £8.8m (FY21: £0.3m) which predominantly relate to the disposal of the first tranche of the Piedmont policy book in North America. These proceeds have been fully reinvested into organic marketing activity.

Acquisitions
M&A activity continued to support HomeServe's growth ambitions, incurring a cash outflow in the year of £130.8m (FY21: £77.3m). There were three material acquisitions in the year, giving rise to a £77.7m net cash outflow;

- CET Structures Ltd ("CET"), broadening the UK business's capabilities into Claims Assistance
- McLoughlin Plumbing & Heating Co., ("McLoughlin"), enhancing the scale and scope of HomeServe's HVAC capabilities in North America
- Grupo MH, enhancing the scale and scope of HomeServe's HVAC capabilities in Spain

An additional 20 businesses were acquired for a net cash outflow of £34.7m;

- The HVAC buy and build strategy continued across North America, France, Spain and the UK, with an HVAC presence also being established in Belgium and Germany
- Home Experts completed an acquisition in the UK to incorporate specialist point of sale finance expertise
- A Claims Assistance acquisition in Portugal built further scale in that market.

The total cash outflow on acquisitions of £130.8m consisted of £112.4m net cash outflow in the year, as well as £18.4m (FY21: £3.6m) paid on deferred and contingent consideration relating to business combinations in prior periods.

HomeServe continues to identify and assess M&A opportunities in all of its businesses, including further HVAC investment as it expands its buy and build initiative. Policy book M&A remains a low risk approach to accelerating growth and HomeServe continues to attempt to unlock opportunities in all countries, particularly North America.

Other
In addition to the above, during the year the Group increased its interest in eLocal to c. 90% (previously 79%) of the issued share capital for cash consideration of $25.1m (£18.2m).

Earnings per share
Basic earnings per share for the year increased by 327% to 39.5p from 9.3p, reflecting the strong underlying trading performance combined with the absence of a large exceptional charge. On an adjusted basis, earnings per share increased 15% from 42.7p to 49.3p. The weighted average number of shares increased from 335.8m to 336.3m, principally due to new shares issued in fulfilment of share schemes that vested in the year.

Dividends
In light of the offer for the Group, the Board is not recommending payment of a final dividend. However, if the offer terminates, the Board will look to declare an interim dividend in accordance with the Company's Articles of Association.

Financing
In FY22 the Group continued to target net debt in the range of 1.0-2.0x adjusted EBITDA, measured at 31 March each year. With adjusted EBITDA of £315.7m and net debt of £642.8m, including c.£52m of lease liabilities at 31 March 2022, the Group was at the upper end of its target range at 2.0x. Due to the ordinary seasonality of the business, net debt is expected to increase at the next half year before declining, absent any future M&A.

During the year the Group raised an additional £30m via the US private placement market. The proceeds were used to increase headroom on the revolving credit facility (RCF).

As at year end, HomeServe had drawn gross debt of £766m against its gross debt facilities of £1,084m, which combined with a cash balance of £175m gives a total headroom of £493m. With this headroom, and with only £110m of the facilities due within the next 12 months, the Group is well positioned to take advantage of compelling growth opportunities.

Net interest and borrowing costs paid increased to £24.5m (FY21: £21.7m) principally due to the higher average net debt figure year-on-year.

Foreign exchange impact

The impact of changes in the Euro and US dollar exchange rates between FY21 and FY22 resulted in a £47.6m decrease in the reported revenue and a £6.2m decrease in adjusted operating profit of the international businesses as summarised in the table below, largely as a result of an adverse movement in the US dollar/sterling rate. The impact of foreign exchange on statutory operating profit was in line with this.

		Average exchange rate			Effect on (£m) Revenue	Effect on (£m) Adj. operating profit
		2022	2021	Change	**2022**	**2022**
North America[1]	$	**1.36**	1.31	4%	**(24.1)**	**(2.3)**
France	€	**1.18**	1.12	5%	**(8.0)**	**(2.2)**
Spain	€	**1.18**	1.12	5%	**(10.4)**	**(1.3)**
eLocal	$	**1.37**	1.31	4%	**(4.7)**	**(0.5)**
Habitissimo	€	**1.17**	1.12	5%	**(0.4)**	**0.1**
Total International					**(47.6)**	**(6.2)**

[1] North America comprises US dollar denominated earnings from Membership & HVAC – North America.

With an increasing proportion of HomeServe's profits generated overseas, the potential translation impact of foreign exchange movements on reported profits may have a larger impact. A ten cent movement in the FY22 average USD rate of c.1.36 and the Euro rate of c.1.18 would have had approximately a £9.5m and £4.9m impact respectively on full year adjusted operating profit.

With respect to HomeServe's joint venture in Japan and early stage operations in Germany, the impact of future movements in the Yen and Euro pertaining to these activities respectively is not currently material.

Customers

HomeServe's Membership businesses provide products to homeowners by successfully marketing to end consumers, converting them to customers and then delivering high standards of service.

Under IFRS 15 a customer is defined as 'a party that has contracted with an entity to obtain goods or services'. In the Membership businesses where the Group acts as an intermediary selling contracts and insurance policies to end consumers, the 'IFRS 15 customer' is considered to be the underwriter with which the Group has contracted to sell policies. The Glossary at the end of this report provides further detail on customer definitions and the associated affect this has on revenue recognition.

Section 172(1) statement

Duty to promote the success of the Company

The purpose of this Strategic report is to inform members of the Company and help them assess how the directors have performed their duty under section 172.

This section 172(1) statement incorporates information from other areas of the Annual Report to avoid unnecessary duplication.

Statement

The Directors have had regard for the matters set out in section 172(1)(a) – (f) of the Companies Act 2006 (s172(1)) when performing their duty under section 172. The Directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also having regard to the s172(1) matters referred to below.

It is acknowledged that it is not possible for all of the Board's decisions to result in a positive outcome for every stakeholder group. When making decisions, the Board considers the Company's purpose, vision and values, together with its strategic priorities and takes account of its role as a responsible corporate citizen. By doing this, the aim is to ensure that decisions are robust and sustainable.

Examples of matters discussed in the year by the Board and their impact on, amongst others, employees, customers and shareholders are included in the table below and discussed throughout the Strategic Report and in the Governance section on pages 2 to 124.

The following table identifies where, in the Annual Report, information on the issues, factors and stakeholders the Board has considered in respect of Section 172(1) can be found.

The board has had regard to the following matters:	More information	
Long-term results – the likely consequences of any decision in the long-term **Example**: Decisions taken during the year are made in the context of the long-term strategy and with regard to the Group's capital allocation model. Shorter-term expectations in respect of the strategy are approved as part of the budget process, against which performance is then monitored. As part of the review of the Remuneration policy and, having listened to shareholder feedback, the Remuneration Committee agreed that ROIC should be added as a performance condition in respect of LTIP awards being made in FY23.	**Strategic report** Chairman's statement Chief Executive's review Market overview Business model and strategy Key performance indicators Principal risks and uncertainties Viability statement **Governance** Board leadership and company purpose Directors' remuneration report	 4 6 10 12 18 32 58 66 92
Our workforce – the interests of our employees **Example:** Our people are critical to the success of our business and the Board has ultimate responsibility for ensuring the Group's decisions consider their interests. The Covid-19 pandemic has brought challenges including in respect of resourcing, retention and engagement. The Board has encouraged all of our businesses to ensure that new hybrid working arrangements were implemented to support a flexible and engaged workforce for the long-term. Regular updates on hybrid working arrangements were provided to the People Committee.	**Strategic report** Business model and strategy Responsible business **Governance** Board leadership and company purpose Nomination Committee report People Committee report	 12 20 66 80 82
Our business relationships – the importance of developing the Group's business relationships with suppliers, customers and others **Example:** Managing these relationships is critical in ensuring the Group delivers on its strategy. The COVID pandemic demonstrated that increased flexibility is needed, and this was taken into account when developing products and services both for our Membership customers and our Trades. In the US for example, we worked with our partners to develop Heat as a Service and in Checkatrade, more flexible membership options were launched for Trades.	**Strategic report** Market overview Business model and strategy Responsible business **Governance** Board leadership and company purpose	 10 12 20 66

The board has had regard to the following matters:	More information	
The community and our environment – the impact of the Group's operations on the community and the environment **Example:** The Group seeks to have a positive impact on the communities in which it operates and reduce its impact on the environment. We continued to support communities local to our business operations and the HomeServe Foundation has made real progress in its efforts to increase the number of apprentices in the UK. In terms of the environment, we set our first Scope 3 carbon footprint target and undertook a review of climate related risks and opportunities. The Board agreed that the remit of the People Committee be extended to cover wider ESG matters.	Strategic report **Responsible business**	 **20**
Our reputation – our desire to maintain our reputation for high standards of business conduct **Example:** During the year, we launched a new Risk & Compliance portal to ensure that people can easily access the policies and processes we expect them to adhere to.	Strategic report **Chairman's statement** **Chief Executive's review** **Responsible business**	 **4** **6** **20**
Our shareholders – the need to act fairly as between members of the Company **Example:** The Board seeks to ensure that communications are clear and its actions are in accordance with the Group's stated strategic aims to promote the long-term success of the Company. During the year, the approach from Brookfield meant that this was at the heart of many Board discussions.	Strategic report **Chairman's statement** **Responsible business** Governance **Chairman's overview** **Board leadership and company purpose** **Directors' report**	 **4** **20** **62** **66** **121**

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code July 2018, the Directors have assessed the viability of the Group over a three-year period to 31 March 2025. The Directors believe that a three-year forward-looking period is appropriate as it is aligned to the timeframe that management focus upon, the performance period in respect of the long-term incentive scheme for senior management, and it is the period of assessment for recoverable values of cash generating units.

The Group has a formalised process of budgeting, reporting and review along with procedures to forecast its profitability, capital position, funding requirements and cash flows. These plans provide information to the Directors on a regular and timely basis and are used to ensure the adequacy of resources available for the Group to meet its business objectives, both on a short-term and strategic basis. The plans for the period commencing on 1 April 2022 were initially reviewed by the Executive Committee in February 2022 and subsequently approved by the Board in March 2022.

Through FY22, North American Membership & HVAC saw further strong growth in revenue and profit, EMEA Membership and HVAC delivered stable profit growth and the Home Experts division saw a first-time profitable result for the year.

In making this year's Viability statement, the Board also carried out a robust assessment of the principal risks facing the Group. The Principal Risk and Uncertainties, which now includes a specific risk related to climate change, set out the principal strategic, operational and financial risks which could threaten HomeServe's business model, future performance and growth plans and its liquidity or solvency. HomeServe has a robust risk management framework (see page 33 of the annual report) which addresses its risk appetite and risk policy and continues to review both emerging risks and opportunities.

All major risks are scored based on their potential impact and likelihood and are reviewed regularly by the Audit & Risk Committee.

Various severe but plausible stress tests have been performed both on individual and combined scenarios which modelled:

- the impact of the loss of a key partnership in the Membership business
- the impact of reduced customer focus across the Group
- market disruption from a new competitor, with particular reference to North America, the Group's largest current opportunity
- the impact of new or amended regulation and legislation
- the impact of losing a key underwriting relationship in the Membership business.

Stress tests indicated that no single scenario would impact the viability of the Group over the next three years. As might be expected the impact increases if different risks were to materialise simultaneously or continue for longer. However, given the nature and relative diversification of the business in terms of both geography and the Group's three business divisions, it is considered unlikely that such scenarios in sufficient number would occur. In such scenarios HomeServe would also be able to take decisions to protect the profitability of the business over a three-year period by, for example:

- choosing to move where it allocates its resources
- choosing to reduce its investment of resources considered more discretionary in nature e.g. scaling back marketing investment to offset any reductions in income
- ensuring direct costs are flexed in line with operating volumes e.g. Front line engineers and call centre staff
- choosing to reduce the size and scale of back-office functions to match any reductions in income

The Directors' assessment has been made with reference to a number of factors which both individually and collectively can help mitigate or reduce any threat to its ongoing viability. These include, for example:

- the geographical spread of HomeServe's operations
- a large and diverse portfolio of commercial partnerships
- high policy retention
- a strong financial position with over £490m of headroom in its debt facilities at 31 March 2022
- historic and ongoing compliance with all banking covenants
- an increasing contribution from non-Membership revenue lines, with Home Experts and HVAC installations each growing this financial year.

The business is geographically spread across the UK, Continental Europe, North America and has a developing presence in Japan. In each established territory, the business has long-term contractual relationships with utility businesses providing access to 116m households under Utility Partner brands. Retention rates are high across all established businesses, resulting in stable and recurring cash flows from a large, diverse base of 8.4m customers.

Considering the Group's current position, the principal risks and the Board's assessment of the Group's future, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a period of at least three years to 31 March 2025.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report.

The Directors have reviewed the Group's budget, forecast and cash flows for the period commencing 1 April 2022 and beyond, and concluded that they are in line with their expectations with regards to HomeServe's strategy and future growth plans. In addition, the Directors have reviewed the Group's position in respect of material uncertainties and have concluded that there are no items that would affect going concern or that should be separately disclosed. The Directors note that though the future impact of Covid-19 is evolving, treatment of its effect has largely moved from pandemic to endemic across the Group's territories. The continued resilience which the business has demonstrated means, in the Directors' assessment, it has been integrated into the normal operating environment on the basis of which the Directors have considered the going concern status of the Group.

The Directors have concluded that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

David Bower
Chief Financial Officer
24 May 2022

Non-financial information statement

The Group seeks to comply with the Non-financial Reporting requirements as detailed in the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters.

Copies of policies referred to in the table can be accessed online: **www.homeserveplc.com/who-we-are/governance/policies**

Requirement	Our policies	Where you can find out more
Anti-bribery and anti-corruption	Financial Crimes and Sanctions Whistleblowing	**See page 20 Responsible business.**
Employees	Code of Business Conduct	**See page 20 Responsible business.**
Environment	Group Environmental Policy	**See page 20 Responsible business.**
Human rights	HomeServe does not currently have a human rights policy but all businesses are expected to comply with key policies regarding e.g. employment rights and equal opportunities.	**See page 20 Responsible business.**
Social activities	Responsible Business Policy	**See page 20 Responsible business.**
Description of the principal risks and impact of business activity	n/a	**See page 32 Principal risks and uncertainties.**
Description of the business model	n/a	**See page 12 Business model and strategy.**
Non-financial Key performance indicators	n/a	**See page 18 Key performance indicators.**

Strategic report 2022
for and on behalf of the Board

Richard Harpin
Founder and Chief Executive
24 May 2022

"Every day that I wake up, before I hit the shower, I know that I'm going to have a wonderful day because I'm doing something that I love, which is satisfying those customers out there."

Jean Charles
Lead Installer, HomeServe USA

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Corporate governance statement
Chairman's overview

"It is evident from my interactions to date that the Board believes good corporate governance and doing business responsibly underpin our business performance."

Dear Shareholder

I am pleased to present this year's Corporate governance report which is my first as Chair. It is evident from my interactions to date that the Board believes that good corporate governance and doing business responsibly underpin our business performance. I have inherited a Board that understands the need to be accountable to our shareholders and which is fully committed to meeting the required standards of corporate governance.

I have set out on page 4 a summary of my first impressions of HomeServe. The business is driven by a clear sense of purpose and more detail on this is also provided on page 4.

This has been a busy year for the Board. Further details on the key focus and the matters discussed during the year are provided on pages 5 and 66. Considerable time and effort has been spent on the approach from Brookfield and the Board's response has clearly demonstrated that it operates proactively and cohesively in times of challenge. The true effectiveness of any Board is tested when things happen unexpectedly, and it is clear to me that our Board is an effective one.

Future Outlook

On 19 May 2022, it was announced that the Board had reached agreement with Hestia Bidco Limited, an indirect subsidiary of Brookfield Infrastructure Funds, on a recommended cash offer to acquire the entire issued share capital of HomeServe. The acquisition is currently expected to complete during the fourth quarter of 2022 via a court-sanctioned scheme of arrangement, subject to HomeServe shareholder approval and various regulatory clearances.

Tommy Breen
Chairman
24 May 2022

Compliance and other statements

Compliance with the UK Corporate Governance Code 2018

The Board believes that throughout FY22, the Company has applied the principles and complied with the majority of the relevant provisions of the UK Corporate Governance Code 2018 ('the Code'). We did not comply with provisions 9 and 19 for part of the year as our outgoing Chairman, Barry Gibson had served on the Board since 2004 and had been Chairman since 2010 (he was independent on appointment). Barry stepped down from the Board on 18 May 2021 and was replaced as Chairman by Tommy Breen who joined the Board in January 2021 and is independent. In addition, we did not comply with provision 38 as the pension contributions paid in respect of two of our Executive Directors are not aligned to those available to the workforce. As previously reported, pension contributions for the Directors concerned will be reduced to the level of the workforce on 1 December 2022.

The Code is available at **www.frc.org.uk**

Application of UK Corporate Governance Code Principles

The Code has placed increased emphasis on "apply and explain" with regard to the Principles of the Code. Our explanations about how we have applied the main principles of the Code can be found as follows:

Board leadership and company purpose	
Principle A A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	**Strategic report pages 2 to 59. Governance pages 62 to 124. Directors' remuneration report pages 92 to 120.**
Principle B The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	**Strategic report pages 2 to 59. Board leadership and company purpose pages 66 to 68. Division of responsibilities pages 69 to 73. Directors' remuneration report pages 92 to 120.**
Principle C The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	**Responsible business pages 20 to 31. Principal risks and uncertainties pages 32 to 39. Section 172(1) statement page 56. Audit, risk and internal control pages 84 to 91. Audit & Risk Committee report pages 86 to 91.**
Principle D In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	**Responsible business pages 20 to 31. Section 172(1) statement page 56. Shareholder relations page 68.**
Principle E The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	**Responsible business pages 20 to 31. Section 172(1) statement page 56. Board leadership and company purpose pages 66 to 68. Directors' remuneration report pages 92 to 120.**
Principle F The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	**Division of responsibilities pages 69 to 73.**

Corporate governance statement continued

Compliance and other statements continued

Division of responsibilities	
Principle G The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	**Division of responsibilities pages 69 to 73. Board biographies pages 74 to 77.**
Principle H Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	**Board leadership and company purpose pages 66 to 68. Division of responsibilities pages 69 to 73. Audit & Risk Committee report pages 86 to 91.**
Principle I The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	**Responsible business pages 20 to 31. Board leadership and company purpose pages 66 to 68. Division of responsibilities pages 69 to 73. Audit, risk and internal control pages 84 to 91. Audit & Risk Committee report pages 86 to 91. Directors' remuneration report pages 92 to 120.**

Composition, succession and evaluation	
Principle J Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	**Nomination Committee report pages 80 to 81. Composition, succession and evaluation pages 74 to 83.**
Principle K The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	**Board biographies pages 74 to 77.**
Principle L Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	**Nomination Committee report pages 80 to 81. Composition, succession and evaluation pages 74 to 83.**
Principle M The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	**Audit, risk and internal control pages 84 to 91. Audit & Risk Committee report pages 86 to 91.**
Principle N The board should present a fair, balanced and understandable assessment of the company's position and prospects.	**Strategic report pages 2 to 59. Audit, risk and internal control pages 84 to 91. Audit & Risk Committee report pages 86 to 91. Financial statements pages 137 to 216.**

Audit, risk and internal control	
Principle O The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	**Principal risks and uncertainties pages 32 to 39.** **Viability statement page 58.** **Audit, risk and internal control pages 84 to 91.** **Audit & Risk Committee report pages 86 to 91.**

Remuneration	
Principle P Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	**Strategic report pages 2 to 59.** **Board leadership and company purpose pages 66 to 68.** **Directors' remuneration report pages 92 to 120.**
Principle Q A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	**Directors' remuneration report pages 92 to 120.**
Principle R Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	**Directors' remuneration report pages 92 to 120.**

Viability and going concern
Statements in respect of viability and going concern are set out on pages 58 and 59.

Robust assessment of emerging and principal risks
The Board confirms that it has carried out a robust assessment of the emerging and principal risks facing the Group (including those which would threaten the business model, future performance, solvency, liquidity or reputation), its appetite with respect to those risks and the systems required to mitigate and manage them. Details on the review process are set out on page 32. Further details on the emerging and principal risks and uncertainties can be found on pages 32 to 39 and the viability statement is on page 58.

Annual review of systems of risk management and internal control
The Board monitored the Group's systems of risk management and internal control and carried out a review of their effectiveness. The Board concluded that overall, these systems were effective. Details on the review process are set out on page 84.

Fair, balanced and understandable
The Directors consider that, taken as a whole, this Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. Details on the process for arriving at this conclusion are set out on page 89.

Section 172(1)
The Directors have performed their duty under Section 172(1) of the Companies Act 2006. The statement on how this duty has been fulfilled is contained in the Strategic report on page 56.

Board leadership and company purpose

The Board

The Board is responsible for the effective leadership and long-term success of the Group and our purpose is at the heart of Board discussions. As a Board we regularly discuss and review:

- Our business model and its sources of value that give us advantage
- Our business performance and our progress towards our strategic goals
- Our customers and how we can ensure that they are at the heart of everything we do
- Our people and how we can develop and support them to provide the service our customers expect
- Our stakeholders and how we engage with them
- Our governance and controls.

HomeServe's business model is based on five key sources of value – partnerships, marketing, customer service, local networks and financial resources and expertise. The Board discusses all of these, and their potential impacts, on a regular basis but the focus changes depending on business priorities and where the biggest potential lies. This year, the Board has spent time reviewing and challenging our growth plans in each of our businesses and there have been detailed discussions on North America, EMEA and Home Experts.

As well as looking for new opportunities, the Board also takes time to reflect on things that have not gone so well. A case in point was the difficult decision to halt the implementation of eServe, the UK CRM solution. A thorough internal review was undertaken into the programme and some useful learnings identified. These learnings were discussed by the Board and also shared with our local Boards and management teams.

Details of the matters discussed during the year are set out in the table below:

Board activity in FY22

Strategy, operations and finance

- Received regular updates from the Executives on trading performance
- Approved the annual budget and business plan
- Reviewed and approved the Group's FY21 and half year FY22 results (including dividends)
- Approved the FY21 Annual Report (including a fair, balanced and understandable assessment) and 2021 AGM Notice
- Reviewed the Group's debt, capital and funding arrangements
- Received updates on business plans and strategic initiatives including automation and energy efficiency services
- Reviewed the learnings from the aborted investment in the eServe customer relationship management system and agreed standards to apply to future programmes
- Received regular updates on M&A activity
- Received updates on the technology strategy including information security
- Discussed and evaluated the ongoing delivery of the HVAC strategy
- Discussed the competitor landscape
- Reviewed and discussed customer insight from a number of the Group's businesses.

Leadership and people

- Reviewed the succession plan for the Non-Executive and Executive Directors
- Reviewed the organisation structure
- Discussed the talent pipeline and in particular, how diversity could be improved
- Received regular updates from the Chair of the People Committee
- Received updates on health & safety.

ESG

- Discussed environmental strategy and approved the target for our scope 3 carbon footprint
- Received updates on ESG activity in each of the businesses
- Agreed to expand the remit of the People Committee of the Board to cover ESG matters; the Committee will become the ESG & People Committee in FY23.

Internal control and risk management

- Reviewed the principal risks and uncertainties
- Reviewed and confirmed the Group's viability statement and going concern status
- Reviewed and validated the effectiveness of the Group's systems of internal controls and risk management
- Considered and approved the Group's tax strategy.

Governance and legal

- Received updates on corporate governance developments
- Received reports on engagement with investors and other stakeholders
- Conducted an externally facilitated evaluation of the Board's effectiveness and discussed the outcome
- Received regular reports from the Chairman of the Audit & Risk Committee.

Our purpose, values and culture

Our purpose is to make home repairs and improvements easy and this is underpinned by our values. The approach taken by the Board is intended to deliver performance and growth whilst maintaining high standards of business conduct. Central to our focus on culture has been the development of the HomeServe Way which sets out the essential behaviours, skills and knowledge needed to be effective at HomeServe, based on the fundamentals of courage, persistence and integrity.

Stella David is the designated workforce engagement Director and also chairs the People Committee. This activity is covered in the People Committee report on pages 82 and 83.

The People Committee reviews the results of the regular employee engagement surveys and uses these reviews as the principal means of assessing the culture across the Group. Questionnaires are completed by employees on an anonymous basis and the process is facilitated by an external provider. More informal feedback is provided through the International People Forum which is made up of representatives from each of our businesses which meets regularly with Stella David.

The Board gains valuable insight and feedback from the Executive Directors in respect of the culture and behaviour across the Group and the internal audit function also considers culture as part of its reviews.

Our stakeholders

Engagement with our main stakeholders is summarised on pages 20 and 21 of the Strategic report.

Our business environment presents us with opportunities and challenges, and it is vital for the Board to respond to these while continuing to grow our business and maintain our reputation. The Board seeks to understand the views of our stakeholders and engage with many of them to ensure that stakeholder interests can be considered during our discussions and decision making.

The importance and influence of stakeholder groups differs depending on the matter being discussed. It is possible for stakeholder interests to conflict and when this happens, the Board uses its judgement to reach a final decision.

The Board is advised of stakeholder views in a number of different ways:
- The monthly business review
- Business updates
- Presentations on strategic developments
- Insights from our customers (including trades)
- People Committee updates
- Succession plans
- Employee engagement survey results
- Annual General Meeting
- Corporate governance and regulatory development updates
- Presentations from external advisers and internal experts.

Detailed below are some examples of matters discussed during the year and how the Board considered our stakeholder groups.

Matter discussed	Stakeholder groups considered	How the Board or Committee had regard to stakeholders	Decisions
Brookfield approach	Shareholders, employees, customers and partners	Consideration was given to: • Whether a change in ownership would deliver better value for shareholders • The impact of a change in ownership on our customers and partners • The impact of a change in ownership on our employees.	Decision taken to engage in discussions with Brookfield to explore their proposals.
Reviewing investment in eServe	Shareholders, customers, employees	Consideration was given to: • the further investment needed • the quality of service provided to customers and how any change to the platform could impact on them • the impact on employees in terms of workload and morale • whether continued investment provided value for shareholders.	Decision taken to halt investment.

Board leadership and company purpose continued

Matter discussed	Stakeholder groups considered	How the Board or Committee had regard to stakeholders	Decisions
Agreeing Environment targets	The environment, shareholders, employees, government	Consideration was given to: • the impact of our operations on the environment • government regulations and targets • our reputation from a shareholder and employee perspective.	A target in respect of our Scope 3 carbon footprint was set.

Relations with shareholders

The Board, on the Company's behalf, recognises the need to maintain an active dialogue with its shareholders. The Chief Executive and Chief Financial Officer meet regularly with institutional investors and analysts to discuss the Company's performance and all shareholders have access to the Chairman and the other Directors, who are available to discuss any questions which they may have in relation to the running of the Company. Given the interest in the growth in North America, Tom Rusin, the CEO for that division, has also attended a number of meetings.

During the year, there was a comprehensive programme of virtual and in person meetings with large and small institutional investors which included both current and potential shareholders. All major shareholders were given the opportunity to meet with the new Chairman and ten chose to do so. In addition, the Senior Independent Director (who chairs the Remuneration Committee) met with one shareholder.

We ensure that all Directors are fully aware of the views of major shareholders. Copies of all analysts' research relating to the Company are circulated to Directors upon publication. The Board receives a monthly Investor Relations report which includes an analysis of the Company's shareholder register as well as any feedback received from shareholders and analysts. Feedback is actively sought following the Interim and Preliminary Results presentations for discussion by the Board. Such feedback is very helpful in developing the narrative and data for subsequent presentations.

All resolutions were passed at the 2021 AGM with no significant feedback received.

The Board encourages shareholders to attend the Annual General Meeting and is always willing to answer questions, either in the meeting itself or, more informally, afterwards. In addition, shareholders may contact HomeServe direct, either through the website or by telephone.

Whistleblowing

A whistleblowing policy is in place and allows employees, franchisees and sub-contractors who wish to raise any issues of concern relating to the Group's activities to do so on a confidential basis by contacting an external hotline. The policy is available on our website: **www.homeserveplc.com/who-we-are/governance/policies/**

During the year, a whistleblowing framework was introduced to ensure that the processes underpinning the policy are implemented consistently across the Group. This included establishing minimum standards in respect of communication and training.

All reports are formally investigated by the Assurance & Risk Director with support from relevant functions within the business. Incidents and their outcomes are reported to the Audit & Risk Committee and the Board. A number of calls were made to the external hotline during the year and management action was taken where appropriate. No issues were raised that required any direct action from the Board.

Division of responsibilities

The Chairman of the Board is responsible for the effectiveness of the Board. Barry Gibson served as Chairman until 18 May 2021 and was succeeded by Tommy Breen who joined the Board as an Independent Non-Executive Director in January 2021.

The roles of the Chairman, Chief Executive and Senior Independent Director are clearly defined, and written specifications are available on our website: **www.homeserveplc.com/who-we-are/governance/#content**

Key responsibilities		
Chairman	**Chief Executive Officer**	**Senior Independent Director**
• The effective running of the Board • Direction and focus • Guardian of the decision-making process • Providing challenge • Ensuring the Board receives accurate, timely and clear information • Maintaining relationships with Executive and Non-Executive Directors.	• Management of the Group • Developing and proposing strategy • Implementing Board decisions • Maintaining an active dialogue with the Chairman • Leading shareholder communication.	• Supporting the Chairman on governance issues • Acting as a sounding board for the Chairman and a trusted intermediary for other Directors • Leading the annual review of the Chairman's performance • Leading the process to find a new Chairman.

At least half of the Board, excluding the Chairman, are independent Non-Executive Directors; at the year-end there were six Non-Executive Directors (excluding the Chairman) and four Executive Directors. Five of the Non-Executive Directors are considered to be independent. Stella David is no longer considered to be independent as she has served on the Board for more than nine years. Shareholders were consulted before her appointment was renewed for one final term and she will be stepping down in November 2022.

Katrina Cliffe served as Senior Independent Director throughout the year.

All of the Non-Executive Directors provided independent challenge and oversight in respect of matters discussed at the Board and play an active role in the development of the strategy. Their experience and independence of thought has been particularly beneficial during the discussions about the future ownership of the Group. They have provided both challenge and support throughout the process to date.

Division of responsibilities continued

The Board

The Board has a Schedule of Matters specifically reserved to it for decision and has approved the written terms of reference of the various Committees to which it has delegated its authority in certain matters.

Matters reserved to the Board include:

- the Company's future strategy
- the approval of major financial commitments
- the acquisition of significant companies or businesses
- the Company's internal controls
- the recommendation or approval of dividends
- the approval of preliminary and interim financial statements
- appointments to the Board and its Committees.

The full schedule is available on our website: **www.homeserveplc.com/who-we-are/our-board/**

The Board has delegated certain of its responsibilities to the Committees of the Board. Further detail on the work of the Committees is provided later in the Annual Report. The terms of reference of each of the Board's Committees are available on our website: **www.homeserveplc.com/who-we-are/governance/committees/**

Governance framework

Shareholders

Chairman
Responsible for the effective running of the Board and guardian of the Board's decision making process.

The Board
Responsible for providing leadership to the Group.

The Board sets strategic priorities and oversees delivery in a way that supports sustainable long-term growth, takes stakeholders into account and maintains a balanced approach to risk within a framework of effective controls.

Board Committees
The terms of reference for each Committee are agreed by the Board. They are available in the Corporate Governance section of the website: **www.homeserveplc.com/who-we-are/governance/committees**

Nomination Committee

- Makes recommendations to the Board on the appointment of Directors
- Reviews the size, structure and composition of the Board
- Considers succession planning arrangements for Directors and other senior managers.

Committee report on pages 80 and 81.

People Committee

- Determines, agrees and oversees the people strategy for the Group
- Reviews the ongoing appropriateness and relevance of the people strategy
- Reviews and makes recommendations in respect of the resourcing of the people strategy.

Committee report on pages 82 and 83.

Audit & Risk Committee

- Monitors, on behalf of the Board, compliance with and the effectiveness of, the Group's accounting and internal control systems
- Reviews the independence and effectiveness of the internal and external auditors.

Committee report on pages 86 to 91.

Remuneration Committee

- Determines the Group's overall remuneration strategy
- Determines the remuneration packages of the Executive Directors and other senior management
- Approves the grant and exercise of executive long-term incentive arrangements and oversees the operation of other share-based plans across the Group.

Directors' remuneration report on pages 92 to 120. The element on the activities of the Remuneration Committee on pages 106 to 120 are incorporated into this statement by reference.

Chief Executive
Responsible for the day to day running of the Group's business and performance and the development and implementation of strategy.

Executive Committee
Assists the Chief Executive in the performance of his duties including:

- the development and implementation of strategy, operational plans, policies, procedures and budgets
- the monitoring of operating and financial performance
- the prioritisation and allocation of resource
- overseeing Group wide initiatives and investments.

Division of responsibilities continued

Time commitment

Time commitment is discussed with prospective Non-Executive Directors as part of the recruitment process. The Board is satisfied that all Non-Executive Directors have sufficient time to meet their commitment to the Company.

On 1 May 2022, Roisin Donnelly was appointed as a Non-Executive Director of Premier Foods plc. Roisin discussed the proposed appointment with the Board during the recruitment process and it was agreed that, taking into account other commitments, she had sufficient bandwidth to take on the role.

Executive Directors may serve as a Non-Executive Director on one other board so long as this does not interfere with their time commitment to the Company. If they do serve, they may retain the fees. Richard Harpin is the founder and Director of Growth Partner LLP which invests in entrepreneurs and nurtures promising businesses. The business is run on a day-to-day basis by a Managing Partner. Ross Clemmow is a Non-Executive Director of London City Airport Limited, a position he held before he joined HomeServe.

Board and other meetings

Eight regular meetings are usually held each year to review and monitor current and forecast performance. Regular reports on monthly financial and operational performance and other matters of importance to the Group ensure that the Board is supplied in a timely manner with the information necessary to make informed judgements. The Board has an annual strategy meeting to devise and discuss the Company's medium and long-term strategic focus and management development strategy. Due to the takeover discussions, a number of ad hoc meetings were held in addition to the scheduled meetings, these have not been included in the attendance table.

Regular formal and informal presentations are given in order to inform Directors of issues of importance affecting the Group. Under normal circumstances, meetings of the Board are occasionally held at the Company's operating sites other than Walsall, to afford the Board, particularly the Non-Executive Directors, the opportunity to meet with local management.

The Chairman and Non-Executive Directors meet at least annually without the Executives. In addition, the Senior Independent Director holds a private meeting of the Non-Executive Directors without the Chairman being present to assess his performance.

Attendance at meetings

All Directors are expected to attend all Board and relevant Committee meetings. Details of attendance by Directors at meetings during the year are set out in the table below. Directors who were unable to attend specific meetings reviewed the relevant papers and provided their comments to the Chairman of the Board or Committee. Any Director who misses a meeting will, as a matter of course, receive the minutes of that meeting for reference.

	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee	People Committee
D Bower	8/8				3/3
R Clemmow	8/8				
R Harpin	8/8				2/3
T Rusin	8/8				3/3
T Breen	8/8		4/4	2/2	3/3
K Cliffe	8/8	3/3	4/4	2/2	3/3
S David	8/8				3/3
R Donnelly	8/8				3/3
J M B Gibson[1]	1/1		1/1		
E Fitzmaurice	8/8	3/3	4/4	2/2	
O Grémillon	8/8		4/4		
R McMillan	8/8	3/3	4/4	2/2	3/3

[1] JM Barry Gibson stepped down on 18 May 2021.

Executive Committee

Members

Richard Harpin (Chairman)
Bruce Aronow
David Bower
Ross Clemmow
Deb Dulsky
Mike Fairman
Guillaume Huser
Rob Judson
John Kitzie
Anna Maughan
Fernando Prieto
Tom Rusin

Responsibilities

The day to day running of the business rests with the Group Chief Executive, Richard Harpin. The Executive Committee assists the Chief Executive in the performance of his duties including:

- the development and implementation of strategy, operational plans, policies, procedures and budgets
- the monitoring of operating and financial performance
- the prioritisation and allocation of resources
- the oversight of Group wide initiatives and investments.

The Committee has adopted formal terms of reference which are available on our website: **www.homeserveplc.com/about-us/corporate-governance/committees**

Short biographies of the members of the Executive Committee who are not on the Board, are set out on pages 76 to 77.

Composition, succession and evaluation

Our Board

Tommy Breen (63)
Chairman

Appointed to the Board: January 2021 (as Chairman in May 2021)

Committee memberships:
N R P

Experience:
A chartered accountant by training and an experienced non-executive director, until 2017 Tommy was Chief Executive of DCC plc, the FTSE 100 listed international sales, marketing and support services group, where he spent a highly successful 30-year career.

Key areas of experience and contribution:
Significant experience delivering sustainable growth in a diverse, international business, both organically and by acquisition.

Principal current external appointments:
Investor in and Director of a number of private companies

Richard Harpin (57)
Chief Executive

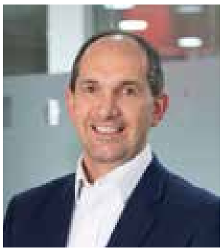
Appointed to the Board: May 2001

Committee memberships:
E P

Experience:
Richard is the Founder and Chief Executive of HomeServe, which was set up in 1993 as a joint venture with South Staffordshire Group. Also the founder and Non-Executive Director of Growth Partner LLP, investing in and helping small consumer businesses to step change their growth and the Enterprise Trust, a charity that encourages young enterprise, apprenticeships and SME's. Previously a brand manager with Procter & Gamble, followed by management consultancy with Deloitte and his own company.

Key areas of experience and contribution:
Consumer marketing, management consultancy, entrepreneurship and strong leadership skills.

Principal current external appointments:
Founder and Director of Growth Partner LLP



David Bower (50)
Chief Financial Officer

Appointed to the Board: February 2017

Committee memberships:
E P

Experience:
David was appointed as Chief Financial Officer in February 2017. He joined HomeServe in 2005 and has undertaken a number of senior divisional and group finance roles including spending six years as Group Finance Director. Before HomeServe, he spent 12 years at Arthur Andersen, where he qualified as a Chartered Accountant, and then later Deloitte LLP.

Key areas of experience and contribution:
Substantial experience in accountancy, audit, investor relations and mergers and acquisitions.

Principal current external appointments:
None

Ross Clemmow (47)
CEO EMEA

Appointed to the Board: March 2021

Committee memberships:
E

Experience:
Prior to joining HomeServe, Ross fulfilled the dual role of CEO of WiggleCRC, the international online sports retailer, and Managing Director at Bridgepoint, where he was responsible for improving digital capability across Bridgepoint's portfolio. Prior to Bridgepoint, Ross held senior roles in digital retail with Argos & Debenhams and in consulting with Bain & Company. Ross started his career at Procter & Gamble in marketing.

Key areas of experience and contribution:
Digital transformation, multi-channel strategy, consumer marketing, private equity.

Principal current external appointments:
Non-Executive Director of London City Airport Limited

Tom Rusin (53)
CEO North America

Appointed to the Board: May 2017

Committee memberships:
E P

Experience:
Tom was appointed as CEO North America in 2021 following almost three years as Global CEO, HomeServe Membership and nearly seven years as Chief Executive Officer, HomeServe USA. Previously at Affinion Group where he undertook a number of roles culminating in three years as President and Chief Executive Officer of Affinion Group's North American Division. Before joining Affinion, he owned Just for Travel Inc. He was previously a Non-Executive Director of The Ambassador's Group.

Key areas of experience and contribution:
Affinity marketing, extensive general management experience with people focused leadership skills.

Principal current external appointments:
None

Katrina Cliffe (55)
Senior Independent Director (Independent)

Appointed to the Board: May 2017

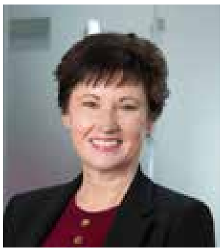
Committee memberships:
R A N P

Experience:
Katrina was previously General Manager at American Express Global Business Travel, EMEA, having been General Manager, Global Corporate Payments, UK. Prior to American Express she held senior roles at Lloyds TSB Group PLC, Goldfish Bank Ltd and MBNA International Bank.

Key areas of experience and contribution:
Extensive sector relevant experience in financial and membership services in international consumer focused businesses, experience on other risk, audit and remuneration committees.

Principal current external appointments:
Non-Executive Director of London and Country Mortgages Limited and Naked Wines plc

N Nomination Committee
R Remuneration Committee
P People Committee
E Executive Committee
A Audit & Risk Committee
● Denotes Committee Chair



Stella David (59) Non-Executive Director (Not Independent)

Appointed to the Board: November 2010

Committee memberships:
P (Chair)

Experience:
Stella spent seven years as Chief Executive Officer of William Grant & Sons following more than 15 years with Bacardi Ltd where she undertook a number of roles including Regional President and culminating in five years as Global Chief Marketing Officer. She was a Non-Executive Director for seven years at Nationwide Building Society and for nine years at C&J Clarks Limited.

Key areas of experience and contribution:
Marketing, drinks industry, experience in international consumer focused businesses and valuable leadership experience as a CEO.

Principal current external appointments:
Non-Executive Director of Bacardi Ltd, Norwegian Cruise Line Holdings and Domino's Pizza Group Plc and Senior Independent Director of Entain plc

Roisin Donnelly (60) Non-Executive Director (Independent)

Appointed to the Board: March 2021

Committee memberships:
P

Experience:
Roisin spent over thirty years at Procter & Gamble. Having joined the business as an assistant brand manager, her last position was CMO of P&G, Northern Europe leading 72 brands across 6 markets. Prior to this she was UK CMO for P&G, leading the biggest media budget in the UK and leading digital and marketing innovation. She is a former non-executive director of two privately-owned businesses, Holland and Barrett Ltd and Bourne Leisure Holdings Ltd, and served as a non-executive director of Just Eat plc from 2016 to 2020.

Key areas of experience and contribution:
Marketing, digital, significant experience leading transformation and turnaround including major acquisitions and divestments, international.

Principal current external appointments:
Non-Executive Director of Premier Foods plc and adviser to the Internet Advertising Bureau Ltd

Edward Fitzmaurice (59) Non-Executive Director (Independent)

Appointed to the Board: May 2017

Committee memberships:
A N R

Experience:
Edward was previously Chief Executive Officer of Hastings Insurance Group and part of the MBO team of that business in 2009. He served as the Non-Executive Chairman of Hastings Insurance Services Ltd until October 2015 and a Non-Executive Director of Hastings Group Holdings plc until March 2017. Prior to joining Hastings, he spent three years at HomeServe as Chief Executive of HomeServe Warranties. His earlier career was spent at Dixons plc and Anglo American.

Key areas of experience and contribution:
Key areas of experience and contribution: Retailing, insurance, significant operational experience leading consumer focused businesses in regulated sectors.

Principal current external appointments:
None

Olivier Grémillon (42) Non-Executive Director (Independent)

Appointed to the Board: March 2019

Committee memberships:
R

Experience:
Olivier is currently CEO of Vivino, the global online wine marketplace and app. He was previously Vice President, Global Segments, at Booking.com before which he was the Managing Director for Europe, the Middle East and Africa at Airbnb. He started his career in strategy consulting and worked for both Deloitte and McKinsey & Company.

Key areas of experience and contribution:
Marketing, international development, product development, strategy and platform businesses.

Principal current external appointments:
CEO, Vivino

Ron McMillan (69) Non-Executive Director (Independent)

Appointed to the Board: October 2017

Committee memberships:
A (Chair) R N P

Experience:
A Chartered Accountant, Ron worked in PwC's assurance business for 38 years and has extensive knowledge and experience in auditing, financial reporting and governance. During his time at PwC, his roles included Global Finance Partner, Chairman of the North of England and Deputy Chairman and Head of Assurance for the Middle East.

Key areas of experience and contribution:
Significant experience in accountancy and audit and as chair of other audit committees.

Principal current external appointments:
Senior Independent Director and Chairman of the Audit Committee of SCS PLC and B&M European Value Retail SA. Chairman of N Brown PLC

Composition, succession and evaluation
Our Executive team

Bruce Aronow (56)
Chairman, eLocal

Committee memberships:
E

Experience:
Bruce is currently Executive Chair of eLocal having served as Chief Executive Officer, since 2008. Before eLocal, under the umbrella of Affiliated Managers Group, Bruce served as Managing Partner of Managers Investment Group and COO/CFO of Rorer Asset Management for ten years. Prior to that, Bruce spent over eleven years at PwC specialising in financial services where he left as a Partner.

Key areas of prior experience:
Lead generation, digital marketing, finance and operations, investment management.

Principal current external appointments:
Member of the Board of Trustees for the Copeland Capital Funds and the PFM Multi-Manager Series Trust

Deb Dulsky (52)
Global CEO, HVAC

Committee memberships:
E

Experience:
Deb was appointed as Global CEO, HVAC in November 2018 following nearly eight years in leadership positions at HomeServe USA, most recently as Chief Strategy Officer. Prior to joining HomeServe, Deb led the Marketing Solutions division in the Americas of Williams Lea and served in a number of roles in M&A and business development at Affinion Group. She was previously a Non-Executive Director of The Ambassadors Group.

Key areas of prior experience:
Marketing, digital transformation, entrepreneurial start-ups.

Principal current external appointments:
None

Mike Fairman (55)
CEO, Checkatrade

Committee memberships:
E

Experience:
Mike was appointed as Chief Executive Officer, Checkatrade in October 2018. Before joining HomeServe he was CEO of mobile phone network giffgaff noted for its pioneering online, community powered business model. Prior to giffgaff, Mike undertook a number of roles in O2 including starting and running O2's home broadband business. His early career was focused on marketing in the soft drinks and pet food sectors.

Key areas of prior experience:
Business development, M&A, marketing, international.

Principal current external appointments:
None

Guillaume Huser (55)
CEO, HomeServe France

Committee memberships:
E

Experience:
Guillaume was appointed as Chief Executive Officer, HomeServe France in April 2015. Previously at Affinion Group where he undertook a number of roles culminating in four years as President of Affinion Group's International Division. Before joining Affinion in December 2002, he spent 13 years at American Express firstly in finance, sales and business development roles and later in the Corporate Services Division where he was VP Commercial Card, Western Europe.

Key areas of prior experience:
Financial services, business development, affinity marketing, international.

Principal current external appointments:
None

N Nomination Committee
R Remuneration Committee
P People Committee
E Executive Committee
A Audit & Risk Committee
Denotes Committee Chair

Rob Judson (38)

Global Chief Automation Officer, Membership, Chief Customer Officer, USA

Committee memberships:
E

Experience:
Rob was appointed as Global Chief Automation Officer and Chief Customer Officer USA in January 2021 following two years as Global COO for HomeServe Membership. Rob began his HomeServe career in the UK in 2003, spending the first eight years in a variety of roles progressing from a front-line contact centre employee to Head of Outsourcing in the UK. In 2011 Rob moved to HomeServe North America and assumed responsibility for the service delivery network, contact centre operations and customer experience across North America as EVP Customer Experience.

Key areas of prior experience:
Customer experience, service delivery, contact centres, IT strategy, automation.

Principal current external appointments:
Trustee for Walsall FC Community Fund and Director of Walsall and Bloxwich Town Deal Fund

John Kitzie (68)

CEO, HomeServe UK

Committee memberships:
E

Experience:
John joined HomeServe in 2012, initially as Chief Operating Officer and subsequently as CEO of HomeServe North America. He was appointed as CEO of HomeServe UK in September 2020. Prior to joining HomeServe, he served as Executive Vice President of Global Operations for Affinion Group where he was responsible for contact centres, fulfilment, merchandising, supply chain, procurement and telecommunications. Before joining Affinion Group, he served as President of Savemart and Senior Vice President of Vcommerce.

Key areas of prior experience:
Strategy, retail, service delivery, technology, partner management

Principal current external appointments:
None

Anna Maughan (52)

Company Secretary

Appointed as Company Secretary:
July 2008

Committee memberships:
E

Experience:
Anna started her career at Severn Trent plc and joined South Staffordshire plc as Assistant Company Secretary in 1996. Following the demerger of HomeServe plc and South Staffordshire plc in 2004 she continued as Assistant Company Secretary of HomeServe plc, becoming Company Secretary in 2008.

Key areas of prior experience:
Company secretarial, pensions, share schemes.

Principal current external appointments:
Trustee of, and Secretary to, the industry wide Water Companies Pension Scheme

Fernando Prieto (56)

CEO, HomeServe Spain

Committee memberships:
E

Experience:
Fernando was appointed as Chief Executive Officer, HomeServe Spain in February 2018 having joined the Spanish claims business in 2008, undertaking a number of senior roles including Managing Director. Before joining HomeServe he undertook a number of roles in the insurance sector for CASER and MAPFRE including Chief Actuary, Business Development Director and Chief Marketing Officer.

Key areas of prior experience:
Insurance, marketing, business development.

Principal current external appointments:
Trustee of Fundación Area XXI

Composition, succession and evaluation continued

Board composition

The Board is comprised of seven Non-Executive Directors (including the Chairman) and four Executive Directors. The Non-Executive Directors have a diverse range of skills and experience which enables them to oversee business performance and provide constructive challenge. The Executive Directors have extensive commercial, financial and operational experience both within HomeServe and beyond.

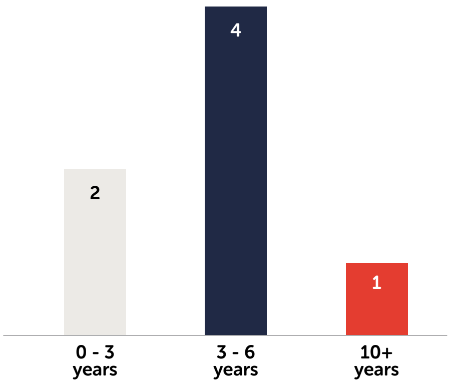
Short biographies of each of the Directors, including their membership of Committees, are set out on pages 74 and 75.

Board development

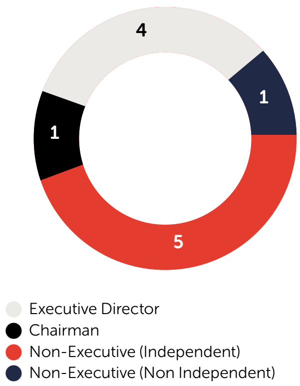
New members of the Board receive a tailored induction organised by the Company Secretary which usually includes visits to the different territories and operations. During the year, a comprehensive programme of video meetings was provided for new Directors and the intention is that once local restrictions and travel challenges are behind us, they will also complete some in person visits. Where required, training on legal and regulatory responsibilities is also provided.

On an ongoing basis, Directors are encouraged to highlight specific areas where they feel their skills or knowledge would benefit from further development.

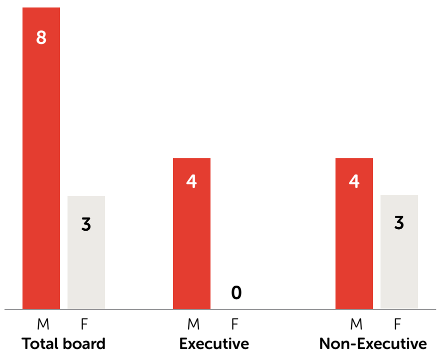
Length of tenure of Chairman and Non-Executive Directors



Board Independence



Board Gender Diversity



Board evaluation

The Board has implemented a formal process for reviewing its own effectiveness, that of its Committees and its individual members. The Board evaluation is facilitated by Lintstock Limited. Lintstock Limited has no other connection with the Company or to individual Directors.

Online questionnaires are completed by all Directors on an annual basis and responses are collated into a report which is discussed at a Board meeting. Every third year, Lintstock interview all the Directors so that any themes can be developed, and feedback investigated in more depth. The questionnaires cover topics such as board composition and dynamics, strategic and operational oversight, risk management and internal control, succession planning and human resources as well as priorities for change.

As a result of the FY21 review, the main areas identified by the Board for continued focus and the actions taken were as follows:

Area of focus	Actions taken
Ensuring that the new Chairman was given the support needed to make his appointment a success	Tommy Breen has completed a comprehensive induction programme. Due to the ongoing challenges of the pandemic, most meetings have been by video but in person visits to a number of HomeServe businesses have now been planned.
Improving the Non-Executive pipeline including the need for increased diversity	The Non-Executive recruitment was paused when Tommy took over as Chairman so that he had an opportunity to assess the Board dynamic and consider skills gaps and succession. The process restarted in Autumn 2021 and an offer was made to a candidate in March 2022 although this did not result in an appointment due to the takeover discussions. More detail on the recruitment process is provided on page 80.

In FY22, Directors completed online evaluation questionnaires in January 2022 and Lintstock compiled a formal written report summarising the Directors' views. This report was discussed by the Board in March 2022, but that discussion coincided with the offer for the business by Brookfield and it was felt that more detailed consideration of the output from the questionnaire should be deferred so that priority could be given to more pressing matters.

Composition, succession and evaluation continued

Nomination Committee report

"We are committed to ensuring that our Board is appropriately diverse and that it reflects diversity in its broadest sense."

I am pleased to present the Nomination Committee report for the year ended 31 March 2022. Following a busy year in respect of Board appointments in FY21, our efforts to improve the diversity of the Board continued in FY22 although disappointingly, we were unable to make any appointments.

Members

Tommy Breen (Chairman from 19 May 2021)
Katrina Cliffe
Edward Fitzmaurice
Ron McMillan
J M Barry Gibson (Stepped down on 18 May 2021)

Responsibilities

The primary responsibilities of the Committee are to:

- make recommendations to the Board on the appointment of Directors
- review the size, structure and composition of the Board
- consider succession planning arrangements for Directors and other senior managers.

The Committee has adopted formal terms of reference which are available on our website: **www.homeserveplc.com/who-we-are/governance/committees/**

Key issues considered during the year

It was agreed in FY21 that we should take a longer-term approach to Non-Executive recruitment to ensure that there was a good balance of new and more established Non-Executives on the Board at any one time. The Committee interviewed three leading consultants and Russell Reynolds were selected to work with us on a search. Russell Reynolds has previously undertaken non-executive searches for the Group. It has no other current connection to HomeServe or to individual Directors. Russell Reynolds is a signatory to the Voluntary Code of Conduct for Executive Search Firms.

Having appointed Roisin Donnelly in March 2021, the process was paused when I took over as Chairman so that I could assess the dynamic of the Board and consider any skills gaps and succession plans. The process resumed in Autumn 2021 and Katrina Cliffe and I interviewed a number of candidates before selecting a small number for a short list. The short-listed candidates met with a number of Board members and the feedback was considered by the Committee. An offer was made to a very suitable candidate in March 2022 but this coincided with Brookfield emerging as a potential bidder for HomeServe and as a result, was not finalised.

Succession planning

We recognise the importance of ensuring that there is an appropriate pool of talented and capable individuals to fill senior roles and a succession planning process has been established across the Group to facilitate this. The process identifies emergency, short-term and long-term successors for each role and therefore allows any training and development requirements or recruitment issues to be highlighted. Each business and corporate function prepares and maintains succession plans with the support of local and Group People functions and with input from the Group Chief Executive. The People Committee regularly discusses the plans and the Nomination Committee reviews the Board succession plans at least annually (and did so in July 2021).

A key issue that we need to address from a Non-Executive perspective is that the three members of our Audit & Risk Committee all joined the Board in 2017 so there is a risk that they will all step down at the same time. We included recent and relevant financial experience in the criteria for the search conducted in the year and the candidate we identified did fit this criteria.

Diversity

We are committed to ensuring that our Board is appropriately diverse and that it reflects diversity in its broadest sense. A combination of demographics, skills, experience, race, age, gender, educational and professional background and other relevant personal attributes will ensure our Board is effective. We believe that diversity of experience and personal strengths are as important as diversity of gender and social and ethnic backgrounds. Our Board Diversity policy is available on our website: **www.homeserveplc.com/media/ykdbtzao/homeserve-plc-board-diversity-policy.pdf**

All relevant factors are taken into consideration when evaluating the skills, knowledge and experience needed to fill each Board vacancy. When recruiting, we require diversity on our long and short lists and in particular, ensure that appropriately qualified women are included on all short lists.

At the year-end 27% of the Board was female. Had it not been for the takeover discussions, I am confident that we would have increased this. We welcome the new Listing Rule on diversity and inclusion and will continue to use our best endeavours to increase the diversity of our Board over the next year.

More information on talent and diversity is provided in the Strategic report on pages 23 to 25.

Tommy Breen

Chairman
24 May 2022

Composition, succession and evaluation continued

People Committee report

"It has been another challenging year for our workforce as a result of the pandemic and it has been even more important to ensure that the Committee was able to hear from them."

I am pleased to present the People Committee report in respect of the year ended 31 March 2022. It has been another challenging year for our workforce as a result of the pandemic and it has been even more important to ensure that the Committee was able to hear from the workforce about how they felt the business was handling the ongoing issues whilst continuing to move forward with the matters on the People Committee agenda.

Members

Stella David (Chair)
Tommy Breen
Katrina Cliffe
Roisin Donnelly
Ron McMillan
David Bower
Richard Harpin
Tom Rusin
J M Barry Gibson (stepped down on 18 May 2021)

Responsibilities

Working alongside the Nomination Committee, the primary responsibilities of the Committee are to:

- determine, agree and oversee the people strategy for the Group
- review the ongoing appropriateness and relevance of the people strategy
- review and make recommendations in respect of the resourcing of the people strategy
- review and oversee the employee engagement strategy.

The Committee has adopted formal terms of reference which are available on our website: **www.homeserveplc.com/who-we-are/governance/committees/**

Key issues considered during the year

The People Committee met three times during the year. In addition to the members of the Committee, representatives from the Group People team and the Company Secretary attend all Committee meetings.

Discussions during the year have been focused on the following:

- Development of our DE&I policy and targets
- Gender Pay Gap
- Apprenticeships
- Employee engagement including targets and action plans
- Recruitment and assessment methodology
- Hybrid working arrangements.

During the year, a People MI dashboard was developed to help the Committee to understand the issues and challenges facing our businesses. This dashboard includes metrics in respect of headcount, attrition, absences, employee relations cases, engagement and DE&I and is accompanied by commentary from each business to highlight any particular trends.

DE&I

The global talent strategy aims to drive the attraction, growth and retention of a deep pool of talented employees with the right capabilities to deliver our growth strategy. We are particularly focused on developing internal talent and are committed to achieving a target of 70% internal hires for senior leadership roles.

Ensuring that our future senior leadership team better reflects the diversity of the markets we serve and the people we employ is a key objective of our global talent strategy. In common with many organisations, we are starting this journey by focusing on a plan to drive gender diversity within our current senior leadership team and in the succession pipeline. We recognise that diversity is much broader than gender but believe that achieving sustainable traction in this critical area of talent will help us develop strategies that can be applied more widely.

During the year, we discussed and agreed a DE&I policy and are working on short and medium-term targets which will apply across the Group. The policy is available here: **www.homeserveplc.com/media/sgznnesr/hs-dei-policy-vs-2-0-apr-2022.pdf**

Workforce engagement

I am the nominated Non-Executive Director in respect of workforce engagement and my role is to ensure that the views and concerns of the workforce are brought to the Board and taken into account. To support me in that role, we established an International People Forum in FY20. Following the first year of operation, we took the opportunity to refresh the membership of the Forum and I was pleased to welcome more frontline and operational representation to the group.

The Forum met twice during the year. Discussions have included the approach to hybrid working, DE&I and culture. The debate on retaining the HomeServe culture and personality in a hybrid world was particularly insightful and will be extremely useful when planning future communications, induction and training. The Forum's thoughts and opinions on hybrid working have continued to have a real influence on the approach taken by the Group.

I really appreciate the honesty and positivity that the members of the Forum bring to our interactions, and I would like to thank them for their contribution during the year.

Going forward

It is clear that having a People Committee has made a real difference in accelerating our people related plans and strategy and having reflected on this, the Board has decided to expand the remit of the Committee to cover wider ESG matters. The Committee will become the ESG & People Committee during FY23 with a view to accelerating activity in other areas of our responsible business policy.

Stella David

Chairman
24 May 2022

Audit, risk and internal control

Board assessment of risk management and internal control

The Board has overall responsibility for the Group's system of risk management and internal control including the setting of risk appetite. The Audit & Risk Committee has a key role to play in overseeing risk management and internal controls and advising the Board. More detail in respect of the role of the Audit & Risk Committee is provided in the report of that Committee on pages 86 to 91.

The Board is responsible for reviewing the effectiveness of risk management and internal control systems and specifically that:

- There is an ongoing, systemised process for identifying, evaluating and managing the principal risks faced by the Group.
- This system has been in place for the year under review and up to the date of approval of this Annual Report.
- The system is regularly reviewed by the Board.
- The system accords with the Financial Reporting Council ('FRC') guidance on risk management, internal control and related financial and business reporting.

During the year, the Board has directly, or through the Audit & Risk Committee, overseen and reviewed the development and performance of risk management activities and practices and the systems of internal control in place across the Group. As a result, the Board is satisfied that the risk management and internal control systems that are in place remain robust and effective.

The Board delegated the responsibility for conducting the work required for it to provide the 'fair, balanced and understandable', 'going concern' and 'viability' statements to the Audit & Risk Committee. In conducting this work, the Audit & Risk Committee acts on behalf of the Board and its activities remain the responsibility of the Board.

The relevant Board statements on these matters are set out on pages 58 to 59 and page 65. The principal risks and uncertainties are set out on pages 32 to 39.

System of risk management and control

The system of internal control is designed to manage and mitigate rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has delegated the day-to-day management of the Group to the Group Chief Executive and the other Executive Directors.

The risk governance model is based on 'three lines of defence' as follows:

1st line of defence

A risk management framework is in place which includes the agreed risk appetite, policies and procedures. The Group's management operates a formal process for identifying, managing and reporting on the strategic, operational and financial risks faced by each of the Group's businesses. Risks are reviewed in detail at local risk committees and, on an overall basis, by the Executive Directors and the Audit & Risk Committee. Support is provided by the 2nd line of defence oversight functions.

2nd line of defence

Oversight is provided by the various control functions including risk, compliance and specialist functions such as health & safety and information security. The 2nd line provides advice to the Board and the Audit & Risk Committee on risk appetites, review of risk ratings and action plans and reports on risk management.

3rd line of defence

The Group has a dedicated internal audit function and a formal audit plan is in place to address the key risks across the Group and the operation and effectiveness of internal controls. The function reports to the Board through the Audit & Risk Committee.

Risk management cycle

Risk appetite

Risk appetite is defined as the amount and type of risk we are willing to pursue or retain in order to meet our strategic objectives. Our assessment of risk appetite is guided by our vision and mission and informed by our strategic objectives. It is used as a measure against which all of our current and proposed activities are tested.

Risk appetite is reviewed bi-annually to ensure that it is aligned with strategy.

Risk framework

A risk framework is in place across the Group which includes risk appetite, materiality scoring matrices and key risk indicators. Each business is expected to adhere to the Group risk framework and to report regularly on its risk registers and key risk indicators but, if appropriate, the Group framework may be customised to local requirements as long as minimum standards are met. A mechanism exists to extend the Group's risk framework to any significant new business that is acquired or established immediately upon acquisition or start-up.

Risk assessment and risk registers
Our assessment of risk is approached from a top down and a bottom up perspective. Through the Executive Directors, we identify Group Enterprise Risks which are those risks that directly link to our business model and strategy. At a local level, each business identifies strategic and operational risks which are captured on detailed risk registers. Local businesses are also required to ensure that risks designated by the Group to be 'critical' risks are actively managed. These are risks where compliance with a minimum level of control is considered to be non-negotiable (an example of a 'critical' risk is health & safety). Best practice in respect of identifying and mitigating 'critical' risks is shared across the Group.

All risks are assessed in respect of likelihood and impact based on the materiality matrix included in the Group risk framework. Risks are then scored on a gross and net basis and rated as red, amber or green. Consideration is given to whether risks are within or outside appetite and particular attention is given to the controls that are in place and the actions being taken to mitigate the risks. Incidents are recorded and reported on at the relevant committees.

Risk registers are reviewed at local committees and boards across the Group with the Executive Directors and the Audit & Risk Committee having regular oversight of both the Group Enterprise Risks and the principal risks identified by each business.

Risk oversight
Oversight of the risk management process is provided by the Assurance & Risk Director, local risk and compliance teams, the Audit & Risk Committee and, ultimately, the Board.

Internal control
Internal audit acts as the 3rd line of defence. In order to ensure the independence of the internal audit function, the Assurance & Risk Director's primary reporting line is to the Chairman of the Audit & Risk Committee.

The internal audit function fulfils its role and responsibilities by delivery of the annual, risk-based audit plan. There are no restrictions on the scope of internal audit's work.

A report is issued after each audit which provides an opinion on the control environment and details any issues found. Internal audit then works with the businesses to agree remedial actions which are tracked to completion.

The Assurance & Risk Director submits reports to local boards and committees and attends those meetings as required. He attends and reports to every Audit & Risk Committee meeting.

Financial reporting
Three-year business plans, annual budgets and investment proposals for each business are formally prepared, reviewed and approved by the Board.

A clearly defined organisation structure is in place with clear lines of accountability and appropriate division of duties. The Group's financial regulations specify authorisation limits for individual managers and for local boards, with all material transactions being approved by the Board.

Consolidated financial results, including a comparison with budgets and forecasts, are reported to the Board on a monthly basis, with variances being identified and understood so that mitigating actions can be implemented, where appropriate. Ahead of the financial results being presented to the Board, monthly business review calls are held, attended by Executives, representatives from the Group finance function and local senior management. These calls provide an opportunity for a detailed review of performance and to identify any issues or trends.

Half year and annual consolidated accounts are prepared and verified by the finance team and reviewed by the Executive Directors and the external auditor. The accounts are then considered by the Audit & Risk Committee which makes a recommendation in respect of their approval to the Board. The Board then reviews and approves the accounts prior to the announcement of the half year and annual results.

The Board considers that the processes undertaken by the Audit & Risk Committee are appropriately robust, effective and in compliance with the guidelines issued by the FRC. During the year, the Board has not been advised by the Audit & Risk Committee on, or identified itself, any failings, fraud or weaknesses in internal control which have been determined to be material in the context of the financial statements.

Viability statement
The approach to the viability statement and the statement itself are set out on pages 58 to 59.

Audit & Risk Committee report

"I shall continue to ensure that the Committee continues to acknowledge and embrace its role of protecting the interests of shareholders as regards the integrity of the published financial information and the effectiveness of the audit."

I am pleased to present the Committee's report for the year ended 31 March 2022.

The Committee is an important element of the Group's governance structure. Our role is to review and advise the Board on financial reporting including the various statements made in the Annual Report on viability, going concern, risk and controls and whether, when read as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Members

Ron McMillan (Chair)
Katrina Cliffe
Edward Fitzmaurice

All members of the Committee are independent Non-Executive Directors, and the Committee as a whole has competence relevant to our sector. I have recent and relevant experience in respect of my role. I am a chartered accountant and worked in PwC's assurance business for 38 years, with 28 years as an audit partner, and have extensive knowledge and experience in auditing, financial reporting and governance. During my time at PwC, my roles included Global Finance Partner, Chairman of the North of England and Deputy Chairman and Head of Assurance for the Middle East. I also chair the Audit Committees of SCS PLC and B&M European Value Retail SA.

All members of the Committee have an understanding of financial reporting, relevant corporate legislation, the functions of internal and external audit and the regulatory and compliance framework of the Group. Katrina Cliffe brings relevant experience in financial services and has recently served on risk and audit committees elsewhere. Edward Fitzmaurice has extensive relevant experience of retail and insurance having served as Chief Executive Officer of Hastings Insurance Group.

The internal and external auditors, the Chief Financial Officer, the Chief Executive Officer and the Chairman are invited, but are not entitled, to attend all meetings. Where appropriate, other Executive Directors and managers also attend meetings at the Chairman's invitation. The external and internal auditors are provided with the opportunity to raise any matters or concerns that they may have, in the absence of the Executive Directors, whether at Committee meetings or, more informally, outside of them.

Board reporting

I provide an update to the Board after each Committee meeting and the minutes of meetings are circulated to the whole Board.

Committee Effectiveness

The effectiveness of the Committee is reviewed as part of the annual Board review process facilitated by Lintstock. The FY22 review concluded that the Committee was operating effectively and benefited from a high-quality cycle of work.

Responsibilities

The primary responsibilities of the Committee are to:

- monitor, on behalf of the Board, compliance with and the effectiveness of, the Group's accounting and internal control systems
- review the independence of the external auditor and agree their terms of engagement and remuneration
- review the scope of and outputs from the external audit
- approve the scope of the work undertaken by and the outputs from the work done by internal audit
- make recommendations to the Board on accounting policies and their application
- review critical judgements and key sources of estimation uncertainty as reflected in the financial statements
- review the annual and interim financial statements before they are presented to the Board
- review the Group's overall risk appetite, tolerance and strategy
- monitor, on behalf of the Board, current and emerging risk exposures
- receive reports from compliance functions and review and approve the means by which the Group seeks to comply with its regulatory obligations.

The Committee has adopted formal terms of reference which are available on our website: **www.homeserveplc.com/who-we-are/governance/committees/**

Summary of meetings in the year

The Committee usually meets three times in the year and did so in FY22. Details of meeting attendance are set out on page 72. The timing of Committee meetings is arranged to accommodate the release of financial information, the approval of the external and internal audit plans and the review of the outputs of those plans. In addition to scheduled meetings, I met with the CFO and members of his team, the Assurance & Risk Director and the external auditor on a number of occasions to receive updates on activity.

Items discussed	May 2021	November 2021	February 2022
Financial Reporting			
Full year results	●		
Interim results		●	
Review of critical judgements and sources of estimation uncertainty	●	●	
Fair, balanced and understandable conclusion in respect of the Annual Report	●		
Liquidity, viability and going concern	●	●	
Consideration of new accounting standards	●	●	●
Internal Audit			
Internal audit plan			●
Internal audit reports	●	●	●
Internal audit effectiveness and independence			●
External Audit			
External audit plan			●
External audit reports	●	●	
External audit effectiveness and independence	●		
Approval of fees and review of non-audit services	●	●	●
Risk			
Risk appetite and the risk management framework	●		
Risk registers	●	●	●
Other matters			
Regulatory compliance activity	●	●	●
IT security		●	
Post investment reviews of acquisitions		●	

Audit & Risk Committee report continued

Significant issues related to the financial statements

The Committee oversees the process used by the Board to assess the going concern and viability of the Group, the stress testing of key trading assumptions and the preparation of the viability statement which is set out on pages 58 to 59.

The Committee also satisfied itself that the disclosures in relation to accounting judgements and key sources of estimation uncertainty were appropriate and obtained, from the external auditor, an independent view of the key disclosure issues and risks. Management present reports to the Committee setting out the basis for the assumptions used and these reports are then discussed and challenged by the Committee. All of the issues were also discussed with the external auditor and their views taken into account. The Committee is satisfied that the judgements made are reasonable and appropriate disclosures have been included in the accounts.

The Committee assessed whether suitable accounting policies had been adopted and whether management had made appropriate estimates and judgements. The Committee also reviewed reports from the external auditor on the half year and full year results, which provided an overview of the audit work undertaken and highlighted any issues for discussion.

The significant issues considered in the year were:

Issue	How it was addressed by the Committee
Revenue recognition As an insurance intermediary, the Company is required to recognise revenue at the point at which a policy goes on risk. Some elements of revenue are deferred to cover future costs and also to provide for policies which may cancel mid-term.	The Committee satisfied itself that the accounting policies for revenue are compliant with IFRS 15 and considered whether any changes were needed to take account of Covid-19.
Carrying value of goodwill The total goodwill balance at 31 March 2022 of £667.9m has been allocated to the relevant cash generating units (CGUs) and tested for impairment by comparing the carrying value of net assets (including allocated goodwill and acquisition intangibles) with the value in use, defined as the present value of future cash flows attributable to the CGUs.	The Committee reviewed the 'headroom' to ensure that the value in use supported the carrying value of the net assets with particular regard to the actual and potential impact of Covid-19 and satisfied itself that no impairment was required.
Business combinations During the year the Group completed a number of acquisitions.	The Committee reviewed the Group's accounting for acquisitions and satisfied itself that it was appropriate.
Covid-19 impact The Covid-19 pandemic has had an impact in all of HomeServe's territories.	The Committee considered the impact of Covid-19 on the financial sustainability and operational resilience of the business, taking into account the additional stress testing completed as part of the going concern and viability assessments. It satisfied itself that the business is well placed to face the ongoing challenges of the pandemic.
eServe impairment costs A review of the eServe system was completed and having assessed the position, it was agreed that development should be halted and customers migrated back onto the legacy system, Ensura. As a result, an impairment review was completed which concluded that the carrying value of eServe and the associated asset was fully impaired.	The Committee considered the review of eServe and the impairment reviewed and satisfied itself that carrying value was completely impaired.
SaaS accounting As clarified by the International Financial Reporting Interpretations Committee in April 2021, configuration and customisation costs on SaaS arrangements should only be capitalised where an entity controls the underlying SaaS software, or a separate intangible asset has been generated that meets the criteria for capitalisation under IAS 38.	The Committee reviewed the Group's application of the agenda decision, including the decision not to restate the impact on the comparative financial information on the grounds of materiality. The Committee satisfied itself that the revised accounting policies and their application for the capitalisation of intangible assets are compliant with the agenda decision.

Board statements

Critical judgements and key sources of estimation uncertainty

The Group has identified critical accounting judgements in relation to business ownership interests. Key sources of estimation uncertainty arise in relation to claims handling obligations in respect of revenue deferrals, pension valuation and the impairment of goodwill and acquisition intangibles. Other areas of focus include the valuation of acquisition intangible assets, the valuation of put options over non-controlling interests and policy cancellations.

The Committee discussed how these matters impacted on the financial statements with the auditor and reviewed the sensitivities considered by management.

Critical accounting judgements and key sources of estimation are set out on pages 154 to 155.

Going concern
The Committee reviewed whether it was appropriate to adopt the going concern basis for the preparation of the Annual Report and considered a report from management. Consideration was given to the Group's three-year forecasts, availability of committed bank facilities, expected headroom under the financial covenants and the impact of the Covid-19 pandemic. The Committee ensured that the assumptions underpinning the forecasts were stress tested and that the factors which impact on risks and uncertainties were properly considered. Additional stress tests had been completed to take account of Covid-19.

Following the Committee's review, it recommended to the Board that it was appropriate to adopt the going concern basis. The going concern statement is set out on page 59.

Viability statement
The Committee reviewed a report from management setting out the basis for the conclusions in the viability statement. The approach to the viability statement and the statement itself are set out on page 58.

Fair, balanced and understandable
The Committee considered whether:

- the Annual Report was clear and presented a balanced view of successes, challenges, opportunities and risks
- key messages were prominent and appropriate KPIs were disclosed
- reporting in respect of business segments, significant issues and key judgements were consistent with disclosures in the financial statements
- definitions provided were explained and Alternative Performance Measures (APMs) were reconciled with the closest IFRS measure in the financial statements.

The Committee also noted that:

- key contributors to sections of the Annual Report (such as Executive Directors and local CEOs) had been asked to confirm the accuracy of the information provided
- an internal verification exercise had been completed in respect of the information contained in the Annual Report
- external support had been provided by FutureValue, a corporate reporting consultancy and Korn Ferry, who reviewed the Directors' Remuneration Report
- drafts of the Annual Report had been circulated to Committee Chairs and the full Board for review.

Having reviewed the Annual Report, the Committee and subsequently, the Board were satisfied that taken as a whole, the Annual Report was fair, balanced and understandable and provided the necessary information for shareholders.

Robust assessment of emerging and principal risks
The Committee completed a robust assessment of the emerging and principal risks by reviewing the Group Enterprise Risks and the top ten risks in respect of each business. Particular attention was paid to any risk that was out of appetite and consideration was given to the mitigating actions being taken.

Risk management and internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Audit & Risk Committee supports the Board by advising on the Group's overall risk appetite, tolerance and strategy, current risk exposures and future risk strategy. The Committee reviews risk registers produced by the management of each business and the plc function along with the Group Enterprise Risks at each of its meetings. On a periodic basis, we also review action plans in respect of significant risks.

The Committee also monitors, on behalf of the Board, the effectiveness of the Company's material accounting and internal control systems. In fulfilling this responsibility for FY22, the Committee considered reports from management and the internal and external auditors.

The Committee considers that appropriate controls are in place across the Group, that the Group has a well-defined organisational structure with clear lines of responsibility and a comprehensive financial reporting system. The Committee also considers that the Group complies with the Financial Reporting Council ('FRC') guidance on risk management, internal control and related financial reporting.

Further details in respect of risk management and internal controls are set out on pages 84 to 85.

Details in respect of the principal risks and uncertainties are set out on pages 32 to 39.

Audit & Risk Committee report continued

Regulation and compliance

The Group operates in a regulated marketplace and faces the challenges of regulatory requirements across its different territories. This creates risk for the business as non-compliance can lead to customer detriment, reputational damage, financial penalties and potential loss of licence to operate.

The Committee receives regular updates on legal and compliance from management and believes that key compliance indicators are strong across the Group. All established businesses outside the UK are required to complete Annual Compliance Reports to confirm that the requirements of the Group Compliance Framework have been met and that processes and controls are sufficient to identify breaches in local law and regulations.

External auditor

The Committee is responsible for assessing the effectiveness of the external audit process, for monitoring the independence and objectivity of the external auditor and for making recommendations to the Board in relation to the appointment of the external auditor. The Committee is also responsible for developing and implementing the Group's policy on the provision of non-audit services by the external auditor.

Deloitte LLP has been the Group's auditor since 2002 and the lead audit partner rotates every five years. The current lead audit partner, Peter Birch was first appointed for FY20.

Prior to each audit or review, Deloitte presented their plan to the Committee for discussion. The Committee reviewed the reports prepared by Deloitte on key audit findings and any significant deficiencies in the control environment, as well as the recommendations made to improve processes and controls together with management's responses to those recommendations. Deloitte did not highlight any material internal control weaknesses in respect of the FY22 audit.

The Committee also discussed with Deloitte, the results of the FRC's firm-wide review of Deloitte's audit quality and the proposed improvement plans arising from the report. The Committee noted that no firm inspected achieved the quality targets set by the FRC and will monitor progress against the improvement plans.

The Committee reviews the performance of the external auditor annually based on their understanding of the Group, their approach to key areas of judgement and the extent of challenge, the quality of reporting and the efficiency and conduct of the audit. Feedback is also sought from Group finance and local finance directors on the external auditor's performance. We also reviewed the external auditor's transparency report, which is intended to demonstrate the steps it takes to ensure audit quality with reference to the Audit Quality Framework issued by the Professional Oversight Board of the FRC. In addition, I meet with the external auditor outside of formal Committee meetings to ensure that there is an ongoing dialogue.

Having considered the qualifications, expertise and resources of Deloitte LLP, the Committee is satisfied that Deloitte LLP continues to provide constructive and independent challenge to management and consistently demonstrates a realistic and commercial view of the business. As such, the Committee has concluded that the audit process is effective and has therefore recommended to the Board that the re-appointment of Deloitte LLP should be proposed at the forthcoming Annual General Meeting.

It is our intention to tender the audit for the period ending 31 March 2025 in accordance with the auditor rotational guidelines and the accompanying transitional rules. This process will be completed during FY23.

The Company confirms that it has complied with the provisions of the CMA's Statutory Audit Services Order for the financial year under review.

In accordance with International Standards on Auditing (UK & Ireland) 260 and Ethical Statement 1 issued by the Accounting Practices Board, and as a matter of best practice, the external auditor has confirmed its independence as auditor of the Company.

Non-audit services

The Committee has approved a policy in respect of non-audit services which reflects the Ethical Standards. The policy sets out a list of prohibited services and, prevents Deloitte LLP from providing almost all taxation services. The policy provides that the total fees payable to the auditor for non-audit related work in any financial year should not normally be more than 50% of the total fees payable in respect of audit and compliance services. In addition, any proposed spend over a predetermined limit must be approved by the Committee.

The fees payable to the auditor in respect of audit and audit-related assurance services totalled £1.8m and there were no fees incurred for non-audit related work (excluding audit-related assurance services). Further detail on the fees paid is provided in Note 5.

Internal audit

The Committee reviews and approves the internal audit plan which is based on an assessment of the risks faced by the Group. The internal audit team undertakes an initial review of the risks and drafts a plan which addresses those risks while taking into account the need to review key control processes on a cyclical basis. The draft plan is then discussed with senior management in each business or territory before being presented to the Committee.

Progress in respect of the plan is monitored throughout the year and considered at each meeting of the Committee. Consideration is also given at each meeting as to whether there is sufficient resource to deliver the plan and whether the external resource available through the co-sourced arrangements needs to be adjusted. The audit plan may be reviewed during the year as a result of the ongoing assessment of the key risks or in response to the needs of the Group.

The Assurance & Risk Director reports ultimately to the Chairman of the Committee although he reports on a day-to-day basis to the Chief Financial Officer. He attends all meetings of the Committee and reports regularly to the Executive Committee. A report on completed internal audits is presented to each meeting of the Committee and, where appropriate, action plans are reviewed. In addition, all grade 1 audit reports are circulated to the Committee as soon as they are finalised so that any issues can be addressed in a timely manner. Reports are graded as 1 if the controls currently operated are inadequate and expose the business to significant loss or regulatory breach.

During the year, the Committee received 81 reports in respect of the following areas:

Finance Key financial controls and processes including balance sheet control reviews, purchase to pay, order to cash and record to report cycles.
Operations Key operations processes including fulfilment, contractor management, business continuity planning and disaster recovery, compliance and risk management.
IT controls Key IT controls including disaster recovery, mobile device management and general controls such as logical access, back up and restore processes and controls.
Information Security Developments in information and cyber security including penetration testing, firewalls, server security and crisis management.

In relation to each of the above, internal audit made recommendations for improvements, the vast majority of which have been, or are being implemented by management. Management's approach to internal audit is positive and there is a real desire to work collaboratively to continually improve the control environment. Action trackers are reported on at each Committee meeting.

The internal audit function continues to benefit from co-sourced arrangements with PwC and KPMG which are used to augment the internal skills and experience available and ensure that the Group can access appropriate technical and specialised resource on a global and flexible basis.

The Committee has discussed the performance of internal audit and believes that internal audit performs in a very professional manner, provides constructive challenge and demonstrates a realistic and commercial view of the business.

Conclusion and looking ahead

The Committee considers that it has acted in accordance with its terms of reference and that it has ensured the independence, objectivity and effectiveness of the external and internal auditors.

Going forward, I shall ensure that the Committee continues to acknowledge and embrace its role of protecting the interests of shareholders as regards the integrity of the published financial information and the effectiveness of audit.

I am available to speak with shareholders at any time. I would like to thank my colleagues on the Committee for their help and support during the year.

Ron McMillan
Chairman of the Audit & Risk Committee
24 May 2022

Directors' remuneration report
Annual statement

"The Committee continues to focus on ensuring that our remuneration arrangements are consistent with our company purpose and strategy and deliver rewards that clearly link to the successful implementation of our long-term plans."

I am pleased to present the Remuneration report for the year ended 31 March 2022.

FY22 – the year in review

The pandemic has continued to have an impact on the work of remuneration committees, particularly in respect of incentives and retention. The labour market is challenging, and the rising cost of living is a concern for all of our employees. The Committee continues to focus on ensuring that our remuneration arrangements are consistent with our company purpose and strategy and deliver rewards that clearly link to the successful implementation of our long-term plans.

We delivered good financial results in respect of FY22 with 15% growth in adjusted profit before tax, the key financial metric used for our annual bonus scheme. There was also good performance in respect of our non-financial measures which, combined with excellent personal performance, has resulted in a bonus payment for the Executive Directors at 66 - 75% of the maximum available. The Committee believes this is a fair outcome for the strong business performance over the course of the year and has not exercised any discretion in respect of the performance outcome.

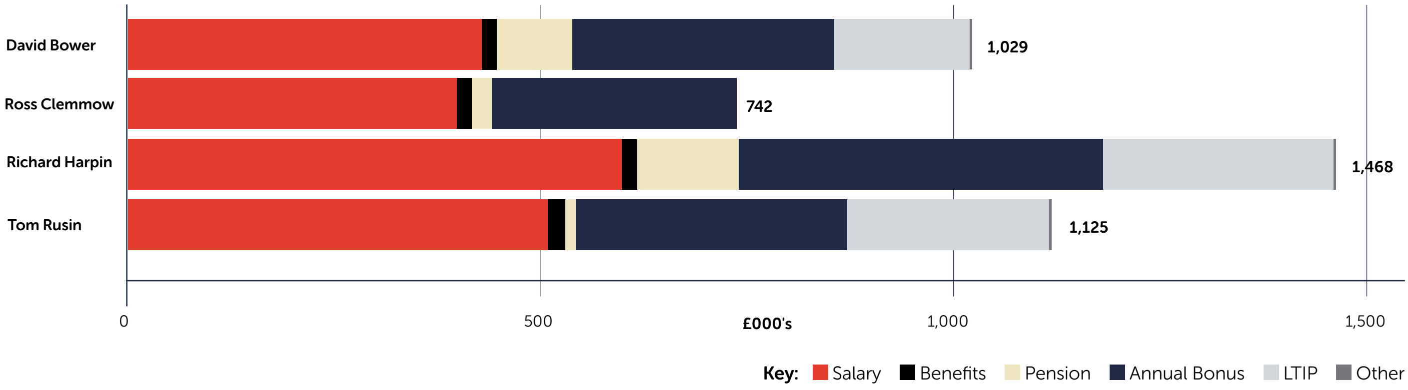
In respect of longer-term performance, the LTIP awards granted in 2019 will only partially vest in June 2022. The awards were based 25% on relative total shareholder return (TSR) performance and 75% on adjusted earnings per share (EPS) performance. The threshold in respect of TSR performance was not achieved, but EPS growth of 9.54% was delivered, so this element of the awards will partially vest. Overall, 23.93% of the awards will vest. We believe that this demonstrates the highly performance orientated structure of our LTIP and is evidence of the remuneration policy operating as intended. The vested shares, net of tax, are subject to a two-year post-vesting holding requirement.

As reported last year, we increased the size of the Performance Share award granted in FY22 from 150% to 200% of basic salary. This higher award level was in line with the 200% limit set out in the Directors' remuneration policy, although we had chosen to grant at the lower 150% level in the previous few years. To reflect the higher potential reward, we made a corresponding increase to the EPS targets. In practice, this will mean that the extra 50% of salary will only vest for the achievement of EPS growth over the performance period higher than that which would be required for full vesting under an award at 150% of salary. For vesting of the element of the award equivalent to 150% of salary, EPS growth of 7%-13% CAGR will be required, the same as applied to the FY21 Performance Share award. Vesting of the element above 150% up to 200% of salary will require EPS growth of 13%-16% CAGR, thus ensuring that there is a benefit to participants only in the event of EPS performance materially in excess both of internal and external forecasts. This level of EPS growth required for an LTIP award is amongst the highest in the market.

The Committee was very aware that HomeServe's share price fell following the announcement of our results in May 2021 and decided that it would be appropriate to take this into account when granting awards under the LTIP. The price used to calculate the number of shares in the Performance Awards was £10.37, which was the closing mid-market price of a HomeServe plc share on 17 May 2021 (the day before the announcement of the Preliminary Results for the year ended 31 March 2021). This was significantly higher than the share price immediately prior to the date of grant of the awards (£9.675). The use of the higher share price means that Executives did not benefit from receiving a higher number of shares in their Performance Award because of the share price performance following the results announcement.

Remuneration at a glance

Single Total Remuneration Figure (£000)



Annual Bonus Outcome

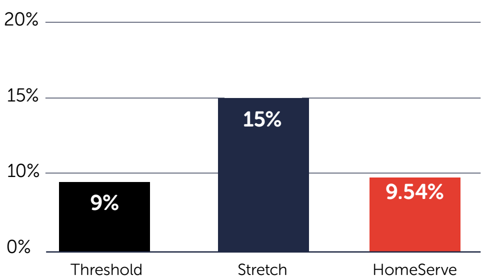
		Weighting	% Payable at Threshold	Threshold	Maximum	Actual	% Payable
Financial measures	Adjusted Group profit before tax	40%	10%	£215.0m	£220.0m	£220.3m	40%
Non financial measures	Customer growth	15%	3%	8,614k	8,819k	8,373k	0%
	Trades growth (Checkatrade)	5%	2%	50.0k	59.4k	46.9k	0%
	Trades growth (Habitissimo)	5%	2%	11.8k	13.1k	10.8k	0%
	Customer dissatisfaction[1]	3.7%	0.73%	5.0%	4.5%	4.5%	3.7%
	Customer 5 star rating [1]	11.3%	2.27%	4.64	4.68	4.74	11.3%
	Personal objectives	20%					11 - 20%

[1] Customer dissatisfaction is measured as a weighted average across our UK and Spanish Membership businesses and the 5 star rating is measured as a weighted average across our North American, French and Spanish Membership businesses.

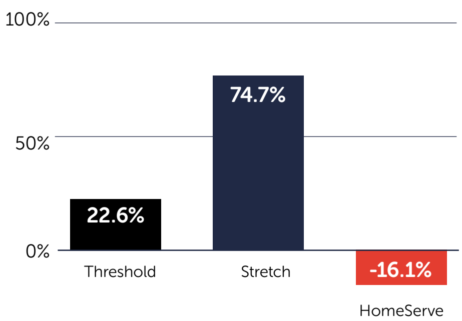
FY22 **66-75%** payout

LTIP Outcome

Adjusted earnings per share (75% weighting)



Relative TSR (25% weighting)



23.93% vesting

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Directors' remuneration report continued

Annual statement continued

Proposed Changes to the Directors' remuneration policy

We indicated last year that we were minded to review our Directors' remuneration policy during FY22. We completed this review during the year and developed a set of proposals for a new policy which we shared in advance with major shareholders. Having received generally positive feedback during this consultation process, we will be presenting a revised policy for shareholder approval at the forthcoming AGM. Although this is one year earlier than is technically required under the regulations, we believe that now is the right time to make some important changes.

a) Background

The existing Directors' remuneration policy was last approved at the AGM in 2020. We reviewed it in the context of the ongoing evolution of HomeServe's strategic priorities and changes in institutional investors' preferences and expectations on executive pay. In proposing a new policy, we seek to retain key features of the existing approach which have served HomeServe and its shareholders well, namely the clear link with performance and the focus on equity as a major part of the reward package. We have decided, however, to simplify the current structures and put in place incentives which are relevant to those Directors who lead our major divisions.

Critically, in light of the importance of the North American market to HomeServe's future growth, and the current retention and reward pressures in the United States in particular, we have specific proposals in respect of Tom Rusin, who serves on the Board as CEO, North America. The changes are explained in more detail below. Other than for Tom, there is no change in the level of remuneration under the new Policy.

b) A new approach to long-term incentives

To simplify and provide greater alignment of equity incentives throughout the organisation, we will cease making matching awards of shares under the LTIP. Therefore, with effect from the financial year beginning 1 April 2022, Executive Directors will only receive awards of performance shares. To reflect the absence of matching awards, we propose to increase the maximum performance award grant limit from 200% to 350% of salary (and are seeking shareholder approval at the AGM for amended LTIP rules to allow for this higher limit). Grants to the Executive Directors will normally be made at a level of 250% of basic salary, although a different approach will apply to Tom Rusin, as explained below.

As is normal, the new policy provides flexibility to set appropriate performance conditions for each year's grant. For the grant we intend to make after the AGM, we propose a structure with three equally-weighted metrics: (1) EPS growth, similar to the approach taken for prior year awards; (2) relative TSR performance, measured against companies ranked 31-200 in the FTSE index (i.e. the same as used to date for the matching awards) and; (3) return on invested capital (ROIC). This latter metric is new and will ensure that the management team is closely focused on efficient capital allocation as HomeServe enters its next growth phase. For all three measures, the Committee will set challenging performance targets.

c) Additional LTIP award for Tom Rusin

In the US, there is currently a phenomenal level of demand for top-quality executives in relevant sectors of the market, which is putting pressure on our ability to recruit and retain the very best talent. We are in the process of restructuring HomeServe's incentive provision for senior leaders in the US to better match the typical packages on offer in comparable companies. In Tom Rusin's case, we have some concerns that his current remuneration is not competitive when measured against practice at US companies of a similar size to HomeServe's North American division. This is a particular issue given the significant level of interest from private equity in comparable businesses in the US, and creates a retention risk, which is of concern to the Committee and the Board given Tom and his team's importance to leading this crucial part of our business.

We have given considerable attention to the appropriate incentive arrangements for the US business. There is significant use of restricted share awards at all senior levels in the US market and, for the US Membership division we will be supplementing existing performance share awards with a restricted share award. However, as Tom Rusin serves as an Executive Director, we are keen to ensure that all of his long-term incentives are based on the achievement of stretching performance conditions. Therefore, for Tom, we have decided to enhance his long-term incentive provision through an additional award of performance shares each year. In line with the approach for the other Executive Directors, he will receive a performance award at a level of 250% of basic salary with vesting subject to the same EPS, TSR and ROIC measures set out above. In addition, he will receive a further 100% of salary performance award, which will vest subject to the achievement of stretching targets relating to profit growth and ROIC in the North American business over the three-year performance period.

This will provide Tom with an equity incentive which, although structured differently to US practice, is competitive in the local market and is more aligned to his direct reports who will have their entire performance share award based on US profit performance. This will also ensure that there remains full alignment to the interests of HomeServe shareholders in that any benefit will depend on challenging targets being met.

d) Annual bonus

The annual bonus scheme for the Executive Directors is currently limited to a maximum of 100% of basic salary, payable in cash. In partial recognition of the removal of matching awards, we are increasing this to 150%. At the same time, the level of bonus for on-target performance will reduce slightly from 80% to 75% of salary. We are also introducing a share-based element, whereby one-third of any net bonus must be invested in shares which are held for a minimum of three years, thus ensuring ongoing alignment with shareholders.

At present, 40% of Directors' bonuses is based on Group PBT performance, with the remaining 60% subject to achievement of a mixture of Group non-financial and personal objectives. Under the new Policy, we will place a greater emphasis on financial performance, shifting to a 60%/40% financial/non-financial split, as considered appropriate given the higher bonus opportunity.

For Richard Harpin, the CEO, and David Bower, the CFO, the focus for the FY23 bonus scheme will remain on Group PBT for the financial element, and a Group-wide customer measure for half of the non-financial element. For the other half, we have introduced Group strategic and ESG metrics linked to specific priorities for the business for the coming year.

For Ross Clemmow, the CEO, EMEA, and Tom Rusin, we have tailored the metrics more closely to their specific area of responsibility. Half of the PBT element will be based on Group performance, recognising their Group roles as Executive Directors, and half on divisional performance. The customer measure will relate to divisional performance.

Full details of the specific targets will be included in next year's Directors' remuneration report.

e) Other matters

No other major changes have been made to the remuneration policy. We will continue to operate a shareholding requirement which, at 300% of basic salary, is higher than the market norm. Our post-employment shareholding requirement is in line with good practice, although we have clarified the precise wording to reflect standard practice. As promised last year, the 20% of salary pension contribution rate for the CEO and CFO will reduce to the workforce average, currently 6% of salary, on 1 December 2022.

Basic salary levels for the Executive Directors

For Tom Rusin, the Remuneration Committee decided that given the pressing retention issues in the context of the US market environment, it was necessary to adjust his salary as soon as possible. Therefore, we agreed that Tom's salary would increase from \$679,575 to \$780,000 (an increase of 14.8%) with effect from 1 January 2022. In reaching this decision, we concluded that the situation in the US market was such that the risks of delaying consideration of an increase for the successful leader of our North American business were too high.

We are of course cognisant of the impact of the salary increase on the other aspects of Tom's pay discussed above and believe that, together, the salary increase and the enhanced long-term incentive, represent a compelling proposition that will retain Tom for the long-term and enable the US business to continue to deliver outstanding performance. We have checked Tom's revised package against relevant benchmark data for US companies of a comparable size to the North American division, and while it is still below US market rates, it is now considered to be sufficiently competitive. Also as noted above, we are committed to retaining a UK style equity package with all awards linked to stretching targets, rather than a US package incorporating an element of restricted shares.

The Committee has reviewed the salaries of the other Executive Directors to apply with effect from 1 July 2022 and has agreed increases for Richard Harpin, David Bower and Ross Clemmow of 3%. This compares to an average increase for both UK and US based employees of 5%. Tom Rusin will not receive an increase as his salary was reviewed with effect from 1 January 2022 as explained above.

Remuneration for the wider workforce

The Committee continues to review workforce remuneration and related policies to ensure that there is consistency and alignment with the approach taken for Executive Directors. The Committee is kept informed of pay practices across the Group and spends a considerable amount of time reviewing incentive structures and other matters for below-Board executives and employees more broadly. As indicated above, a substantial amount of time has been taken during FY22 to review and consider the appropriate long-term incentive provision for key employees within the business. We are committed to ensuring that HomeServe operates remuneration practices at all levels that are fair and appropriate and aligned to our values whilst enabling pay to be set at a level necessary to attract, incentivise and retain high-calibre individuals, while not overpaying.

Directors' remuneration report continued

Annual statement continued

Conclusion

The Committee believes that the updated remuneration policy will provide a simpler and stronger link between business (and, where appropriate, divisional) performance and individual reward for the Executive Directors. With the exception of Tom Rusin – where an enhancement to his package is being proposed in light of very specific market conditions in the US – overall incentive opportunities as a percentage of salary are not increasing, when the removal of the matching award element is considered. This is illustrated by the table below, which shows the "on-target" and maximum levels of reward under the current and proposed policies (expressed as a % of basic salary), as it applies to all Executive Directors except Tom Rusin.

	Current		Current (reflecting the higher PSP award in FY22)		Proposed	
	On-target	Maximum	On-target	Maximum	On-target	Maximum
Annual bonus	80%	100%	80%	100%	75%	150%
Matching shares	90%	150%	90%	150%	n/a	n/a
Performance shares	90%	150%	120%	200%	150%	250%
Total	**260%**	**400%**	**290%**	**450%**	**225%**	**400%**

For the annual bonus, the on-target level of payout is reducing from 80% of the maximum award to 50%, consistent with investor expectations. For long-term incentives, we have assumed a 60% level of vesting for on-target performance, which is consistent with past assumptions.

The Committee is satisfied that the updated policy will serve us well over the coming years and continue to motivate and retain our Executive Directors. I would welcome your support for the new policy and the other remuneration related resolutions at the forthcoming AGM.

Recommended offer

On 19 May 2022, Brookfield Infrastructure Funds announced the terms of a recommended offer for the Group. The Remuneration Committee is in the process of carefully considering the full implications of the offer, including in respect of the impact on participants in the various share plans operated by HomeServe.

Katrina Cliffe

Chair of the Remuneration Committee
24 May 2022

Directors' remuneration policy

The Directors' remuneration policy sets the overall framework for the remuneration of the Directors of the Company. The policy must be approved by shareholders by way of a binding vote. All remuneration payments and payments for loss of office must be consistent with the terms of the approved remuneration policy. If the Company wishes to make a payment which is not consistent with the policy, it must seek shareholder approval for an amendment to the policy before the payment can be made.

Subject to shareholder approval, this policy will apply from the date of the 2022 AGM.

The policy was developed by the Remuneration Committee following a detailed review undertaken in conjunction with the Committee's external advisers. This considered the ongoing evolution of HomeServe's strategic priorities and changes in institutional views and the broader corporate governance environment since the policy was last approved in 2020. The review also took into account specific issues relating to the competitiveness of the North American markets and the need to put in place appropriate retention and reward structures to mitigate the risks of losing key people in these markets. The Committee considered a number of alternative policy approaches before agreeing on a set of proposals which it communicated to major shareholders in a consultation exercise.Taking into account the generally positive comments received from those consulted, the Committee agreed to take forward the policy proposals to shareholders by way of a formal vote at the 2022 AGM. The Committee was aware of the need to avoid conflicts of interest during the development of the policy. No Director was responsible for determining his or her own remuneration.

The remuneration policy remains based on the following key principles:

- To clearly align rewards with the Group's financial and operational performance;
- To ensure that remuneration – particularly variable pay – supports the Group's strategy and purpose;
- To promote high levels of executive share ownership to encourage a long-term focus and alignment of interest between executives and shareholders; and
- To attract, retain and motivate high-calibre executives.

Executive remuneration is structured in two distinct parts: fixed remuneration of basic salary, pension and benefits and variable performance-related remuneration in the form of an annual bonus and long-term incentive arrangements. Remuneration for Executive Directors is structured so that the variable pay element forms a significant portion of each Director's package.

The key changes to the policy approved in 2020 are set out below:

- In the interests of simplification, we have removed the matching shares element from the long-term incentives. Only performance shares will be granted, with effect from the LTIP awards to be made in 2022.
- To reflect the absence of matching awards, the maximum grant limit for performance shares has increased from 200% to 350% of basic salary. However, with the exception of awards to be made to Tom Rusin, grants to Executive Directors will normally be made at a level of 250% of basic salary. Tom Rusin will receive an additional award at a level of 100% of basic salary, with performance conditions specific to his role.
- The annual bonus limit has increased from 100% to 150% of basic salary, to also reflect the absence of matching awards. We also confirm that the payout for "on-target" performance will be 50% of the maximum potential award, consistent with general investor expectations.
- Two-thirds of any bonus will be paid in cash, with the remaining one-third invested in shares which must be held for a minimum of three years. The introduction of bonus deferral helps provide for ongoing alignment with shareholders in the absence of matching shares.
- We have clarified that annual bonuses may be based on divisional as well as Group performance. This is to ensure that a portion of bonuses for the Executive Directors with divisional responsibilities can be directly linked to the performance of their divisions.
- We have confirmed that pension provision for all Executive Directors will be aligned with the rate for the wider workforce from 1 December 2022, in line with our prior commitments and what is now standard market practice.

We have specified that the post-employment shareholding requirement applies to the lower of (1) 200% of basic salary and (2) the actual shareholding at the point of departure, consistent with standard practice and the guidance of the Investment Association.

Additional minor changes to the wording of the policy have also been made for the purpose of clarification.

Directors’ remuneration report continued

Annual remuneration policy continued

The policy for the remuneration of Executive Directors is set out below.

Element	Purpose and link to business strategy	Performance Period	Operation (including performance measures and maximum limits)
Basic salary	To attract, motivate and retain individuals of the right calibre whilst reflecting their particular skills and experience and to provide a competitive base salary compared with similar roles in similar-sized companies.	n/a	Individual pay is determined by the Committee taking into account the role, responsibilities, performance and experience of the individual and market data on comparable roles. The Committee has not set a cap on the maximum salary level that may be offered. However, any salary increases will normally be no higher than the typical level of increase awarded to other employees in the relevant territory. Increases above this level may be offered in certain circumstances such as where an Executive Director has been promoted, has had a change in responsibility, to reflect increased experience in the role, or where there has been a significant change in the size and/or scope of the business. When reviewing salary increases, the Committee also considers the impact of any increase to base salaries on the total remuneration package. Salaries are usually reviewed annually, with any changes normally taking effect from 1 July.
Performance related bonus	To drive and reward the short-term operating performance of the Company and encourage the delivery of consistently good customer and other stakeholder outcomes.	Annual (determined after the year-end).	Annual performance bonuses are determined by reference to achievement against a mix of financial, non-financial and strategic/personal objectives. Before any bonus is payable a minimum threshold level of financial performance must be achieved. Bonuses are based on Group performance, Divisional performance (where appropriate) and individual performance. Individual performance accounts for no more than 20% of the overall bonus opportunity. The maximum potential quantum is 150% of base salary. No more than half of this amount is payable for on-target performance. The Committee retains the discretion to review and set the choice of bonus plan measures and respective weightings annually to ensure that they reflect the changing needs of the business, are aligned with the Group’s business strategy and so that arrangements are consistent amongst the senior executive team. Performance targets are linked to the Group’s strategic and operational objectives. The Committee has the discretion to modify the amount payable, to reflect wider financial and business performance or other relevant factors. Bonuses are payable in cash and one-third of any bonus paid (net of tax) must be invested in shares having a three-year holding period.

Element	Purpose and link to business strategy	Performance Period	Operation (including performance measures and maximum limits)
Long-term incentives	To drive long-term delivery of the Group's objectives, to align Directors' interests with those of the Company's shareholders and other stakeholders and to encourage exceptional performance.	Three years plus a two-year post vesting holding period.	Awards of performance shares may be granted each year under the Long-Term Incentive Plan. Shareholder approval to amend the current LTIP rules will be sought at the 2022 AGM (the current rules were approved by shareholders in 2018). The maximum limit is 350% of base salary. Awards for Executive Directors based outside the US will normally be granted at a level of 250% of base salary. Awards for Tom Rusin (and, if relevant during the remuneration policy period, any successor as head of the North American business) will normally be granted at a level of 350% of base salary, i.e. inclusive of an additional 100% award on top of the "standard" 250% of salary award. Awards of performance shares vest after three years, subject to the achievement of challenging performance conditions. Performance metrics and targets are agreed by the Committee each year prior to the grant of awards. Measures and weightings for awards to be made under the Long-Term Incentive Plan in 2022 (subject to approval of the remuneration policy and the LTIP rule amendment at the AGM) are: • for the standard award (250% of salary), EPS growth (33.33%), Relative TSR (33.33%) and ROIC (33.33%) each measured over three years; • for the additional award pertaining to Tom Rusin (100% of base salary), profit growth (50%) and ROIC (50%) for the North America division measured over three years. Targets are set using a sliding scale and no more than 25% of an award will vest for achieving the threshold performance hurdle. The value of dividends payable over the vesting period may be awarded on any shares vesting under the Plan. A two-year post vesting holding period applies to all vested shares. The Committee may use its discretion to modify the number of shares which vest, to reflect wider financial and business performance or other relevant factors.
Pension	To provide benefits comparable with similar roles in similar companies, assist attraction and retention and reward sustained contribution.	n/a	**UK-based – Defined Contribution:** Effective 1 December 2022, all UK-based Directors may receive a pension allowance in line with the majority of the workforce (currently 6% of salary). Annual contributions for new appointments since the date of approval of the 2020 remuneration policy are aligned to the majority of the workforce (currently 6% of salary). Annual contributions for Directors appointed prior to this are set at 20% of salary. This will reduce to the level received by the majority of the workforce (currently 6%) on 1 December 2022. The pension allowance can be paid, subject to the scheme limits, into the HomeServe Money Plan (a money purchase pension scheme) and/or taken as a cash allowance in lieu. **US-based – Defined Contribution:** Annual contributions of up to 4% of basic salary paid into the 401(k) plan. This is aligned with the provision for the majority of the wider workforce in the United States.

Directors' remuneration report continued

Directors' remuneration policy continued

Element	Purpose and link to business strategy	Performance Period	Operation (including performance measures and maximum limits)
Other benefits	To provide a competitive and cost-effective package of benefits to assist with recruitment and retention of individuals of the right calibre.	n/a	Other benefits may include a fully expensed car (or cash alternative), fuel allowance, private health cover (for the individual, partner and dependent children), death in service benefits (up to 8 x salary) and income protection insurance. Other benefits may be provided as appropriate, and Directors can access HomeServe products and services on the same terms as offered to employees. Any reasonable business-related expenses (including tax thereon) may be reimbursed if determined to be a taxable benefit. There is no maximum limit on the value of the benefits provided but the Committee monitors the total cost of the benefit provision.
All Employee Share Plans	To encourage employee share ownership.	n/a	The Executive Directors may participate in any employee share plans offered by the Company on the same terms as other employees.

The policy for the remuneration of Non-Executive Directors is set out below.

Chairman and Non-Executive Directors' fees	To attract and retain Non-Executive Directors of the right calibre to oversee the implementation of our business strategy.	n/a	Non-Executive Director fees are determined by the Board within the limits set by the Articles of Association. The fees for the Chairman are determined by the Remuneration Committee taking into account the views of the Chief Executive. The Chairman excludes himself from such discussions. The fee levels are reviewed periodically and are set to reflect the responsibilities and time commitment of the role and the experience of the individual. Fee levels are set by reference to rates in companies of comparable size and complexity. The fees for the Non-Executive Directors comprise a basic Board fee, with additional fees paid for chairing a Committee or for the Senior Independent Directorship. The Chairman receives an all-encompassing fee for the role. In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment. Fees are paid monthly in cash. Any reasonable business-related expenses (including tax thereon) may be reimbursed if determined to be a taxable benefit. The Chairman and Non-Executive Directors may be eligible to access HomeServe products and services on the same terms as offered to employees.

Performance measures

The Remuneration Committee works hard to ensure that the remuneration policy for the Executive Directors supports the business strategy, and that the level of remuneration received is reflective of the overall business performance and the returns received by shareholders. A significant proportion of the remuneration package opportunity comes from variable pay with careful consideration given to the choice of performance metrics to ensure that executives are not encouraged to take inappropriate risks.

The choice of measures may change for future award cycles, but for FY23 the Group measures will be based on the following:

Metric	Type of Award	Link to strategy
Profit Before Tax	Bonus	Core short-term profitability metric
Growth in Customers and Trades	Bonus	Core non-financial top line volume metric aligned with our growth strategy
Reduction in Customer Dissatisfaction	Bonus	Core non-financial quality metric that contributes to long-term customer retention and reflects operational improvement
ESG	Bonus	Core non-financial metrics relating to Environmental, Social and Governance strategy
Personal Strategic Objectives	Bonus	Up to three personal strategic objectives relevant to each Executive Director
Earnings per Share (EPS)	LTI	This provides an assessment of the profitability of the Group over the longer-term and is strongly aligned to the execution of the business strategy. Challenging targets are set for each award cycle based on internal and external forecasts.
Total Shareholder Return (TSR)	LTI	This measures the total return to shareholders provided through share price appreciation and dividends. TSR provides a clear alignment between the value created for shareholders and the reward earned by executives.
Return on Invested Capital (ROIC)	LTI	This measures the percentage return earned on invested capital and shows how efficiently funds are being used to generate income.

In addition to the above Group measures, the Executive Directors with specific divisional responsibilities (Tom Rusin and Ross Clemmow) will have a portion of their bonus based on divisional profit before tax growth and reduction in divisional customer dissatisfaction. The purpose of this is to ensure that a significant proportion of their annual bonus is based on the performance of the parts of the business for which they are directly responsible. In addition, the extra performance share award to be granted to Tom Rusin in line with the new remuneration policy depends on the performance of the North American division over the three-year performance period, again reflecting his responsibilities for leading this critically important part of HomeServe's business.

If required, the Committee would consult with shareholders in advance of the introduction of new measures to be applied to future award cycles.

Remuneration Committee discretion

The Committee can exercise discretion in a number of areas when operating the incentive schemes, in line with the relevant rules of the schemes. This includes in respect of the choice of participants, the size of awards in any year (subject to the limits in the policy table above), the determination of the treatment for leavers (subject to the scheme rules and the provisions of this remuneration policy) and the treatment of outstanding awards in the event of a change of control.

Malus and Clawback

The Committee has discretion to determine whether exceptional circumstances exist which justify whether any or all of bonus award (cash or shares) or vested/unvested LTIP award should be forfeited, even if already paid. Examples of exceptional circumstances include but are not limited to, material misstatement of financial results, an error in assessment of performance, the use of misleading information, misconduct on the part of the individual, corporate failure or the Company suffering reputational damage. The clawback provisions are in place for a period of three years after the date of bonus payment or vesting of LTIP awards.

Shareholding requirement – in employment

Executive Directors and Non-Executive Directors are required to build up and retain a minimum shareholding in the Company. The shareholding requirement for each Director is 300% of annual basic salary or fee. The requirement is normally expected to be met within five years of appointment.

If the holding requirement has not been fulfilled at the point of exercise of any option or the vesting of any other long-term incentive award, the Director must retain at least 50% of the net proceeds in the Company's shares until the holding requirement is achieved.

Directors' remuneration report continued

Directors' remuneration policy continued

Shareholding requirement – post employment

The requirement for Executive Directors to continue to hold shares after leaving ensures they continue to share a level of risk with shareholders and maintain alignment with their interests. The post-employment requirement for Executive Directors is 200% of base salary calculated at their leave date (or maintenance of their actual holding percentage if lower), expressed as a number of shares and held for a period of two years. The requirement applies to shares awarded after the implementation of the 2020 remuneration policy. The calculation excludes the value of any awards not yet vested for 'good leavers' that will vest according to the normal schedule (and which in any event must be held for the required holding period). The calculation includes any recently vested awards which continue to be subject to a holding period, even after employment.

How employees' pay is taken into account

The remuneration policy for the Executive Directors is designed with regard to the policy for employees across the Group as a whole. We have differences in pay and benefits across the Group which reflect specific accountabilities and labour markets. Our ability to meet our growth expectations and compete effectively is dependent on the skills, experience and performance of all of our employees. Our employment policies, remuneration and benefit packages for employees are regularly reviewed to ensure they remain competitive in the countries in which we operate.

There are some differences in the structure of the remuneration policy for the Executive Directors and senior management team compared to other employees reflecting their differing responsibilities, with the principal difference being the increased emphasis on performance related variable pay, delivered through annual bonus and LTI opportunities for the more senior executives within the organisation. However, there are many common themes. For example, the structure of the annual bonus, with the focus on financial, non-financial and personal performance is the same for employees at management grade and above with the same business objectives being used for everyone in a particular business unit.

Employee share ownership is encouraged and facilitated through extending participation in the LTIP to other senior leaders within the business. As noted in the annual statement from the Chair of the Remuneration Committee, we are introducing restricted shares in the US in FY23 to reflect the specific competitive pressures in that market, although such an approach is not being extended to the US-based Executive Director. All eligible employees are able to participate in the HomeServe One Plan, a share incentive plan. The One Plan was reviewed during FY21 with the matching element doubled so that participants now receive one free matching share for every partnership share that they buy.

Although the Committee does not consult directly with employees on directors' pay, the Committee does take into consideration the pay and employment conditions of all employees when setting the policy for directors' remuneration. In terms of comparison metrics, the Committee takes into account the average level of salary increase being budgeted for the workforce in the relevant territory when reviewing the salary levels of the Executive Directors. The Committee is also mindful of any changes to the pay and benefit conditions for employees more generally when considering the policy for directors' pay.

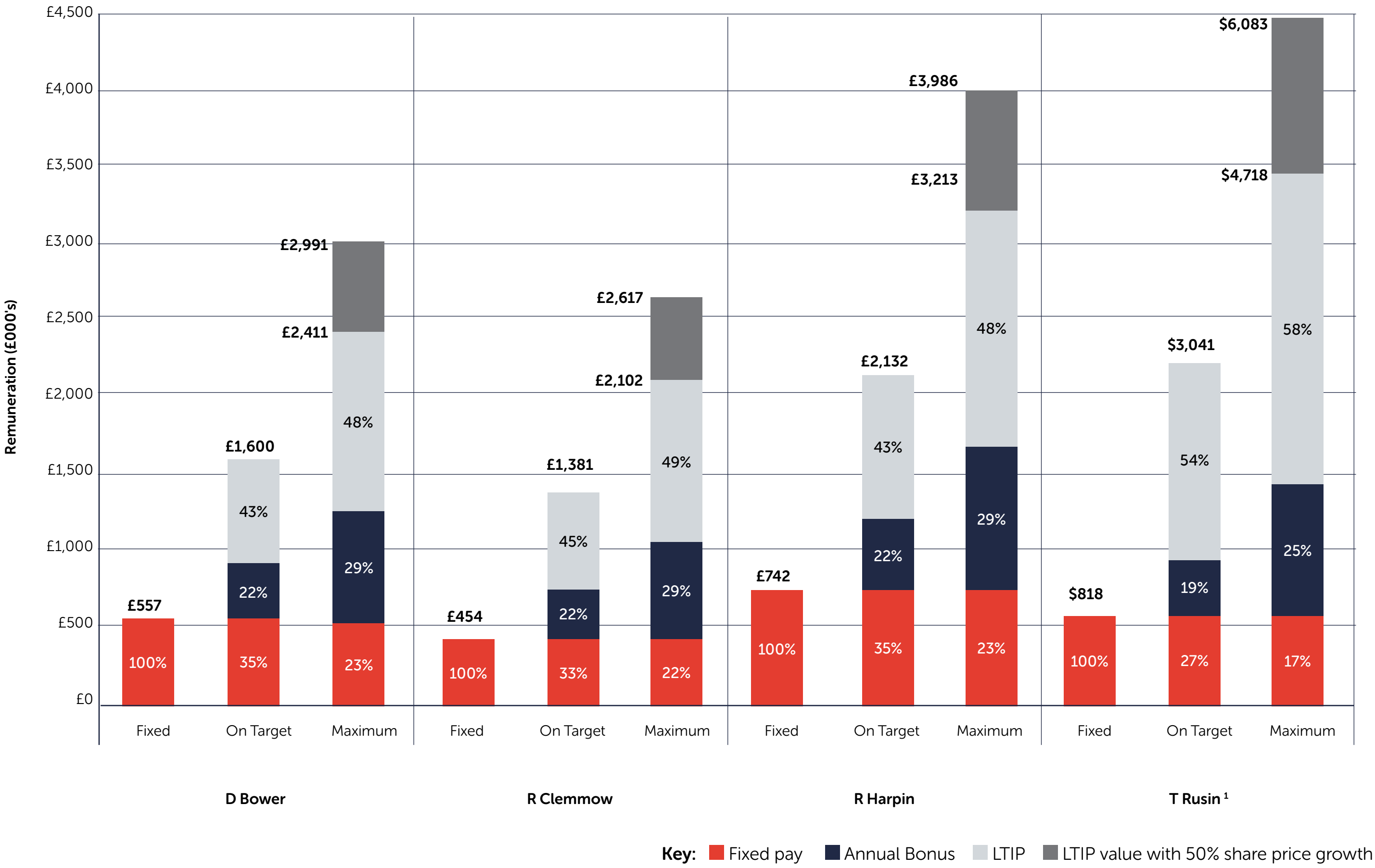
The Committee Chair has met with the International People Forum (established to facilitate workforce engagement) and there was a useful discussion about executive pay and the reasons why it can differ from workforce arrangements and in particular the requirement for Executive Directors to invest in HomeServe shares and for a high proportion of their pay to be delivered in shares through the LTIP.

How shareholders' views are taken into account

The Committee considers shareholder feedback received regarding the Remuneration report annually and guidance from shareholder representative bodies more generally. These views are key inputs when shaping remuneration policy. The Committee consults with shareholders when considering changes to remuneration arrangements and did so in respect of the review of the new policy to be voted on at the 2022 AGM. A detailed letter was sent to major shareholders and governance advisers and all of them were offered a meeting with the Chair of the Committee.

Remuneration scenarios for Executive Directors

The chart below details the composition of each Executive Director's remuneration opportunity and how it varies at different levels of performance under the proposed policy set out above. It demonstrates the balance between fixed and variable pay at threshold, on-target and maximum performance levels.



[1] Tom Rusin is paid in USD and the USD amounts have been converted to GBP for illustrative purposes.

Assumptions

Fixed:	fixed pay only (salary plus benefits plus pension).
On target:	target annual bonus of 75% of salary (50% of maximum) plus target LTIP awards in FY23 of 150% of salary for Richard Harpin, David Bower and Ross Clemmow and 210% of salary for Tom Rusin. (60% of maximum)
Maximum:	maximum annual bonus of 150% of salary plus maximum LTIP awards in FY23 of 250% for David Bower, Ross Clemmow and Richard Harpin. The maximum LTIP award in FY23 for Tom Rusin is 350% of salary.
Maximum plus share price growth:	The maximum scenario above but illustrating the impact of a 50% increase in the share price on the LTIP awards.

Salary levels (on which other elements of the packages are calculated) are based on salaries as at 1 July 2022.

The value of taxable benefits is based on the actual values paid in FY22.

Richard Harpin and David Bower receive a pension allowance of 20% of basic salary. This reduces to 6% on 1 December 2022.

The Executive Directors may participate in all-employee share schemes on the same basis as other employees. The value that may be received under these schemes is subject to tax approved limits. For simplicity, the value that may be received from participating in these schemes has been excluded from the above charts.

Directors' remuneration report continued

Directors' remuneration policy continued

Executive Directors' service agreements

Under the Executive Directors' service contracts up to twelve months' notice of termination of employment is required by either party (reduced to six months if following a prolonged period of incapacity).

Dates of current contracts are summarised in the table below:

Name	Date of contract
D Bower	3 February 2017
R Clemmow	4 March 2021
R Harpin	18 January 2002
T Rusin	4 April 2018

Policy on payment for loss of office

Should notice be served, the Executive Directors can continue to receive basic salary, benefits and pension for the duration of their notice period. The Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. The Company applies a general principle of mitigation in relation to termination payments and supports the use of phased payments. From the date of the announcement of an Executive Director's termination, any payment would be capped at 12 months' pay (that is, notice must be served concurrent with the announced departure).

Outplacement services may be provided where appropriate, and any statutory entitlements or sums to settle or compromise claims in connection with a termination (including, at the discretion of the Committee, reimbursement for legal advice) would be paid as necessary.

The service contracts also enable the Company to elect to make a payment in lieu of notice equivalent in value to up to twelve months' base salary, benefits and pension, again normally phased over the unexpired original period of notice.

In the event of cessation of employment, the executives may still be eligible for a discretionary performance related payment for the period worked if the Committee deems the individual to be a 'good leaver'. Different performance measures may be set to reflect changes in the director's responsibilities until the point of departure.

The rules of the LTIP set out what happens to outstanding share awards if a participant leaves employment before the end of the vesting period. Generally, any outstanding share awards will lapse when an Executive leaves employment, except in specific circumstances where 'good leaver' provisions apply at the Committee's discretion. Such circumstances include death, ill-health, injury, disability, retirement, transfer of employment or any other reason at the discretion of the Committee.

For a 'good leaver', any outstanding unvested LTIP awards will vest on the normal vesting date subject to an assessment of performance, with a pro-rata reduction to reflect the proportion of the vesting period served. The Committee may dis-apply the time pro-rating requirement if it considers it appropriate to do so. In the case of cessation due to death, the Committee can determine that the awards vest early. Outstanding vested but not exercised awards can be exercised by a 'good leaver' until the expiry of the normal exercise period (or within 12 months in the case of death). Other than in respect of death, the post-vesting holding period will continue to apply in 'good leaver' circumstances.

In determining whether an Executive Director should be treated as a 'good leaver' and the extent to which their award may vest, the Committee will consider the circumstances of an individual's departure.

The treatment of share awards on a change of control is the same as that set out above in relation to a 'good leaver' (albeit with the vesting period automatically ending on the date of the change in control and no holding period).

Policy on recruitment remuneration

Base salary levels will be set in accordance with the approved remuneration policy applicable at the time of appointment, taking account of the individual's skills, experience and their current remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases (in excess of the average for the wider workforce) to the desired salary positioning may be given over subsequent years subject to individual and Company performance. Benefits will generally be provided in accordance with the approved policy, with relocation expenses and/or an expatriate allowance paid for if necessary. For a non-UK based Executive Director appointment (which may include the relocation of an existing UK-based Director), the benefit and pension arrangements may be tailored to reflect local market practice (subject to the overall maximum limits on pension set out in the policy table).

The structure of the variable incentive pay element will be in accordance with the approved remuneration policy applicable at the time of appointment. This means the maximum annual bonus award in any year would be 150% of salary, with one-third of any bonus payment required to be invested in shares. The maximum LTIP performance shares award would be 250% of salary for non US-based Executive Directors and 350% of salary for a US-based Executive Director. LTIP awards may be made shortly following an appointment (assuming the Company is not in a closed period). Benefits consistent with those available to other Executive Directors under the approved remuneration policy applicable at the time will be offered, taking account of local market practice. The Committee may also agree for the Company to meet the costs associated with the recruitment, such as for example legal fees, and certain relocation expenses or provide tax equalisation as appropriate.

Performance share awards would be granted on a consistent basis to the other Executive Directors. In the case of the annual performance bonus, different performance measures may be set for the first year, taking into account the responsibilities of the individual and the point in the financial year at which they join.

If it is necessary to buy-out incentive pay (which would be forfeited on leaving the previous employer) in order to secure the appointment, this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. The LTIP permits the grant of restricted share awards to Executive Directors in the case of recruitment to facilitate this, although awards may also be granted outside of this scheme if necessary, and as permitted under s.9.4.2.2 of the Listing Rules.

In the case of an internal promotion, any outstanding variable incentive pay awarded in relation to the previous role will be allowed to pay out according to the original terms.

The service contract for a new appointment would be in accordance with the policy for the current Executive Directors.

Fees for a new Chairman or Non-Executive Director would be set in line with the approved policy applicable at the time of appointment.

Non-Executive Directors' letters of appointment

Non-Executive Directors serve under letters of appointment for periods of three years. Fees are set in line with the approved policy applicable at the time of appointment. No compensation is payable to the Chairman or Non-Executive Directors if they are not re-elected at the AGM. Non-Executive Directors (including the Chairman) otherwise have a notice period of three months, but no liquidated damages are payable.

Details of Non-Executive Directors' current three-year appointments are as follows:

Name	Date of contract
T Breen	27 January 2021
K Cliffe	23 May 2020
S David	23 November 2019
R Donnelly	25 March 2021
E Fitzmaurice	23 May 2020
O Grémillon	29 March 2022
R McMillan	27 October 2020

External Appointments

Executive Directors, with the approval of the Board, may hold one external appointment as a Non-Executive Director of another company and can retain any fees received.

Directors' remuneration report continued

Annual report on remuneration

This part of the report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, subsequent relevant reporting regulations and 9.8.6R of the Listing Rules. The annual report on remuneration is put to an annual advisory shareholder vote each year and this report will be subject to a vote at the 2022 Annual General Meeting.

Remuneration Committee Members

Katrina Cliffe (Chair)
Tommy Breen
Edward Fitzmaurice
Olivier Grémillon
Ron McMillan
JM Barry Gibson (stepped down on 18 May 2021)

All of the current members are independent Non-Executive Directors, and the Chairman of the Committee has experience of other remuneration committees. The Board determined that the Company Chairman, Tommy Breen should be a member of the Committee as he was independent on appointment. He takes no part in discussions relating to his own remuneration.

Responsibilities

The principal role of the Remuneration Committee is to set the framework and policy for remuneration of the Board of Directors, both Executives and Non-Executives, and the Executive Committee. In determining these arrangements, the Committee takes account of the employment conditions and remuneration arrangements across the Group, seeking to ensure they align with common objectives and are based on the same principles. Insofar as possible, we ensure they also follow similar structures, since this is the most reliable way of ensuring transparency. We aim to offer a remuneration package that is sufficiently attractive to attract and appropriately reward the leadership team required to successfully run a complex international Group.

The primary responsibilities of the Committee include:

- Determining the Group's overall remuneration strategy
- Determining the remuneration packages of the Executive Directors and other members of the Executive Committee
- Selecting the measures and setting the performance criteria for the annual bonus and LTIP; and, at the end of the performance periods, evaluating performance against these criteria and considering if discretion should be applied in determining the final level of payment
- Approving the grant and exercise of executive share-based long-term incentive arrangements and overseeing the operation of other share-based plans across the Group
- Agreeing the terms and conditions of service agreements with Executive Directors, including termination payments
- Reviewing workforce remuneration and related policies; in this regard, the Committee reviews internal relativities and pay ratios, and receives inputs to its meetings to provide a full picture of pay and conditions across the Group
- Considering the guidance issued by shareholders, their representative bodies and proxy agencies (including the Investment Association and Institutional Shareholder Services) on matters related to executive compensation and corporate governance; further, the Committee encourages an open dialogue with shareholders, soliciting feedback and seeking their views ahead of enacting significant changes to the remuneration policy or its implementation.

The Committee's terms of reference are available on our website: **www.homeserveplc.com/who-we-are/governance/committees**

The Committee has agreed and implemented a procedure for reviewing and assessing its own effectiveness as part of the annual effectiveness review of the Board.

UK Corporate Governance Code

As indicated in the compliance statement on page 63, the Board believes that HomeServe has applied the principles of the UK Corporate Governance Code ('the Code') and complied with the relevant provisions of the Code during FY22, with a couple of minor exceptions. The Committee will align the pension contribution rate for the CEO and the CFO to that of the wider workforce on 1 December 2022 and so will be compliant with Provision 38 of the Code from that time.

The Committee has considered the principles set out in Provision 40 of the Code and explains below how these have been addressed:

- **Clarity:** The proposed Directors' remuneration policy (subject to shareholder approval at the 2022 AGM) is set out on pages 97 to 105. Committee decisions around the implementation of the policy are set out in each year's Directors' remuneration report. When consulting with major shareholders on executive remuneration, or engaging with the workforce on such matters, the Committee aims for full transparency surrounding its proposals and the rationale for making any changes. As an example, this approach was taken during the consultation exercise with major shareholders conducted during the year under review ahead of the renewal of the remuneration policy.

- **Simplicity:** The Committee is keen to ensure that the remuneration structures in place for Executive Directors (and for other senior leaders within the business) are not overly complex and can be easily understood both internally and externally. We are simplifying our long-term incentives by ceasing to make matching awards of shares under the LTIP and so Executive Directors will only receive awards of performance shares.

- **Risk:** The Committee is satisfied that the Directors' remuneration policy is proportionate and does not lead to excessive risks, either in terms of the behaviour it promotes or the potential for the generation of outsize rewards which are not tied to performance. The policy has a strong performance focus, with the Committee seeking to ensure that incentive targets are challenging but realistic and do not encourage undue risk-taking. The Committee regularly considers formal risk reviews of the remuneration policy.

- **Predictability:** A range of possible values of rewards to individual Executive Directors under the proposed Directors' remuneration policy is included on page 103. While the final value of Directors' remuneration will depend upon a variety of factors, including the extent to which performance targets are met and HomeServe's share price, these "scenario charts" provide indicative values of reward for different performance outcomes.

- **Proportionality:** Incentives for Directors are based on the achievement of pre-set performance targets linked to HomeServe's strategic priorities and business plan, with both a financial and non-financial focus. Bonus payouts and the vesting of long-term incentive awards depend on genuinely challenging targets being met, with no possibility of rewards for poor performance.

- **Alignment to culture:** HomeServe is an organisation focused on driving long-term shareholder value, and this is recognised at Executive Director level by a remuneration policy which is heavily weighted towards performance and payment in equity. Until FY22 (inclusive) Executive Directors have been encouraged to invest their cash bonuses into shares and gain the potential benefit of Matching Shares, subject to three-year performance targets being met. For FY23 (onwards) we are introducing a mandatory share-based element to the pay-out of bonuses whereby one-third of any net bonus must be invested in shares which are held for a minimum of three years, thus ensuring ongoing alignment with shareholder interests. Further, the business prides itself on a culture of excellent customer service, which is reflected in the use of relevant performance metrics in the annual bonus scheme.

Directors' remuneration report continued

Annual report on remuneration continued

Activities

The Committee met four times during the year. Details of meeting attendance are set out on page 72. The timing of meetings is arranged around the annual remuneration cycle. The main areas of discussion are summarised below:

Items discussed	May 2021	November 2021	January 2022	March 2022
Policy				
Review of the remuneration policy and shareholder consultation		●		
Feedback from the shareholder consultation			●	
Long-term incentives				
Outturn for awards vesting in June 2021	●			
Grant of awards including performance conditions	●	●		
Bonus scheme				
Performance conditions for the FY22 scheme	●			
Potential outturn for FY22 scheme				●
Structure and performance conditions for FY23 scheme			●	●
Salaries				
Salary increases for July 2021	●			
Benchmarking for the CEO, North America		●		
Broader workforce remuneration				
Annual average salary increases	●			
US LTIP approach for employees more broadly			●	●
Approach to subsidiary share plans			●	●

Advisers

The Committee selects its own advisers and received independent advice during FY22 from Korn Ferry. Korn Ferry was selected to provide independent advice from November 2020 following a competitive tendering process. Korn Ferry is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. During the year, diversity and inclusion advice was also provided to the Group by a separate team within Korn Ferry. The Committee does not consider that this prejudices Korn Ferry's position as the Committee's independent advisers.

Fees charged by Korn Ferry for advice provided to the Committee for the year ended 31 March 2022 amounted to £108,972 (excluding VAT) on the basis of time charged to perform services and deliverables.

The Committee has also received assistance from Richard Harpin, Group Chief Executive, David Bower, Chief Financial Officer, and Anna Maughan, Company Secretary, all of whom attended meetings of the Committee as required. No Executive Director took part in discussions in respect of matters relating directly to their own remuneration.

Single Total Figure of Remuneration (Audited)

	Year	Salary and fees £000	Taxable benefits [6] £000	Pension [7] £000	Bonus £000	LTIP [8 9] £000	Other [10] £000	Total Fixed £000	Total Variable £000	**Total £000**
Executives										
D Bower	FY22	431	17	86	323	170	2	534	495	**1,029**
	FY21	375	17	75	299	191	1	467	491	958
R Clemmow [2]	FY22	400	17	25	300	–	–	442	300	**742**
	FY21	12	–	–	–	–	–	12	–	12
R Harpin	FY22	597	22	119	448	280	2	738	730	**1,468**
	FY21	588	23	118	469	343	1	729	813	1,542
T Rusin [1]	FY22	512	18	9	338	246	2	539	586	**1,125**
	FY21	508	16	8	405	297	1	532	703	1,235
Non-Executives										
T Breen [3]	FY22	350	–	–	–	–	–	350	–	**350**
	FY21	62	–	–	–	–	–	62	–	62
K Cliffe	FY22	89	–	–	–	–	–	89	–	**89**
	FY21	77	–	–	–	–	–	77	–	77
S David	FY22	77	–	–	–	–	–	77	–	**77**
	FY21	68	–	–	–	–	–	68	–	68
R Donnelly [4]	FY22	65	–	–	–	–	–	65	–	**65**
	FY21	1	–	–	–	–	–	1	–	1
E Fitzmaurice	FY22	65	–	–	–	–	–	65	–	**65**
	FY21	57	–	–	–	–	–	57	–	57
O Grémillon	FY22	65	–	–	–	–	–	65	–	**65**
	FY21	57	–	–	–	–	–	57	–	57
J M B Gibson [5]	FY22	39	–	–	–	–	–	39	–	**39**
	FY21	300	–	–	–	–	–	300	–	300
R McMillan	FY22	77	–	–	–	–	–	77	–	**77**
	FY21	68	–	–	–	–	–	68	–	68
Total FY22		**2,767**	**74**	**239**	**1,409**	**696**	**6**	**3,080**	**2,111**	**5,191**
Total FY21		2,173	56	201	1,173	831	3	2,430	2,007	4,437

1 Tom Rusin is paid in USD and the USD amounts have been converted into GBP for the purposes of this table using the average exchange rate for FY22 of 1 GBP:1.36705 USD.
2 Ross Clemmow joined the Board on 22 March 2021.
3 Tommy Breen joined the Board on 27 January 2021.
4 Roisin Donnelly joined the Board on 25 March 2021.
5 JM Barry Gibson stepped down from the Board on 18 May 2021.
6 Benefits for UK-based Executive Directors comprise company car, fuel allowance and private health cover. Benefits for Tom Rusin comprise private health cover only.
7 Details of pension contributions can be found later in the report.
8 LTIP figures for FY21 have been updated to reflect the actual share price on vesting for the 2018 award. The figures for FY22 are based on the average share price over the last three months of the financial year of £7.47 as the awards have not yet vested. The value shown for each LTIP award includes an estimated amount in respect of dividend equivalents.
9 Impact of share price change: The 2019 LTIP awards were granted on 26 June 2019 with a share price of £11.85. The impact of share price change for the 2019 LTIP awards, comparing share prices at grant versus the average share price for the period 1 January to 31 March 2022 of £7.47, for each Executive Director is a decrease of £4.38 (37%) per share. This results in an estimated decrease in value (including dividend equivalents) of: £99,487 for David Bower; £164,456 for Richard Harpin and £144,238 for Tom Rusin.
10 'Other' relates to SIP matching shares awarded during the year.

Directors' remuneration report continued

Annual report on remuneration continued

Details of variable pay earned in the year (Audited)

Annual Bonus

For FY22 the annual bonus was based on the following stretching targets:

Financial and non-financial bonus targets

		Weighting	% Payable at Threshold	Threshold	Maximum	Actual	% Payable
Financial measures	Adjusted Group profit before tax	40%	10%	£215.0m	£220.0m	£220.3m	40%
Non-financial measures	Customer growth	15%	3%	8,614k	8,819k	8,373k	0%
	Trades growth (Checkatrade)	5%	2%	50.0k	59.4k	46.9k	0%
	Trades growth (Habitissimo)	5%	2%	11.8k	13.1k	10.8k	0%
	Customer dissatisfaction[1]	3.7%	0.73%	5.0%	4.5%	4.5%	3.7%
	Customer 5 star rating[1]	11.3%	2.27%	4.64	4.68	4.74	11.3%

[1] Customer dissatisfaction is measured as a weighted average across our UK and Spanish Membership businesses and the 5 star rating is measured as a weighted average across our North American, French and Spanish Membership businesses. The 5 star rating element was introduced to the bonus scheme during the year under review as it was considered to represent a more rounded assessment of customer satisfaction in selected key markets.

Personal bonus targets

	Personal strategic objectives	Weighting	Outcome	% Payable
D Bower	• Review the operation of the Group from an organisational perspective and implement efficiencies and improvements to support the execution of business plans • Simplify the various reward structures within the Group, recognising David's role leading the HR function.	20%	Key achievements included • Corporate structure reviewed and changes implemented to ensure that the legal structure reflects the organisational structure. • Changes agreed to the governance framework to ensure timely and effective oversight of key priorities, improving efficiency while maintaining appropriate controls. • Group reward structures simplified and amended, with US long-term incentive approach updated to include restricted shares to ensure that the scheme remains relevant to the local environment. LTIP to be used as the key plan for all businesses, with a reduction in the number of bespoke incentive schemes in operation.	20%
R Clemmow	• Establish a new plan to return the UK Membership business to deliver profit growth in FY23. • Set out and prove out the winning operating and marketing model for HVAC which enables us to budget for 7.5% marketing spend per local HVAC business in FY23. • Grow new international opportunities.	20%	Key achievements included • UK Membership stabilised customers at 1.5m and grew profit to £72.9m in FY22. • Good progress on HVAC marketing and operating model, setting strong foundations for FY23. • First HVAC business acquired in Germany and discussions progressing in respect of other targets. Japanese joint venture now has 4 group affinity partnerships, with affinity households now at 14.1m (ahead of target).	20%
R Harpin	• Implement Directory Extra technology stack alongside proven organisational model. • Assist Tom Rusin to accelerate growth in US and in particular, to prove a new model to sign utility partners quicker.	20%	Key achievements included • Very good progress on Directory Extra model in Checkatrade, with additional launches in Habitissimo and in Maison in France. • New way to introduce the US Membership business to prospective partners pioneered and rolled out, with promising initial results	20%

	Up to three personal strategic objectives	Weighting	Outcome	% Payable
T Rusin	Achieve the following metrics in respect of North American Membership: • PBT between $154.1m and $172.0m • Customers between 5,022.5k and 5,227.5k • New households between 6m and 10m.	20%	Key achievements included • North American adjusted operating profit of $159.1m versus a budget of $163.0m, so in the performance range • Household signings of 7.2m • Customer numbers unfortunately slightly below the bottom end of the performance range.	11%

HomeServe had another successful year, financially and strategically. In line with our expectations, we delivered an acceleration in our financial performance, with our key profit measure, adjusted profit before tax (PBTA) up 15% at £220.3m. We did not achieve our stretching targets in respect of overall customer growth in our Membership businesses and trades growth in Home Experts, but it is clear from the customer dissatisfaction and 5 star scores that our customers continue to be very happy with the service we provide. As a result, 55% out of a maximum of 80% is payable in respect of Group performance.

Taking this into account and following an assessment of the personal performance of each Executive Director as set out above, payments of between 66% and 75% of the maximum will be made.

The overall FY22 bonus opportunity and actual pay-outs achieved by each Executive Director as set out above, is set out below:

	Maximum Opportunity		Actual pay-out	
Name	£	% of salary	£	% of salary
D Bower	£431,250	100%	£323,438	75%
R Clemmow	£400,000	100%	£300,000	75%
R Harpin	£596,884	100%	£447,663	75%
T Rusin	£512,445	100%	£338,214	66%

Annual bonuses are paid in cash. Under the proposed remuneration policy, Executive Directors will have to invest one third of any net bonus in shares. These shares will be subject to a three-year holding period.

Long-term Incentive Plan

The 2019 LTIP performance and matching awards were granted on 26 June 2019.

The performance conditions for the performance and matching awards were as follows:

Condition	Percentage of award to which the condition applies	Performance period	Threshold target	Stretch target	Actual performance	Vesting
TSR (underpinned by underlying financial performance)	25%	3 years to 31 March 2022	TSR equal to the FTSE 250 index	TSR exceeds the index by an average of 15% p.a.	-16.1%	0%
EPS	75%	3 years to 31 March 2022	Compound annual growth of 9%	Compound annual growth of 15%	9.54%	31.9%

Based on the level of performance as set out in the table above, the overall level of vesting is expected to be 23.93%. A two-year post-vesting holding requirement applies to the awards.

The 2019 awards have been valued for the purpose of the remuneration table on page 109 using the average share price over the last three months of the financial year (£7.47 per share).

Directors' remuneration report continued

Annual report on remuneration continued

Summary of outstanding awards (Audited)

LTIP

Details of the maximum number of shares receivable from awards made under the LTIP are as follows:

	31 March 2022	Awarded during year	Lapsed during year	Vested during year	31 March 2021	Date granted	Type of award
D Bower	**—**	—	36,845	9,402	46,247	24.7.18	Performance
	—	—	35,945	9,172	45,117	24.7.18	Matching
	47,468	—	—	—	47,468	26.6.19	Performance
	40,789	—	—	—	40,789	26.6.19	Matching
	42,485	—	—	—	42,485	15.7.20	Performance
	41,985	—	—	—	41,985	15.7.20	Matching
	86,789	86,789	—	—	—	23.6.21	Performance
	57,570	57,570	—	—	—	23.6.21	Matching
R Clemmow	**77,146**	77,146	—	—	—	23.6.21	Performance
	72,324	72,324	—	—	—	23.6.21	Buy Out
R Harpin	**—**	—	69,419	17,714	87,133	24.7.18	Performance
	—	—	67,474	17,217	84,691	24.7.18	Matching
	74,438	—	—	—	74,438	26.6.19	Performance
	71,453	—	—	—	71,453	26.6.19	Matching
	66,623	—	—	—	66,623	15.7.20	Performance
	65,842	—	—	—	65,842	15.7.20	Matching
	115,684	115,684	—	—	—	23.6.21	Performance
	90,279	90,279	—	—	—	23.6.21	Matching
T Rusin	**—**	—	59,513	15,186	74,699	24.7.18	Performance
	—	—	53,532	13,660	67,192	24.7.18	Matching
	65,926	—	—	—	65,926	26.6.19	Performance
	62,030	—	—	—	62,030	26.6.19	Matching
	59,666	—	—	—	59,666	15.7.20	Performance
	59,475	—	—	—	59,475	15.7.20	Matching
	94,496	94,496	—	—	—	23.6.21	Performance
	72,075	72,075	—	—	—	23.6.21	Matching

Further details on LTIP awards granted during the financial year

On 23 June 2021, the following performance and matching share awards were granted to the Executive Directors under the LTIP:

Performance share awards

	Date of grant	Number of shares	Share price used to determine awards	Award size (% salary)	Face value at grant £	% that vests at threshold
D Bower	23.6.21	86,789	£10.37	200%	£900,002	18.75%
R Clemmow	23.6.21	77,146	£10.37	200%	£800,004	18.75%
R Harpin	23.6.21	115,684	£10.37	200%	£1,199,643	18.75%
T Rusin	23.6.21	94,496	£10.37	200%	£979,924	18.75%

No consideration was payable for the grant of the Awards. Performance Awards will vest in three years' time subject to continued employment and the achievement of stretching performance criteria relating to EPS. The extent to which Performance Awards vest at the end of the Performance Period will be determined as follows:

Compound Annual Growth in EPS over the Performance Period	Percentage of Award that Vests
Less than 7%	0%
7%	18.75%
Between 7% and 13%	On a straight-line basis between 18.75% and 75%
13%	75%
Over 13% and up to 16%	On a straight-line basis between 75% and 100%

The Performance Period is the period of three financial years ending on 31 March 2024. Vesting is also subject to underlying financial performance and a two year post vesting holding period applies.

Matching share awards

	Date of grant	Number of investment shares purchased	Award size	Number of shares subject to matching award	Share price used to determine awards	Face value £	% that vests at threshold
D Bower	23.6.21	15,256	2:1 match	57,570	£9.687	£557,681	25%
R Harpin	23.6.21	23,924	2:1 match	90,279	£9.687	£874,533	25%
T Rusin	23.6.21	19,100	2:1 match	72,075	£9.687	£698,191	25%

No consideration was paid for the grant of Matching Awards (other than the acquisition of linked Investment Shares). Subject to the retention of the Investment Shares, continued employment and the achievement of stretching comparative TSR related performance criteria, the Matching Awards will vest after three years.

The Company's TSR over the Performance Period must match or exceed the TSR of the Peer Group over the Performance Period. The Peer Group is those companies at positions 31 to 200 in the FTSE Index at the start of the Performance Period. The extent to which Matching Awards vest at the end of the Performance Period will be determined as follows:

The Company's TSR over the Performance Period	Percentage of Shares that Vests
Below the TSR of the median company in the Peer Group	0%
Equal to the TSR of the median company in the Peer Group	25%
Equal to or more than the TSR of the company at the 75th percentile of the Peer Group	100%
Between median and upper quartile TSR	Pro-rata on a straight-line basis between 25% and 100%

The Performance Period is the period of three Financial Years ending on 31 March 2024.

Directors' remuneration report continued

Annual report on remuneration continued

Individual Award under Listing Rule 9.4.2 (2)
As explained last year, a one-off award was made to buy out Ross Clemmow's participation in a carried interest fund operated by his previous employer which was forfeited on leaving. After taking external advice, the Committee agreed to buy out Ross Clemmow's interest in this fund at a level of 50% of the minimum projected value of the fund, which was considered to be a fair estimate of what he was effectively forfeiting on his departure. The value of the buyout was determined at £750,000 and the number of shares awarded was 72,324 (based on the closing mid-market price of the Company's shares on 17 May 2021 of £10.37). The date of grant was 23 June 2021. The award is not pensionable.

The share award is fully performance-related and the extent to which the shares vest at the end of the Performance Period will be determined as follows:

Compound Annual Growth in EPS over the Performance Period	Percentage of Shares that Vests
Less than 7%	0%
7%	25%
Between 7% and 13%	On a straight-line basis between 25% and 100%
13% or more	100%

The Performance Period is the period of three Financial Years ending on 31 March 2024. Any shares which vest are subject to a two-year post-vesting holding period (excluding any shares which are required to be sold to pay tax on vesting).

Further details on awards vested during the financial year - Audited

Performance and matching awards granted on 24 July 2018 vested at 20.33% during the year.

	Date of grant	Type of Award	Date of exercise	No of Shares	Share price at exercise	Face value at exercise	Dividend equivalents paid in cash
D Bower	24.7.18	Performance	26.7.21	9,402	£9.575	£90,024	£6,675
	24.7.18	Matching	26.7.21	9,172	£9.575	£87,822	£6,512
R Harpin	24.7.18	Performance	29.11.21	17,714	£9.110	£161,375	£12,577
	24.7.18	Matching	29.11.21	17,217	£9.110	£156,847	£12,224
T Rusin	24.7.18	Performance	26.7.21	15,186	£9.575	£145,409	£10,782
	24.7.18	Matching	26.7.21	13,660	£9.575	£130,796	£9,699

One Plan Matching Shares (Share Incentive Plan)

All employees are eligible to participate in One Plan. Participants receive one Matching Share for every Partnership Share they purchase. Shares are purchased monthly. Matching Shares are normally kept in trust for a minimum period of three years.

	31 March 2022	Sold during the year to pay tax on vesting	Acquired during year	31 March 2021	Aggregate face value of shares awarded during the year [1]
D Bower	**671**	—	206	465	£1,798
R Clemmow	**62**	—	62	—	£449
R Harpin	**671**	—	206	465	£1,798
T Rusin	**598**	38	215	421	£1,869

[1] Based on the acquisition price of the associated Partnership Shares. The highest share price was £11.42 and the lowest share price was £6.65. Ross Clemmow joined the Plan in January 2022.

Payments for loss of office and payments to past Directors - Audited

No payments were made during the year for loss of office or to past Directors.

Shareholding Guidelines - Audited

It is the Board's policy that Executive Directors and Non-Executive Directors build up and retain a minimum shareholding in the Company. Each Director is encouraged to hold shares of at least equal value to 300% of their annual basic salary or fee. Under the Long-Term Incentive Plan, the net of tax value of shares that vest must be retained for a period of two years.

The beneficial interests of Directors who served at the end of the financial year, together with those of their families, in the shares of the Company are set out below, as at 31 March 2022. Further SIP Partnership shares have since been purchased in each of April and May 2022 on behalf of the Executive Directors together with the allocation of a corresponding number of matching shares. Beneficial interests have therefore increased further by 62 shares for each of D Bower and R Harpin, 60 shares for R Clemmow, 68 shares for T Rusin.

	31 March 2021	**31 March 2022**	Value of Shares held as a multiple of current salary/fee[1]	Guideline met?	**Outstanding LTIP awards (2019,2020 & 2021)[2]**
D Bower	167,338	**192,896**	361%	Yes	**317,086**
R Clemmow	—	**124**	0.26%	No	**149,470**
R Harpin	40,790,004	**24,825,697**	34,890%	Yes	**484,319**
T Rusin	841,725	**873,794**	1,291%	Yes	**413,668**
T Breen	—	**100,000**	241%	No	**—**
K Cliffe	20,976	**20,976**	199%	No	**—**
S David	100,020	**100,020**	1,095%	Yes	**—**
R Donnelly	—	**5,000**	65%	No	**—**
E Fitzmaurice	786,265	**786,265**	10,197%	Yes	**—**
O Grémillon	15,600	**18,600**	241%	No	**—**
R McMillan	17,999	**17,999**	197%	No	**—**

[1] Calculated using the shareholding and share price on 31 March 2022 of £8.43 divided by the Executive's salary or Non Executive's fee on that date.
[2] Outstanding LTIP awards include both Performance and Matching share awards made in 2019, 2020 and 2021 and are subject to meeting performance conditions at vesting in 2022, 2023 and 2024 respectively.

Directors' pensions (Audited)

The following contributions were made:

	2022 £000	2021 £000
D Bower	**86**	75
R Clemmow	**25**	—
R Harpin	**119**	118

Tom Rusin participates in a US 401k pension plan (a defined contribution scheme) to which the Company contributed £9,219 ($12,603) in FY22. (FY21: £8,639).

Directors' remuneration report continued

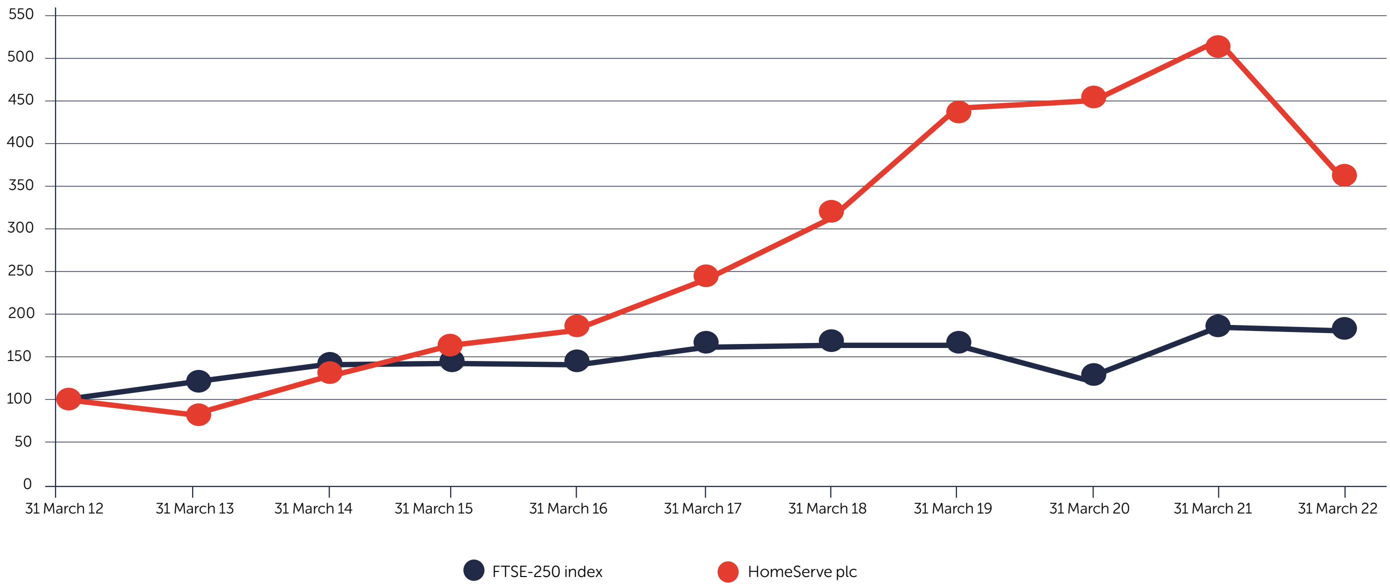
Annual report on remuneration continued

Performance graph

The graph below shows the Company's performance, measured by TSR, compared with the performance of the FTSE-250 Index (also measured by TSR) for the ten years ended 31 March 2022. This comparator has been chosen as it is a broad equity index of which the Company is currently a constituent.

Total Shareholder Return

Source: Refinitiv Eikon Datastream



The graph shows the value, by 31 March 2022, of £100 invested in HomeServe plc on 31 March 2012 compared with that of £100 invested in the FTSE-250 Index on the same date.

Chief Executive's remuneration

The total remuneration figures for the Chief Executive during each of the last ten years are shown in the table below. The figures include the annual bonus based on that year's performance and the matching awards plus the LTIP awards based on the three-year performance period ending in the relevant year. The annual bonus and long-term incentive award vesting level as a percentage of the maximum opportunity are also disclosed below:

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Total remuneration (£000s)	953	1,212	1,200	3,355	4,256	8,563 [1]	4,749	4,237	1,542 [2]	**1,468**
Annual Bonus	75%	100%	96%	98%	100%	96%	75%	92%	79.7%	**75%**
LTIP awards vesting	0%	0%	0%	100%	100%	100%	100%	100%	20.33%	**23.93%**

Notes:
[1] The total includes the 2014 and 2015 LTIP awards which were granted and vested a year apart.
[2] FY21 remuneration has been restated to reflect actual share price on vesting of the 2018 LTIP award.

Percentage change in remuneration levels

The table below shows the year-on-year percentage change in each Director's remuneration (excluding the value of any pension, matching awards and performance awards receivable in the year) compared to the average for all employees of HomeServe plc.

	% Change from FY21 to FY22			% Change from FY20 to FY21		
	Salary	Benefits	Annual Bonus	Salary	Benefits	Annual Bonus
D Bower	**15%**	**2%**	**8%**	0%	(6%)	(16%)
R Clemmow [1]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
R Harpin	**2%**	**(2%)**	**(4%)**	1%	(19%)	(13%)
T Rusin	**6%**	**19%**	**(13%)**	1%	(6%)	(10%)
T Breen [2]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
K Cliffe	**16%**	**n/a**	**n/a**	13%	n/a	n/a
S David	**13%**	**n/a**	**n/a**	(3%)	n/a	n/a
R Donnelly [3]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
E Fitzmaurice	**13%**	**n/a**	**n/a**	5%	n/a	n/a
O Grémillon	**13%**	**n/a**	**n/a**	5%	n/a	n/a
R McMillan	**13%**	**n/a**	**n/a**	5%	n/a	n/a
Average of other HomeServe plc employees	**5%**	**21%**	**(39%)**	5%	2%	34%

1 Ross Clemmow joined the Board on 22 March 2021
2 Tommy Breen joined the Board on 27 January 2021
3 Roisin Donnelly joined the Board on 25 March 2021

CEO pay ratio

The table below compares the Chief Executive's total remuneration against that for the lower quartile, median and upper quartile UK employees (calculated on a full-time equivalent basis).

Year	Method	25th Percentile pay ratio	Median pay ratio	75th percentile pay ratio
FY22	**Option B**	**62:1**	**37:1**	**33:1**
FY21	Option B	70:1	52:1	43:1
FY20	Option B	203:1	126:1	91:1

In terms of reporting options, the Company has chosen option B, using the most recent gender pay gap information to determine the relevant employee at each of the 25th, 50th and 75th percentiles. This option has been chosen, as the data is considered to be the most accurate and comprehensive data available and will be repeatable on a sustained basis. For example, therefore, gender pay gap data at 1 April 2021 has been used to identify the relevant employees for FY22. Actual pay and benefits data received by the relevant employees for FY22 has then been used for the comparison to the Chief Executive's pay and calculate the respective pay ratios. Where appropriate an estimate has been used for FY22 bonus pay-out.

The total pay and benefits figures and the salary component of total pay and benefits for this year is set out below.

Pay data FY22	Base Salary	Total Pay & benefits
CEO remuneration	**£596,884**	**£1,467,623**
25th percentile employee	£21,559	£23,509
50th percentile employee	£32,500	£39,556
75th percentile employee	£37,425	£44,773

Directors' remuneration report continued

Annual report on remuneration continued

This year, our CEO pay ratio has reduced to 37:1. Whilst for the CEO remuneration variable pay is broadly similar (annual bonus 75%, LTIP 23.93% versus last year 79.7% and 20.33% respectively), the total pay and benefits received by the selected employees has increased versus last year.

Total pay and benefits comparing FY22 relevant employees with FY21 relevant employees shows increases of 2%, 29% and 21% at the 25th, 50th and 75th percentiles respectively. There have been no significant changes to reward arrangements to explain these increases and the change is therefore attributed to the reward received by the selected employees using Option B methodology.

The employees identified are reasonably representative of the nature of our workforce being identified from customer support, business support and field engineer areas.

Overall, the data demonstrates the commitment to pay the real Living Wage rate to all directly employed staff, which underpins the UK pay structure and is reflective of the wider approach to pay and progression.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends, tax and retained profits:

Pay data FY22	FY21 £m	FY22 £m	% change
Pay (£m)	389.1	**414.1**	6%
Dividends (£m)	80.5	**89.3**	11%
Tax (£m)	15.4	**41.7**	171%
Retained profits (£m)	31.1	**132.8**	327%

Application of the remuneration policy to be implemented for FY23

Basic salary

Basic salary for each Executive Director is determined by the Remuneration Committee taking into account the roles, responsibilities, performance and experience of the individual. Salary increases are determined taking into account pay and employment conditions of employees elsewhere in the Company and market data on salary levels for similar positions at comparably-sized companies.

Salaries are normally reviewed in July each year, although the Committee has the ability to take a different approach if circumstances require. The explanation for the salary decisions for FY23 is in the Annual Statement of the Chair of the Remuneration Committee on page 94.

The salaries for the Executive Directors from 1 July 2022 will be as follows:

	2022 £000
D Bower	**£463,500**
R Clemmow	**£412,000**
R Harpin	**£617,819**
T Rusin	**$780,000**

As explained on page 94, Tom Rusin's salary is not increasing for FY23 as he received a special salary increase during FY22.

Fees for the Chairman and Non-Executive Directors

As detailed in the remuneration policy, the Company aims to set remuneration for Non-Executive Directors at a level which is sufficient to attract and retain Non-Executive Directors of the right calibre. The fees paid to the Chairman and the Non-Executive Directors are reviewed periodically.

The fees for Non-Executive Directors were last reviewed during FY21, as explained in last year's report. There are no changes to the fee levels from July 2022.

Details of the current and previous fees are detailed in the table below.

	1 July 2021	**1 July 2022**
Chairman's fees	£350,000	**£350,000**
Non-Executive Directors' base fee	£65,000	**£65,000**
Senior Independent Director additional fee	£12,000	**£12,000**
Chair of Remuneration, Audit & Risk or People Committee	£12,000	**£12,000**

Annual bonus performance targets FY23

The annual bonus plan for FY23 will operate in line with the new Directors' remuneration policy. The maximum bonus opportunity for each Director will be 150% of basic salary, with half of this amount payable for on-target performance. One-third of any bonus must be invested in HomeServe shares, to be held for a minimum of three years.

The bonus measures will be as follows for Richard Harpin and David Bower:

Financial measures (60% of bonus)	Non financial measures (20% of bonus)	ESG (10% of bonus)	Personal objectives (10% of bonus)
• Profit before tax	• Customer growth (5%) • Trades growth (Checkatrade) (5%) • Reduction in customer dissatisfaction (10%)	• Environment strategy	• Up to three personal strategic objectives

The bonus measures will be as follows for Ross Clemmow and Tom Rusin:

Financial measures (60% of bonus)	Non financial measures (20% of bonus)	ESG (10% of bonus)	Personal objectives (10% of bonus)
• Group Profit before tax (30%) • Divisional Profit before tax (30%)	• Divisional Customer growth (10%) • Reduction in Divisional Customer dissatisfaction (10%)	• Environment strategy	• Up to three personal strategic objectives

The Committee considers the forward-looking performance targets to be commercially sensitive and more detailed disclosure will be provided in next year's remuneration report.

The Committee has discretion to scale back any bonus payments if it is deemed appropriate.

Directors' remuneration report continued

Annual report on remuneration continued

Long-term incentives
Subject to the approval of the new Remuneration Policy, Performance Awards of 250% of salary will be made to the Executive Directors. An additional Performance Award equating to 100% of salary will be made to Tom Rusin. Further details are provided on page 93.

Performance criteria
The performance targets to be applied to the awards granted in FY23 are as follows for all standard awards:

- EPS growth (33.3%)
- Relative TSR (33.3%)
- ROIC (33.3%).

The additional award for Tom Rusin will be based on profit growth (50%) and ROIC (50%) for the US Membership division.

Due to the ongoing discussions with Brookfield, the detailed targets are still under consideration and will be confirmed if and when awards are granted.

Holding period for vested shares
The net of tax value of any shares vesting under the LTIP must be held for a further two years, providing a longer-term perspective to the incentive programme.

Shareholder voting
At last year's Annual General Meeting held on 16 July 2021, the following votes from shareholders were received in respect of the Remuneration report. Also shown are the votes received when the policy was last considered in 2020.

	Remuneration report (2021 AGM)		Remuneration policy (2020 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	225,955,951	90.3	226,075,370	95.7
Against	24,176,835	9.7	10,179,917	4.3
Total votes cast (for and against excluding withheld votes)	250,132,786	100.0	236,255,287	100.0
Votes withheld	4,668,300		5,760,270	
Total votes (including withheld votes)	**254,801,086**		**242,015,557**	

By Order of the Board

Katrina Cliffe
Chair of the Remuneration Committee
24 May 2022

Directors' report

The Directors have pleasure in presenting their Annual Report for the year ended 31 March 2022.

Management report

The Directors' report, together with the Strategic report set out on pages 2 to 59 form the Management Report for the purposes of Disclosure Guidance and Transparency Rule (DTR) 4.1.5R.

Statutory information contained elsewhere in the Annual Report

Information required to be part of this Directors' Report can be found elsewhere in the Annual Report as indicated in the table below and is incorporated into this report by reference.

Information	Location in Annual Report
Likely future developments in the business of the Company or its subsidiaries	**Pages 2 to 59.**
Employees (employment of disabled persons, employee engagement and policies)	**Pages 23 to 25.**
Greenhouse gas emissions and SECR	**Pages 28 to 31.**
Stakeholder engagement	**Pages 20 to 21.**
Corporate Governance Statement	**Pages 61 to 91.**
Directors' details (including changes made during the year)	**Pages 69, 74 to 75.**
Related party transactions	**Note 34 on page 194.**
Diversity	**Page 25.**
Share Capital	**Note 28 on page 185.**
Going Concern and Viability Statement	**Pages 58 and 59.**
Employee share schemes (including long-term incentive schemes)	**Note 32 on page 188 and 189.**
Financial instruments: Information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging	**Notes 27 and 46 on pages 182 to 185 and 207 to 209.**
Statements of responsibilities	**Page 124.**
Disclosure of information to auditor	**Page 124.**
Post balance sheet events	**Note 35 on page 195.**

Disclosure table pursuant to Listing Rule (LR) 9.8.4C

The following table provides reference to where the information required by Listing Rule 9.8.4C R is disclosed:

Listing Rule	Listing Rule requirement	Disclosure
9.8.4(1)	Interest capitalised by the Group and any related tax relief	**Not applicable**
9.8.4(2)	Unaudited financial information (LR 9.2.18 R)	**Strategic report page 2 to 59.**
9.8.4(4)	Long-term incentive schemes (LR 9.4.3 R)	**Directors' remuneration report pages 111 to 114.**
9.8.4(5)	Directors' waivers of emoluments	**Not applicable**
9.8.4(6)	Directors' waivers of future emoluments	**Not applicable**
9.8.4(7)	Non pre-emptive issues of equity for cash	**Not applicable**
9.8.4(8)	Non pre-emptive issues for cash by any unlisted major subsidiary undertaking	**Not applicable**
9.8.4(9)	Parent company participation in a placing by a listed subsidiary	**Not applicable**
9.8.4(10)	Contract of significance in which a Director is or was materially interested	**Not applicable**
9.8.4(11)	Contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder	**Not applicable**
9.8.4(12)	Waiver of dividends by a shareholder	**Directors' report on page 122.**
9.8.4(13)	Waiver of future dividends by a shareholder	**Directors' report on page 122.**
9.8.4(14)	Board statement in respect of relationship agreement with the controlling shareholder	**Not applicable**

Directors' report continued

Dividends

In light of the recommended cash offer for the Group announced on 19 May 2022, the Board is not recommending a final dividend. The total dividend for the year therefore consists of the interim dividend of 6.8p per share which was paid on 7 January 2022 (FY21: 26.0p).

Political donations

No political donations were made during the year.

Rules on appointment and replacement of Directors

All of the Directors will seek re-election at the AGM in accordance with the Company's Articles of Association and the recommendations of the Code.

A Director may be appointed by ordinary resolution of the shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such meetings. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual seeks election at the next AGM.

A Director may be removed by the Company in certain circumstances set out in the Articles of Association or by an ordinary resolution of the Company.

Directors' indemnities and insurance

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were in place during the year and remain in force at the date of this report. The Company maintains directors' and officers' liability insurance for its Directors and officers.

Articles of Association

The powers of the Directors are set out in the Company's Articles of Association which are available on request. The Articles of Association may be changed by special resolution.

Capital Structure

Details of the issued share capital, together with details of shares issued during the year, are set out in note 28. There is one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at a general meeting of the Company.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 32. No votes are cast in respect of the shares held in the Employee Benefit Trust and dividends are waived.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. Subject to the Companies Act 2006 and any relevant authority of the Company in general meeting, the Company has authority to issue new shares.

The AGM held in 2021 authorised the Directors to allot shares in the capital of the Company within certain limited circumstances and as permitted by the Companies Act. A renewal of this authority will be proposed at the 2022 AGM.

Authority to purchase shares

The Company was authorised at the 2021 AGM to purchase its own shares, within certain limits and as permitted by the Articles of Association. A renewal of this authority will be proposed at the 2022 AGM. No shares were purchased during the year and no shares are held in Treasury.

Significant agreements – change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors and employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Annual General Meeting

The 2022 Annual General Meeting of the Company will be held on 22 July 2022.

Fixed Assets

Capital expenditure on tangible fixed assets amounted to £6.8m (FY21: £7.1m) during the year.

Directors' interests in shares

The beneficial interests of the Directors in the shares of the Company and the options held as at 31 March and 24 May 2022 are set out in the Remuneration report on page 115. None of the Directors serving at the year-end had a beneficial interest in the share capital of any subsidiary company.

Substantial Shareholdings

As far as the Directors are aware, no person or company had a beneficial interest in 3% or more of the voting share capital at 31 March and 24 May 2022, except for the following:

Name	As at 31 March 2022 ordinary shares	%	As at 24 May 2021 ordinary shares	%
R Harpin	**24,825,697**	**7.38**	24,825,759	7.38
BlackRock Inc	**18,280,853**	**5.43**	18,983,803	5.64
T Rowe Price Associates Inc	**16,769,101**	**4.98**	16,769,101	4.98
K Harpin	**16,025,620**	**4.76**	16,025,620	4.76
Bank of America Corporation	**—**	**—**	13,371,027	3.97

Taxation status

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Post balance sheet event

On 19 May 2022, Brookfield Infrastructure Funds announced a recommended cash offer for the entire issued and to be issued share capital of the Company, to be effected by means of a court approved scheme of arrangement under Part 26 of the UK Companies Act 2006. The proposed acquisition is subject to shareholder approval, approval of the courts and approval from a number of regulatory authorities.

By Order of the Board

Anna Maughan

Company Secretary
24 May 2022

Statements of responsibilities

The Directors are responsible for preparing the Annual Report & Accounts, Remuneration 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 are required to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards. The Directors have also chosen to prepare the parent Company financial statements under United Kingdom adopted international accounting standards. 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 of the financial reporting framework 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

By Order of the Board

Richard Harpin
Chief Executive Officer
24 May 2022

David Bower
Chief Financial Officer
24 May 2022

Independent Auditor's report to the members of HomeServe plc

Opinion

In our opinion:

- the financial statements of HomeServe plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group income statement;
- the Group and parent company statements of comprehensive income;
- the Group and parent company balance sheets;
- the Group and parent company statements of changes in equity;
- the Group and parent company cash flow statements; and
- the related notes 1 to 50.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 5 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- carrying value of goodwill;
- revenue deferrals.

Within this report, key audit matters are identified as follows:

Newly identified | Increased level of risk | Similar level of risk | Decreased level of risk

Independent Auditor's report
to the members of HomeServe plc continued

Materiality
The materiality that we used for the Group financial statements was £8.6m which was determined on the basis of 0.6% of revenue.

Scoping
The significant businesses in the following operating segments were subject to a full scope audit:

Membership and HVAC:
- United Kingdom;
- North America;
- France; and
- Spain.

Home Experts:
- United Kingdom; and
- North America.

The 'Membership and HVAC – New Markets' and 'Home Experts – Other' operating segments were subject to specific audit procedures.

Significant changes in our approach
In the prior year we identified the impairment of the UK's eServe Customer Relationship Management ('eServe') to be a key audit matter. Management fully impaired the new eServe system in the prior year, resulting in impairment charges of £82.6m being incurred by the Group. Following management's impairment review and the decision to fully impair the eServe system, this area has not been identified as a key audit matter for the year ended 31 March 2022.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- evaluating management's going concern assessment, which included specific consideration of the continuing impact of the Covid-19 pandemic and the Group's operational resilience, and the announcement on 24 March 2022 that a third party was considering a bid for HomeServe, in order to understand, challenge and assess the key judgements made by management;
- obtaining an understanding of the Group's process and relevant controls around management's going concern assessment;
- reviewing management's three year business plan and regulatory correspondence across the Group;
- assessing compliance with the covenant conditions attached to the Group's lending facilities;
- reviewing post year end performance and assessing the historical accuracy of forecasts prepared by management; and
- assessing the appropriateness of the disclosures made in the financial statements surrounding going concern and the principal risks and uncertainties that the Group is facing.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of goodwill

Key audit matter description

The carrying value of goodwill is £667.9m (FY21: £564.3m).

Management's goodwill impairment analysis is completed at an individual cash generating unit ('CGU') basis. The Group's assessment of the carrying value of goodwill is a judgemental process which requires estimates concerning the future cash flows of each CGU and associated discount rates. We identified key audit matters in the following areas:

- the accuracy of the weighted average cost of capital ('WACC') for each CGU used to discount the cash flows within the Group's impairment assessment; and
- the cash flow forecasts used for the Home Experts division, comprising Checkatrade, Habitissimo and eLocal. The Home Experts division has been most heavily impacted by the Covid-19 pandemic, Habitissimo is currently loss making and the value in use assessment is highly sensitive to variations in the short-term cash flow growth assumptions.

Given the degree of judgement and estimation involved in assessing the carrying value of goodwill, we also identified that there is a potential for fraud through possible manipulation of this balance.

Having made their assessment, management determined that no impairment was required, however, as disclosed in notes 3 and 13, a reasonably plausible change in operational cash flows in the Habitissimo CGU could result in an impairment of goodwill, which has a carrying value of £12.4m.

Further detail on the key judgements involved is set out within the Audit and Risk Committee report on page 88, significant accounting policies in note 2, the key sources of estimation uncertainty in note 3 and note 13 to the financial statements.

How the scope of our audit responded to the key audit matter

We first understood the Group's process and key controls around the carrying value of goodwill, specifically the Group review process to assess the accuracy and completeness of key assumptions within the impairment assessment.

We assessed the Group's WACC with support from our internal valuations specialists. We assessed the impact of using our independent WACC rate in management's impairment calculation. We benchmarked assumptions to external macro-economic and market data and independently determined the WACC rate for each CGU.

We challenged the Group's key assumptions relating to the estimated future cash flows applied to the Home Experts businesses. Our procedures included:

- challenging the reasonableness of the Group's assessment of the cash flow forecasts and growth rates applied for the Home Experts businesses, particularly Habitissimo and Checkatrade, given the businesses have low levels of forecast profitability in the short-term. This included understanding the key drivers of growth and challenging the extension of the estimated future cash flows for the Habitissimo CGU to cover a five-year period; and
- assessing the Group's ability to accurately forecast business performance with reference to historical trading performance.

We have reviewed the consistency of the key assumptions used in the carrying value of goodwill assessment to the budget used by the Group to assess longer term-viability and going concern.

We have considered the appropriateness of management's carrying value of goodwill disclosures, including the sensitivity of the carrying value of goodwill in the Habitissimo CGU, in line with guidance from IAS 36 – Impairment of assets and IAS 1 – Presentation of financial statements.

Independent Auditor's report to the members of HomeServe plc continued

Key observations
Overall, we concluded that the key assumptions used within the Group's goodwill impairment assessment were acceptable.

We consider management's conclusions regarding the carrying value of goodwill to be reasonable as at 31 March 2022. We consider the disclosures in note 3 and 13 in relation to Habitissimo to be appropriate in highlighting that a reasonably plausible change in operational cash flows in that CGU could result in an impairment of goodwill.

Revenue deferrals

Key audit matter description
As an insurance intermediary, the Group is required to recognise revenue at the point at which a policy goes on risk. Some elements of revenue are deferred to cover future costs. This is an important area of estimation which requires significant judgement by the Group to determine key assumptions, particularly regarding the level of revenue to defer in the Membership and HVAC division in order to satisfy the Group's obligations for future claims handling and non-recoverable costs incurred by HomeServe's directly employed operations.

Given the degree of judgement and estimation involved in determining the level of revenue to defer, we also identified that there is a potential for fraud through possible manipulation of this balance.

The total amount of revenue deferred at 31 March 2022 in respect of the Group's future claim handling obligations is £17.9m (FY21: £18.9m). The total amount of revenue deferred at 31 March 2022 in respect of the Group's directly employed operations is £23.8m (FY21: £21.8m).

The key assumptions used by the Group for claims handling and directly employed operations are the directly employed engineer rate, claims profiles and the average cost per claim, which are based on recent behavioural experience.

Further detail on the Group's revenue recognition policy is set out within the Audit and Risk Committee report on page 88, significant accounting policies in note 2 and the associated key judgements involved are set out in the critical accounting judgements and key sources of estimation uncertainty in note 3 to the financial statements.

How the scope of our audit responded to the key audit matter
We first understood the Group's process and relevant controls around the revenue deferrals. Specifically, controls that the Group has in place to manage the risk of inappropriate assumptions being used within the revenue deferrals.

We assessed the Group's policy for deferring revenue, including considering whether the policy is in accordance with current accounting standards, IFRS 15 – Revenue from contracts with customers.

We challenged the key inputs and assumptions used in the revenue deferral calculations. As part of this, we specifically considered whether any adjustments were required to revenue deferrals in light of the continued Covid-19 pandemic through review of current behavioural experience, as well as forecast volumes during the recovery period:

- For cost per claim we compared budgeted costs to previous actual behaviour and challenged any variances;
- We have inspected Management's DEE rate calculations, based on previous claims data, and tested all the underlying inputs for completeness and accuracy; and
- For claims profiles we tested a sample of policies and agreed underwriter rates to third party information.

We tested the completeness and accuracy of the source data to underlying supporting evidence.

Additionally, we have assessed if management was consistent in implementing the calculations across the Membership and HVAC division and in line with Group policy.

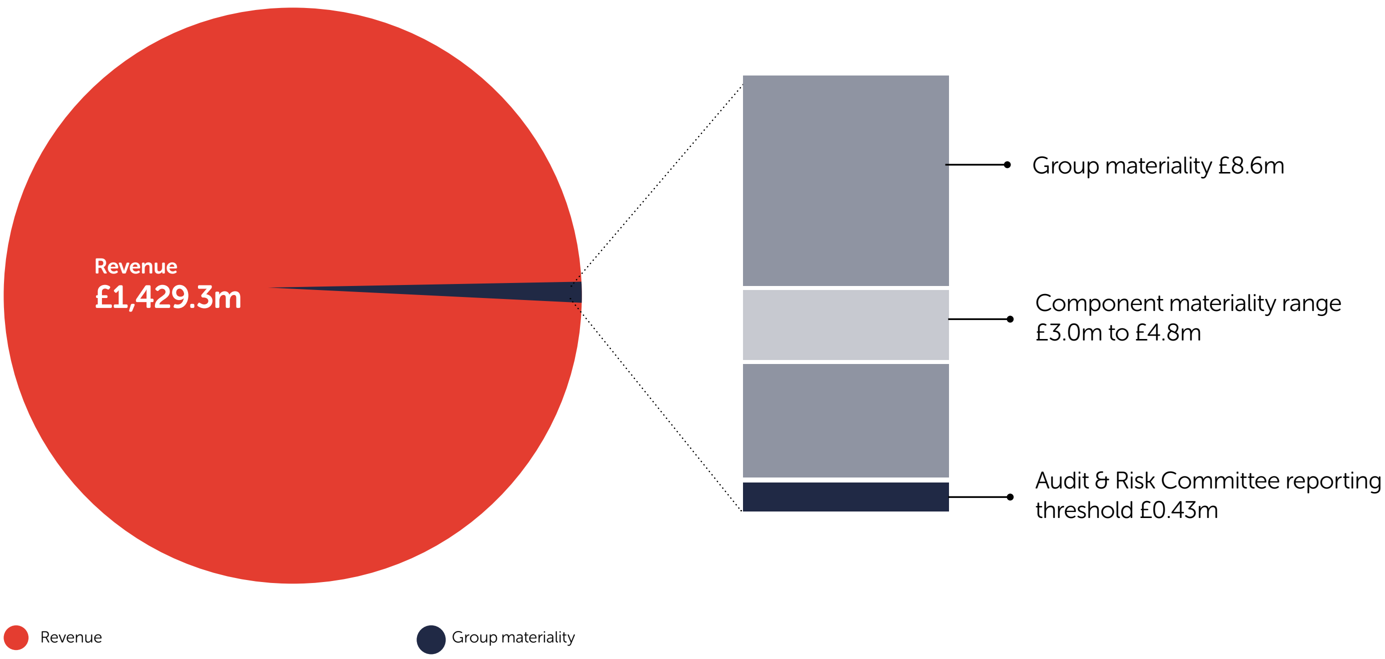
Key observations
We concluded that the key assumptions used in estimating the revenue deferrals for the Group were reasonable.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£8.6m (FY21: £7.4m)	£4.3m (FY21: £3.7m)
Basis for determining materiality	We determined materiality for the Group on the basis of 0.6% of revenue (FY21: less than 0.6% of revenue).	We determined parent company materiality on the basis of net assets, capped at 50% of Group materiality. Parent company materiality equates to 0.9% (FY21: 0.8%) of net assets.
Rationale for the benchmark applied	Consistent with the prior year, we consider revenue to be the most stable materiality benchmark on the basis it is less susceptible to business seasonality. We also note revenue is considered a key metric for users of the financial statements.	The Company is the parent company for the Group and is not a trading entity, hence we considered this net assets to be the most appropriate measure for the Company.



Independent Auditor's report
to the members of HomeServe plc continued

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (FY21: 70%) of Group materiality	70% (FY21: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • the level of decentralisation and autonomy displayed by the operating segments of the Group; • the level of growth within the Group including the number of acquisitions completed during the year; • the nature, volume and size of uncorrected and corrected misstatements in the previous year; • the quality of the control environment; and • the impact of the Covid-19 pandemic on the control environment.	

Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £430,000 (FY21: £367,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the significant businesses in the following operating segments:

Membership and HVAC:
- United Kingdom;
- North America;
- France; and
- Spain.

Home Experts:
- United Kingdom; and
- North America.

The 'Membership and HVAC – New Markets' and 'Home Experts – Other' operating segments were subject to specified audit procedures.

The operating segments subject to a full scope audit account for 99% (FY21: 99%) of the Group's revenue and 100% (FY21: 100%) of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work for these operating segments was executed at levels of materiality ranging from £3.0m to £4.8m (FY21: £2.6m to £3.6m).

At the parent company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining segments not subject to audit or audit of specified account balances.

Our consideration of the control environment

We planned to rely on revenue controls in our audit of the membership businesses in the UK, North America, France and Spain. In doing so we obtained an understanding and tested the relevant controls. The Group is reliant upon the effectiveness of a number of IT applications and controls to ensure that transactions are processed and recorded completely and accurately and we involved our IT specialists to obtain an understanding of general IT controls across the systems relevant to the businesses listed.

With the exception of North America and France membership businesses, we relied upon the controls tested as planned. In relation to these membership businesses we identified control deficiencies over the related IT systems. As a result of these findings, we reconsidered our risk assessment and conducted additional substantive procedures including increased sample testing of the membership revenue balances. We therefore adopted a fully substantive approach in relation to these areas in our audit testing.

Our consideration of climate-related risks

In planning our audit, we have considered the impact of climate change on the Group's operations and impact on its financial statements. The Group has set out its carbon reduction ambitions and further information on page 31 of the Strategic Report. We have held discussions with the Group to understand:

- the process for identifying affected operations, including the governance and controls over this process, and the subsequent effect on the financial reporting for the Group; and
- the long-term strategy to respond to climate change risks as they evolve.

Our audit work has involved challenging the completeness of the physical and transition risks identified and considered in the Group's climate risk assessment and the conclusion that there is no material impact of climate change risk on current year financial reporting, as disclosed in note 3 on page 154.

As part of our audit procedures we are required to read these disclosures to consider whether they are materially inconsistent with the financial statements or knowledge obtained in the audit and we did not identify any material inconsistencies as a result of these procedures. We have not been engaged to provide assurance over the accuracy of climate change disclosures.

Working with other auditors

We have previously followed a programme of planned visits in which at least two senior members of the UK based Group audit team physically visited our component auditors in North America, France and Spain.

As a result of the Covid-19 pandemic, we were unable to conduct our component visits. In response to this we increased the frequency of our communications with each component to monitor progress. At least two senior members attended each component audit close meeting, which was held via videoconference. We issued referral instructions to all significant component audit teams and interacted with them throughout the audit process. In the absence of fieldwork component visits, we used videoconferencing to review component audit documentation.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's report to the members of HomeServe plc continued

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities.** This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, financial instrument and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in relation to the carrying value of goodwill and revenue deferrals. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and local tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included compliance with Financial Conduct Authority regulation for the UK operating segment and compliance with local legislation for the overseas operating segments.

Audit response to risks identified
As a result of performing the above, we identified the carrying value of goodwill and revenue deferrals as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains these matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee, in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. We also obtained an understanding of provisions and held discussions with management to understand the basis of recognition or non-recognition of tax provisions.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.Report on other legal and regulatory requirements

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Corporate governance statement
The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit: the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 55;

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 59;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 58;
- the Directors' statement on fair, balanced and understandable set out on page 89;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 89;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 84 to 85; and
- the section describing the work of the Audit and Risk Committee set out on page 87.

Independent Auditor's report to the members of HomeServe plc continued

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters which we are required to address

Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors on 1 August 2002 to audit the financial statements for the year ending 31 March 2003 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 20 years, covering the years ending 31 March 2003 to 31 March 2022.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

Use of our report

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 auditor's 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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS. We have provided assurance on whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS and have reported separately to the members on this.

Peter Birch FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, UK
24 May 2022

Independent auditor's reasonable assurance report on the compliance of HomeServe plc's European Single Electronic Format (ESEF) prepared Annual Financial Report with the European Single Electronic Format Regulatory Technical Standard ('ESEF RTS') as required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R

To the Members of HomeServe plc

Report on compliance with the requirements for iXBRL mark up ('tagging') of consolidated financial statements included in the ESEF-prepared Annual Financial Report

We have undertaken a reasonable assurance engagement on the iXBRL mark up of consolidated financial statements for the year ended 31 March 2022 of HomeServe plc (the "company") included in the ESEF-prepared Annual Financial Report prepared by the company.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2022 of the company included in the ESEF-prepared Annual Financial Report, are marked up, in all material respects, in compliance with the ESEF RTS.

The directors' responsibility for the ESEF-prepared Annual Financial Report prepared in compliance with the ESEF RTS

The directors are responsible for preparing the ESEF-prepared Annual Financial Report. This responsibility includes:

- the selection and application of appropriate iXBRL tags using judgement where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the ESEF RTS.

Our independence and quality control

We have complied with the independence and other ethical requirements of Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We apply International Standard on Quality Control 1 and, accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express an opinion on whether the electronic mark up of consolidated financial statements complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (UK) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information ('ISAE (UK) 3000') issued by the FRC.

A reasonable assurance engagement in accordance with ISAE (UK) 3000 involves performing procedures to obtain reasonable assurance about the compliance of the mark up of the consolidated financial statements with the ESEF RTS. The nature, timing and extent of procedures selected depend on the practitioner's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF RTS, whether due to fraud or error. Our reasonable assurance engagement consisted primarily of:

- obtaining an understanding of the ESEF RTS mark up process, including internal control over the mark up process relevant to the engagement;
- reconciling the marked up data with the audited consolidated financial statements of the company dated 31 March 2022;
- evaluating the appropriateness of the company's mark up of the consolidated financial statements;
- evaluating the appropriateness of the company's use of iXBRL elements selected from a permitted taxonomy and the creation of extension elements where no suitable element in the permitted taxonomy has been identified; and
- evaluating the use of anchoring in relation to the extension elements.

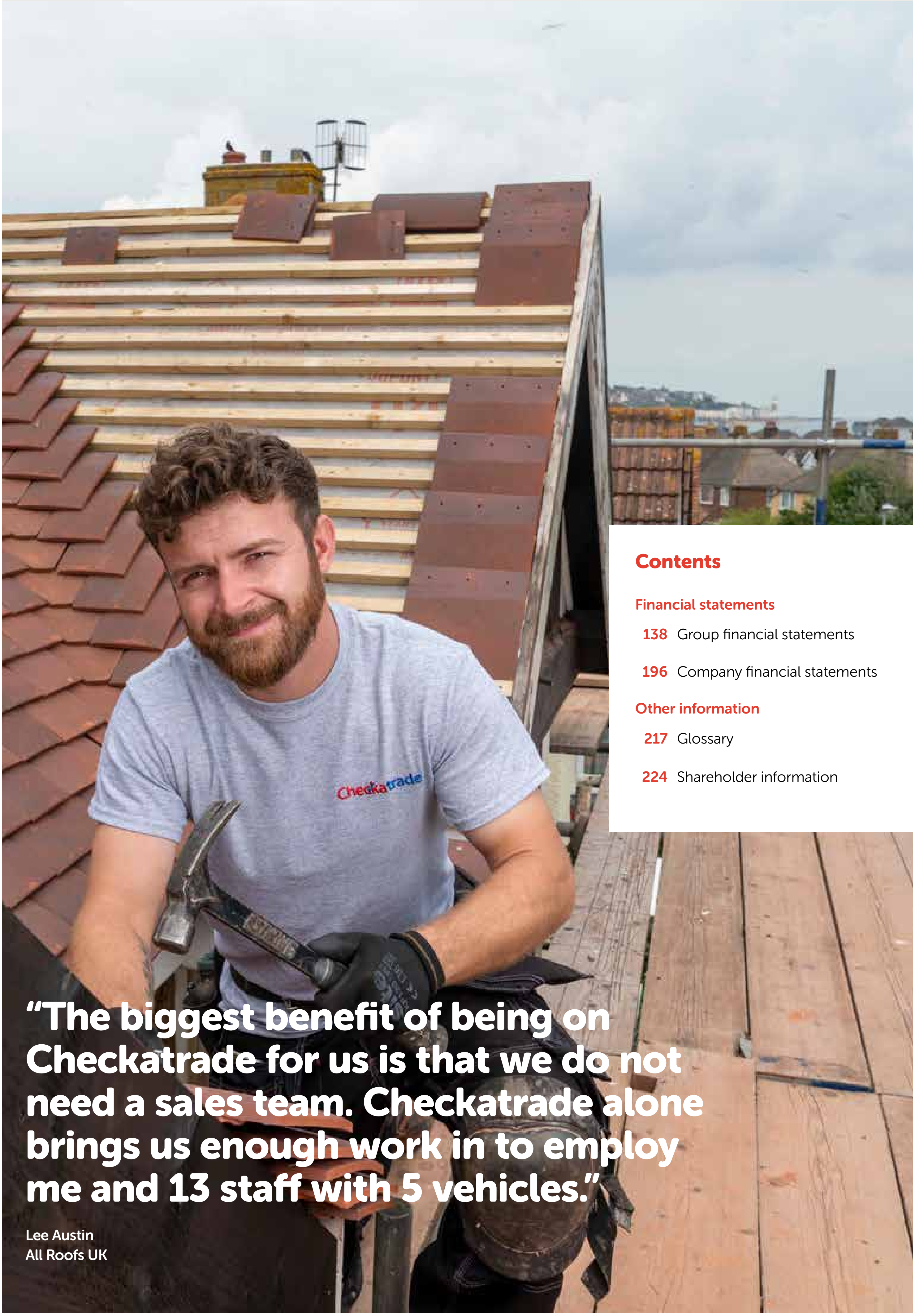
In this report we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion relating to the consolidated financial statements of the company for the year ended 31 March 2022 is set out in our Independent Auditor's Report dated 24 May 2022.

Independent auditor's reasonable assurance report on the compliance of HomeServe plc's European Single Electronic Format (ESEF) prepared Annual Financial Report with the European Single Electronic Format Regulatory Technical Standard ('ESEF RTS') as required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R continued

Use of our report

Our report is made solely to the company's members, as a body, in accordance with ISAE (UK) 3000. Our work has been undertaken so that we might state to the company those matters we are required to state to them in this 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 work, this report, or for the conclusions we have formed.

Peter Birch FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, UK
24 May 2022



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"The biggest benefit of being on Checkatrade for us is that we do not need a sales team. Checkatrade alone brings us enough work in to employ me and 13 staff with 5 vehicles."

Lee Austin
All Roofs UK

Group income statement

Year ended 31 March 2022

	Notes	2022 £m	2021 £m
Continuing operations			
Revenue	4	**1,429.3**	1,304.7
Operating costs	5	**(1,223.3)**	(1,230.4)
Share of results of equity accounted investments	18	**(3.4)**	(2.5)
Operating profit		**202.6**	71.8
Investment income	8	**0.3**	0.4
Finance costs	9	**(27.8)**	(25.0)
Adjusted profit before tax		**220.3**	191.3
Amortisation of acquisition intangibles	5	**(44.9)**	(45.0)
Certain transaction related costs	7	**(0.3)**	(6.7)
Exceptional items	7	**–**	(92.4)
Profit before tax		**175.1**	47.2
Tax	10	**(41.7)**	(15.4)
Profit for the year		**133.4**	31.8
Attributable to:			
Equity holders of the parent		**132.8**	31.1
Non-controlling interests		**0.6**	0.7
		133.4	31.8
Dividends per share, paid and proposed	11	**6.8p**	26.0p
Earnings per share			
Basic	12	**39.5p**	9.3p
Diluted	12	**39.3p**	9.2p

Group statement of comprehensive income

Year ended 31 March 2022

	Notes	2022 £m	2021 £m
Profit for the year		**133.4**	31.8
Items that will not be reclassified subsequently to profit and loss:			
Re-measurement gain/(loss) on defined benefit pension schemes	33	**3.7**	(4.5)
Deferred tax (charge)/credit relating to re-measurements	10	**(0.9)**	0.9
Fair value (loss)/gain on "fair value through other comprehensive income" (FVTOCI) investments in equity instruments	17	**(0.1)**	4.6
Deferred tax charge relating to fair value movements on FVTOCI investments in equity instruments	10	**–**	(1.3)
		2.7	(0.3)
Items that may be reclassified subsequently to profit and loss:			
Exchange movements on translation of foreign operations		**7.1**	(26.4)
Exchange movements on non-controlling interests		**0.3**	(1.1)
		7.4	(27.5)
Total other comprehensive income/(expense)		**10.1**	(27.8)
Total comprehensive income for the year		**143.5**	4.0
Attributable to:			
Equity holders of the parent		**142.6**	4.4
Non-controlling interests		**0.9**	(0.4)
		143.5	4.0

Group balance sheet
31 March 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Goodwill	13	**667.9**	564.3
Other intangible assets and prepaid software	14	**424.1**	391.3
Contract costs	4	**4.1**	8.2
Right-of-use assets	26	**48.3**	48.6
Property, plant and equipment	15	**40.4**	41.7
Equity accounted investments	18	**1.3**	0.8
Other investments	17	**14.3**	12.9
Other financial assets	27	**1.5**	1.2
Deferred tax assets	10	**2.3**	12.8
Retirement benefit assets	33	**14.3**	8.3
		1,218.5	1,090.1
Current assets			
Inventories	19	**20.4**	12.2
Trade and other receivables	20	**549.6**	501.0
Other financial assets	27	**0.9**	–
Current tax assets		**0.7**	2.5
Cash and cash equivalents	21	**174.5**	171.4
		746.1	687.1
Total assets		**1,964.6**	1,777.2
Current liabilities			
Trade and other payables	22	**(447.4)**	(454.9)
Bank and other loans	25	**(100.9)**	(54.0)
Current tax liabilities		**(5.7)**	(9.2)
Lease liabilities	25	**(15.2)**	(12.7)
Provisions	24	**(5.2)**	(6.0)
		(574.4)	(536.8)
Net current assets		**171.7**	150.3
Non-current liabilities			
Bank and other loans	25	**(664.9)**	(579.8)
Trade and other payables	23	**(36.8)**	(31.8)
Deferred tax liabilities	10	**(18.6)**	(15.3)
Lease liabilities	25	**(36.3)**	(38.6)
Retirement benefit obligations	33	**(0.8)**	(1.2)
		(757.4)	(666.7)
Total liabilities		**(1,331.8)**	(1,203.5)
Net assets		**632.8**	573.7
Equity			
Share capital	28	**9.1**	9.1
Share premium account	29	**199.3**	196.4
Share incentive reserve	29	**20.5**	18.6
Currency translation reserve	29	**17.7**	10.6
Investment revaluation reserve	29	**2.6**	2.7
Other reserves	29	**79.2**	79.2
Retained earnings		**299.2**	247.4
Attributable to equity holders of the parent		**627.6**	564.0
Non-controlling interests	30	**5.2**	9.7
Total equity		**632.8**	573.7

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2022. They were signed on its behalf by:

David Bower
Chief Financial Officer
24 May 2022

Group statement of changes in equity

Year ended 31 March 2022

	Share capital £m	Share premium account £m	Share incentive reserve £m	Currency translation reserve £m	Investment revaluation reserve £m	Other reserves [1] £m	Retained earnings £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2021	9.1	196.4	18.6	10.6	2.7	79.2	247.4	**564.0**	9.7	**573.7**
Profit for the year	–	–	–	–	–	–	132.8	**132.8**	0.6	**133.4**
Other comprehensive income for the year	–	–	–	7.1	(0.1)	–	2.8	**9.8**	0.3	**10.1**
Total comprehensive income	**–**	**–**	**–**	**7.1**	**(0.1)**	**–**	**135.6**	**142.6**	**0.9**	**143.5**
Dividends paid (note 11)	–	–	–	–	–	–	(89.3)	**(89.3)**	–	**(89.3)**
Issue of share capital (note 28)	–	2.9	–	–	–	–	–	**2.9**	–	**2.9**
Share-based payments	–	–	4.8	–	–	–	–	**4.8**	–	**4.8**
Share options exercised	–	–	(2.9)	–	–	–	–	**(2.9)**	–	**(2.9)**
Tax on exercised share options (note 10)	–	–	–	–	–	–	0.2	**0.2**	–	**0.2**
Deferred tax on share options (note 10)	–	–	–	–	–	–	0.1	**0.1**	–	**0.1**
Changes in non-controlling interests	–	–	–	–	–	–	5.2	**5.2**	(5.4)	**(0.2)**
Balance at 31 March 2022	**9.1**	**199.3**	**20.5**	**17.7**	**2.6**	**79.2**	**299.2**	**627.6**	**5.2**	**632.8**

Year ended 31 March 2021

	Share capital £m	Share premium account £m	Share incentive reserve £m	Currency translation reserve £m	Investment revaluation reserve £m	Other reserves [1] £m	Retained earnings £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2020	9.0	189.3	21.9	37.0	(0.6)	79.2	299.9	635.7	10.6	646.3
Profit for the year	–	–	–	–	–	–	31.1	31.1	0.7	31.8
Other comprehensive expense for the year	–	–	–	(26.4)	3.3	–	(3.6)	(26.7)	(1.1)	(27.8)
Total comprehensive income	–	–	–	(26.4)	3.3	–	27.5	4.4	(0.4)	4.0
Dividends paid (note 11)	–	–	–	–	–	–	(80.5)	(80.5)	–	(80.5)
Issue of share capital (note 28)	0.1	7.1	–	–	–	–	–	7.2	–	7.2
Share-based payments	–	–	3.8	–	–	–	–	3.8	–	3.8
Share options exercised	–	–	(7.1)	–	–	–	–	(7.1)	–	(7.1)
Tax on exercised share options (note 10)	–	–	–	–	–	–	1.5	1.5	–	1.5
Deferred tax on share options (note 10)	–	–	–	–	–	–	(1.0)	(1.0)	–	(1.0)
Changes in non-controlling interests	–	–	–	–	–	–	–	–	(0.5)	(0.5)
Balance at 31 March 2021	9.1	196.4	18.6	10.6	2.7	79.2	247.4	564.0	9.7	573.7

[1] Other reserves comprise the Merger, Own shares and Capital redemption reserves. Full details of these reserves are included in Note 29.

Group cash flow statement

Year ended 31 March 2022

	Notes	2022 £m	2021 £m
Net cash inflow from operating activities	31	**207.6**	223.0
Investing activities			
Interest received		**0.1**	0.1
Proceeds on disposal of fixed assets		**8.8**	0.3
Purchases of intangible assets		**(63.0)**	(62.8)
Contract costs		**(1.3)**	(1.5)
Purchases of property, plant and equipment		**(6.2)**	(7.1)
Contribution to equity accounted investee	18	**(3.6)**	(2.2)
Loan to investee	17	**(1.3)**	–
Business disposals	16	**3.0**	(3.9)
Business acquisitions	16	**(130.8)**	(77.3)
Net cash used in investing activities		**(194.3)**	(154.4)
Financing activities			
Dividends paid	11	**(89.3)**	(80.5)
Repayment of lease principal	25	**(14.7)**	(14.8)
Acquisition of non-controlling interests	30	**(18.2)**	–
New bank and other loans raised	25	**30.0**	243.4
Costs associated with new bank and other loans raised	25	**(0.3)**	(2.2)
Proceeds from loans and borrowings	25	**123.2**	27.1
Repayment of loans and borrowings	25	**(39.9)**	(214.6)
Net cash used in financing activities		**(9.2)**	(41.6)
Net increase in cash and cash equivalents, net of bank overdrafts		**4.1**	27.0
Cash and cash equivalents, net of bank overdrafts, at the beginning of the year		**149.4**	131.2
Impact of foreign exchange rate changes		**4.0**	(8.8)
Cash and cash equivalents, net of bank overdrafts, at the end of the year		**157.5**	149.4

Notes to financial statements

Year ended 31 March 2022

1. General information

HomeServe plc (the 'Company'), the ultimate Parent Company, is a public company, limited by shares and incorporated in England and Wales under the Companies Act. The address of the registered office is Cable Drive, Walsall, WS2 7BN.

These financial statements are presented in pounds sterling. Foreign operations are consolidated in accordance with the policies set out in note 2.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with International Financial Reporting Standards. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group and the Company transitioned to UK adopted International Accounting Standards in its consolidated financial statements on 1 April 2021. There were no impacts on, or changes in accounting from the transition.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in note 27.

Adoption of new or revised standards

The following accounting standards, interpretations and amendments have been adopted in the year:

Amendments to IFRS 16	COVID-19 Related Rent Concessions and COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

None of the items listed above have had any material impact on the amounts reported in this consolidated set of financial statements.

IFRIC Agenda Decision – Configuration or customisation costs in 'Software as a Service' (SaaS) cloud computing arrangements

In April 2021, the International Financial Reporting Interpretations Committee (IFRIC) clarified the treatment of customisation and configuration costs in SaaS cloud computing arrangements. As a result, from 1 April 2021, the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS solutions.

Historically, the Group has capitalised costs directly attributable to the configuration and customisation of SaaS arrangements as intangible assets on the balance sheet. Following the adoption of the IFRIC agenda decision, all SaaS arrangements were identified and assessed to determine if the Group had control of the underlying SaaS software or a separate intangible asset had been generated. For those arrangements where the Group does not have control of the SaaS software asset and customisation and configuration services are provided by the SaaS supplier, the Group recognises the costs of that software as a prepayment over the period it expects to utilise the software. Where those services are provided by another party the costs are expensed in the income statement when the service is received.

The change in accounting policy did not have a material impact on earlier periods and therefore the comparatives were not restated. The timing and quantum of cash flows associated with SaaS arrangements are unaffected by this change.

Standards in issue but not yet effective

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:

IFRS 17	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements to IFRSs	Standards 2018-2020 Cycle
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future years.

Notes to financial statements
Year ended 31 March 2022

2. Significant accounting policies (continued)

Going concern

The Group's business activities, together with the factors likely to affect its future development, including the potential impacts of the COVID-19, climate change, performance and position are set out in the Strategic report.

The Directors have reviewed the Group's budget, forecast and cash flows for 2022 and beyond, and concluded that they are in line with their expectations with regards to the Group's strategy and future growth plans. In addition, the Directors have reviewed the Group's position in respect of material uncertainties and have concluded that there are no items that would affect going concern or that should be separately disclosed.

The Directors have concluded that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

On 19 May 2022, Brookfield Infrastructure announced a recommended cash offer for the entire issued, and to be issued share capital of the Company, to be effected by means of a court approved scheme of arrangement under Part 26 of the UK Companies Act 2006. The proposed acquisition is subject to shareholder approval, approval of the courts and approval from a number of regulatory authorities.

The Viability statement and Going Concern statement in this report take no account of the proposed acquisition and have therefore been prepared on a stand-alone basis.

Based on the collective assessment of the information described above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

Other accounting policies

The following accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at, and for the year ended, 31 March 2021:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from the Group's equity interest. Non-controlling interests consist of those interests at the date of the original business combination and the minority's share of the changes in equity since the date of the combination.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Foreign currencies

Transactions in currencies other than a Group entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies except for those that are designated as long-term equity investments, are retranslated at the rates prevailing on the balance sheet date, with changes taken to the income statement. Foreign exchange translation movements on monetary assets that are designated as long-term equity investments are transferred to the Group's translation reserve. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Borrowings in foreign currencies are treated as monetary liabilities and are translated at the rates prevailing on the balance sheet date. Exchange rate movements on foreign currency borrowings are recognised immediately in the income statement. Foreign currency borrowings are not treated as hedges of net investments.

On consolidation, the assets and liabilities of the Group's overseas operations are translated to presentational currency at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange movements, if any, are classified as equity and transferred to the Group's translation reserve. Such cumulative exchange movements are recognised as income or expense in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Revenue recognition

The Group records revenue in accordance with the five-step recognition model outlined in IFRS 15:

1) Identify the contract with the customer
2) Identify the performance obligations in the contract
3) Determine the transaction price
4) Allocate the transaction price to the performance obligations
5) Recognise revenue when (or as) each performance obligation is satisfied

Revenue is recognised, net of discounts, VAT, Insurance Premium Tax and other sales related taxes, either at the point in time a performance obligation has been satisfied or over time as control of the asset associated with the performance obligation is transferred to the customer.

For all contracts identified, the Group determines if the arrangement with the customer creates enforceable rights and obligations. For contracts with multiple components to be delivered, such as those with underwriters to sell policies on behalf of the underwriter as well as deliver claims handling and administration services, management applies judgement to consider whether those promised goods and services are:

i) distinct – to be accounted for as separate performance obligations;

ii) not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or

iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has present enforceable rights to under the contract. Where applicable, this includes management's best estimate of any variable consideration to be included in the transaction price based on the expected value or most likely amount approach, and only to the extent that it is highly probable that no significant revenue reversal will occur.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative standalone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

Where available, observable prices of goods or services are utilised, when that good or service is sold separately, to similar customers in similar circumstances. Where a standalone selling price is not directly observable the Group applies judgement to determine an appropriate estimated standalone selling price, typically using an expected cost plus margin, adjusted market assessment or residual approach.

Variable consideration is allocated to an entire contract or a specific part of a contract depending on:

i) whether allocating the variable amount entirely to part of the contract depicts the amount of consideration the Group expects to be entitled to in exchange for transferring the promised good or service to the customer; or

ii) the terms of the variable payment relate specifically to the satisfaction of an individual performance obligation.

The Group's variable consideration primarily relates to intermediary commissions received on contracts with underwriters to sell policies and provide claims handling and administration services. Amounts are typically allocated to the entire contract.

Discounts are allocated proportionally across all performance obligations in the contract unless directly observable evidence exists that the discount relates to one or more, but not all, performance obligations.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method, typically based on the expected profile of the deferral event (for example claims handling cost through the policy term or time elapsed).

Notes to financial statements
Year ended 31 March 2022

2. Significant accounting policies (continued)

Other accounting policies (continued)

Revenue recognition (continued)

Revenue by category

The Group disaggregates revenue from contracts with customers between Net policy income, Repair income, Home Experts, HVAC installations and Other as management believe this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors. The following table outlines the principal activities from which the Group derives revenue and how it is recognised:

Revenue stream	Nature and timing of satisfaction of performance obligations	Significant payment terms
Membership: Net policy income – Intermediary commissions	Includes commissions received for the obligation to sell policies, handle claims and provide administration services for underwriters. The Group satisfies its obligation to sell policies over time, recognising revenue as each policyholder is contracted on behalf of the Group's customers, the underwriters. The transaction prices of the Group's arrangements with underwriters are entirely variable and measured based on the commission due to the Group for the number of policies sold, net of a refund liability. This refund liability reflects management's best estimate of mid-term policy cancellations ensuring that a significant reversal of revenue will not arise in the future (see note 3). Claims handling and administration service obligations are satisfied over the term of a policy, which is typically 12 months. The portion of the total transaction price allocated to these performance obligations is deferred, as a deferred income contract liability, and recognised as revenue over the profile of claims throughout the policy term. The determination of the amount of transaction price to allocate to claims handling and administration services takes account of the expected numbers of claims and the estimated cost of handling those claims, which are validated through historic experience of actual costs, as well as incorporating an appropriate profit margin for the service provided to the underwriter (see note 3). Revenue associated with the commissions received for the obligation to sell policies is allocated using the residual method at the point of policy inception or renewal. Where the Group's role on behalf of the underwriter is only as an intermediary in the cash collection process, such amounts are not included in revenue. Consequently, net policy income consists of only a component of the overall policy price, representing the commission receivable for the services the Group provides to the underwriter, stated net of sales related taxes.	HomeServe receives its commission from its customer, the underwriter, in line with the payment terms of the underlying individual policyholder which are typically either billed and paid upfront or over the term of the contract.
Membership: Net policy income – Home assistance	Includes arrangements whereby the Group contracts directly with the end user to provide home assistance services (such as repair network access, emergency assistance, HVAC maintenance contracts and non-urgent engineer visits). Revenue is recognised rateably over the life of the member's contract.	Billed and paid over the term of the contract.
Membership: Repair income	Includes repair services provided to third parties, including underwriters and insurance companies, subject to separate contractual arrangements. Revenue is recognised over time as each repair job is completed.	Billed and paid upon completion of the job.
Home Experts – Web and directory	Includes website subscriptions and directory advertising fees from contracted members (tradespeople). For website subscriptions, revenue is recognised evenly over the contractual term, for directory membership fees, revenue is recognised as each directory is delivered throughout the contractual term.	Billed and paid over the term of the contract.

Revenue stream	Nature and timing of satisfaction of performance obligations	Significant payment terms
Home Experts – Lead generation	Includes commissions received for the provision of job leads to trades. Revenue is recognised at the point in time a lead is transferred.	Either billed and paid as leads are delivered or deposits from customers received in advance then reduced as billed when leads are delivered.
HVAC installations	Includes the provision of installation services at the point in time the installation is complete.	Billed and paid upon completion of the installation.
Other	Principally includes services provided to customers who do not hold policies. Revenue is recognised at the point in time the service is complete.	Billed and paid following the performance of the services provided.

As a result of the contracts which the Group enters into with its customers, the following assets and liabilities are recognised on the Group's balance sheet:

- Assets generated from the capitalisation of costs to obtain a contract
- Trade receivables (see financial instruments accounting policies below)
- Accrued income
- Deferred income

Capitalisation of costs to obtain a contract

The incremental costs of obtaining a contract with the Group's direct customers are recognised as an asset if the Group expects to recover them. Primarily, such costs relate to fees payable to Affinity Partners or other third parties authorised to enter into new contracts on behalf of a Group entity. Only fees which are directly related to acquiring contracts with the Group's direct customers are capitalised as incremental contract costs under IFRS 15.

Accrued and deferred income

Where payments made are greater than the revenue recognised at the period end date, the Group recognises a deferred income contract liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Group recognises an accrued income contract asset for this difference.

Marketing expenses

Costs incurred in respect of marketing activity, including for example, direct mail and inbound/outbound telephone costs, which is undertaken to acquire or renew a policy, are charged to the income statement in the period in which the related marketing campaign is performed.

Marketing expenses also include payments made to Affinity Partners in recognition of their support for the Group's selling and policy renewal activities. The terms of their support and related payments are included in contractual agreements with each Affinity Partner. Amounts incurred upon the sale and renewal of an individual policy by the Group, referred to as Affinity Partner Commissions, are recognised as an operating expense when individual policies incept or renew. Commissions are payable to Affinity Partners only when the Group has collected the premium due on behalf of the underwriter from the policyholder.

Operating profit

Operating profit is stated after charging or crediting all operating costs and incomes, but before investment income and finance costs.

Adjusting and exceptional items

The Group uses the following adjusted profitability performance measures:

- adjusted operating profit
- adjusted earnings before interest, taxation, depreciation and amortisation (EBITDA)
- adjusted profit before tax
- adjusted profit attributable to equity holders of the parent
- adjusted basic and adjusted diluted earnings per share

The Group believes that the consistent presentation of the above adjusted measures provide additional useful information to users on the underlying trends and comparable performance of the Group over time. The adjusted measures are used by HomeServe for internal performance analysis and incentive compensation arrangements for employees. All the adjustments made to the IFRS measures are considered exceptional and/or non-operational in nature. These terms are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures.

Notes to financial statements
Year ended 31 March 2022

2. Significant accounting policies (continued)

Other accounting policies (continued)

Adjusting and exceptional items (continued)

The term 'adjusted' refers to the relevant measure of profit or earnings being reported excluding the impact (pre and post-tax where applicable) of the following items:

Amortisation of acquisition intangibles

Acquisition intangible assets are calculated using the estimated and discounted incremental cash flows resulting from the affinity relationship or future policy renewals as appropriate, which will include the impact of the past actions of the former owners. These past actions will include historic marketing and business development activity, including but not limited to, the staff and operating costs of the business. In addition the specific construct of the policy terms and conditions and the current and expected future profitability to be derived from the acquired business or asset is also a factor in determining the valuation of the acquisition intangible.

The on-going service and operating costs incurred by the Group in managing the acquired businesses or assets, including but not limited to print, postage, telephony, claims costs and overheads are recognised as operating costs within these adjusted measures in the reporting period in which they are incurred.

Accordingly, excluding the amortisation of acquisition intangibles from the adjusted performance measures reported by the Group in each specific reporting period ensures that these measures only reflect the revenue attributable to, and costs incurred by, the Group in managing and operating those businesses and assets at that time in each reporting period and do not include the impact of the historic costs of the vendor or considerations of the future profits to be derived from the acquired business or assets.

Certain transaction related costs

Certain financial instruments which the Group becomes party to by virtue of its transactional activity (typically, but not limited to, acquisitions and disposals) have the potential to create volatility that is not representative of the underlying performance of the business. These include:

- Fair value movements on financial instruments generated from transaction related activity. Currently the Group's portfolio of such instruments includes contingent consideration arising on business combinations (see note 27), put options over the acquisition of non-controlling interests (see note 22 & 23) and call options over both the acquisition of additional equity in associates and the sale of equity in subsidiaries (see note 27);
- Unwinding of discount on contingent financial instruments (including options); and
- Charges associated with put options over non-controlling interests, which are expensed through the income statement over time to reflect the requirement for the recipients to remain employed in the business at the payment date. The charges are subject to fair value volatility associated with the non-controlling interest puts and are not representative of the ongoing cost of the recipient remaining in the business.

Excluding these items from the Group's adjusted metrics provides for a consistent measure of underlying profitability on which to assess the Group's performance both period on period and relative to its peers. Certain transaction related costs do not include deal fees, financing charges on deferred consideration or the market rate salaries and bonuses of employees who hold non-controlling interest puts. All these items are included within the Group's adjusted performance measures.

Exceptional items

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. 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 Group's estimate of shares that eventually vest. The Group provides employees with the ability to purchase shares through its One Plan scheme. Since February 2021, for every share purchased, employees receive one free matching share at the end of the vesting period. Prior to February 2021, for every two shares purchased, employees received one free matching share at the end of the vesting period.

Fair values are measured utilising the Black-Scholes, Monte Carlo and Stochastic simulation models.

Retirement benefit costs

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

For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses and the return on scheme assets (excluding interest) are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of comprehensive income. Re-measurements recorded in the statement of comprehensive income are not recycled.

Past service costs are recognised in the income statement in the period of scheme amendment, curtailment or when the related restructuring costs or termination benefits are recognised, if earlier. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Any retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from the calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

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

Any tax currently payable is based on taxable profit for the year along with a small number of provisions in relation to open tax positions. The Group'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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 in other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or within equity.

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

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement, as incurred, in operating costs.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent or deferred consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values that qualify as measurement period adjustments are adjusted against the cost of acquisition. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs and recognised immediately in the consolidated income statement. Changes in the fair value of contingent consideration classified as equity are not recognised. Deferred consideration is subsequently measured at amortised cost. Payments of contingent and deferred consideration are reported within cash flows from investing activities in the Group statement of cash flows.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Goodwill

Goodwill arising in a business combination is recognised at cost as an asset at the date control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date. The interest of the non-controlling shareholders in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

Notes to financial statements
Year ended 31 March 2022

2. Significant accounting policies (continued)

Other accounting policies (continued)

Goodwill (continued)

Goodwill is not amortised but is reviewed for impairment annually, or more frequently if there is an indication that it may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs) expected to benefit from the synergies of the combination. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Intangible assets

Acquisition intangible assets

Acquired access rights relate to the contractual agreements entered into with the former owners of businesses acquired as part of a business combination; or where the former owners previously operated a business, and the Group has purchased specific access rights from the former owners. These agreements set out the contractual terms of the Affinity Partnership and provide the contractual framework within which the Group markets, sells and renews policies with the individual customers of the Affinity Partner. Acquired access rights are recorded at fair value by using the estimated and discounted incremental future cash flows resulting from the relationship.

Acquired customer databases represent the value attributable to the portfolios of renewable policies that exist at the date of acquisition and are acquired by the Group as part of a business combination; or where the former owners previously operated a business, and the Group has purchased specific customer databases from the former owners. Acquired customer databases are recorded at fair value using the estimated and discounted incremental future cash flows resulting from the future renewal of the portfolio of acquired policies over their estimated residual lives.

Other acquired intangibles include acquired brands recorded at fair value using the relief from royalty valuation method and technology assets recorded at fair value using a replacement cost approach.

Other intangible assets

Access rights arise from the contractual agreements with Affinity Partners which provide the contractual framework within which the Group markets, sells and renews policies with the individual customers of the Affinity Partner. Access rights are valued at the discounted present value of the contractually committed payments, where such payments are not related to the success or otherwise of activity under the contractual agreements.

Trademarks represent costs incurred to legally protect the established brand names of the Group. Trademarks are stated at cost.

Customer databases represent the value attributable to the portfolios of renewable policies that have been created by our Affinity Partners through their own sales and marketing activity and subsequently purchased by the Group. Such databases are recorded at their fair value based on the amount paid to the Affinity Partner.

Software costs are stated at cost less accumulated amortisation. Capitalised costs comprise third party and internal payroll costs where the employee time is directly attributable to the development of the software. In accordance with the criteria of IAS 38, software costs are capitalised if the Group has control over the asset generated or a separately identifiable asset has been created. External costs incurred as part of a service agreement, which do not meet the criteria of IAS 38 are prepaid and amortised over the period of expected use of the service. Other costs which do not meet the criteria for capitalisation are expensed to the income statement as incurred.

When the software is available for its intended use, these costs are amortised on a straight-line basis over the expected useful economic life.

Amortisation

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful economic lives, using the straight-line method, on the following bases:

Acquired access rights	3 - 20 years	Access rights and trademarks	up to a maximum of 20 years
Acquired customer databases	3 - 15 years	Customer databases	3 - 10 years
Other acquired intangibles	8 - 11 years	Computer software	3 - 10 years

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

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

Buildings and leasehold improvements	25 - 50 years
Furniture, fixtures and equipment	5 - 7 years
Computer equipment	3 - 7 years
Motor vehicles	3 years (with 25% residual value)

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group 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 Group estimates the recoverable amount of the CGU 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 CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU 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 CGU 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 CGU in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventory

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct material cost only. Cost is measured on a weighted average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items where appropriate

Leases

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (where the value of the asset is below £4k). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses a lease specific incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives;
- fixed service costs associated with the Group's property and vehicle lease portfolios (as the Group has elected to apply the expedient available under paragraph 15 of IFRS 16 not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement);
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease liabilities are subsequently measured at amortised cost using the effective interest method by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;

Notes to financial statements
Year ended 31 March 2022

2. Significant accounting policies (continued)

Other accounting policies (continued)

Leases (continued)

Lease liabilities (continued)

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the change in lease payments is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

Right-of-use assets

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at, or before, the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. Depreciation begins at the commencement date of the lease.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset.

Variable rents

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in operating costs in the income statement.

Interests in equity accounted investments

The results and assets and liabilities of associates and joint ventures are incorporated into these financial statements using the equity method of accounting. Under the equity method, investments are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the investee. If the Group's share of the profit or loss exceeds the Group's interest in the investee, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

On acquisition of equity accounted investment interests, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included in the carrying amount of the investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment.

The Group discontinues the use of the equity method of accounting if the investment becomes a subsidiary. Upon becoming a subsidiary, the Group accounts for the entity in accordance with the business combinations policy above. Any fair value gain or loss on re-measurement of an equity accounted investee on acquisition of control is taken to the profit and loss account at the date of acquisition.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted to 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 liability. The amortisation of the discount is recognised as a finance cost.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The classification depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVTOCI) or Fair Value through Profit or Loss (FVTPL). The classification is based on two criteria:

- the Group's business model for managing the assets; and
- whether the instruments' contractual cash flows represent "Solely Payments of Principal and Interest" on the principal amount outstanding (the "SPPI criterion").

Trade and other receivables
Trade receivables do not carry any interest and are stated at amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts, as the business model of the Group is to collect contractual cash flows and the debt meets the SPPI criterion. They are recognised when the Group's right to consideration is only conditional on the passage of time. Allowances incorporate an expectation of life-time credit losses from initial recognition and are determined using an expected credit loss approach.

Cash and cash equivalents
Cash and cash equivalents are held at amortised cost and comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents in the balance sheet are presented net of outstanding bank overdrafts where the Group has a legally enforceable right of set off and is able to demonstrate the intention to settle on a net basis. All other overdrafts are presented as liabilities within bank and other loans. Cash and cash equivalents may include amounts which are subject to contractual restrictions and not available for general use by the Group.

For the purpose of the Group Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of all outstanding bank overdrafts.

Other investments
At each balance sheet date the Group conducts a fair value assessment of its investments, the difference between the fair value and carrying value is charged or credited to the Statement of Comprehensive Income accordingly and held in the investment revaluation reserve.

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 Group after deducting all of its liabilities.

Borrowings
Interest-bearing loans and overdrafts are stated at amortised cost and are recorded at the notional amount of the proceeds received, net of direct issue costs. Interest-bearing loans are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. For the Group's floating Revolving Credit Facilities (RCFs), and with the cessation of GBP LIBOR, the Group successfully negotiated to transition to SONIA plus a credit adjustment spread. The facilities will continue to apply USD LIBOR where applicable until June 2023 at which point it is expected that facilities will transition to SOFR based rates.

Trade and other payables
Trade payables are non interest-bearing and are stated at amortised cost.

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

'Put' options over the equity of subsidiary companies
The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities. The amounts that may become payable under the option on exercise are initially recognised at the present value of the expected gross obligation with the corresponding entry being recognised in retained earnings. Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. The present value of the expected gross obligation is reassessed at the end of each reporting period and any changes are recorded in the income statement. In the event that an option expires unexercised, the liability is derecognised with a corresponding adjustment to retained earnings.

Other 'put' and 'call' options
Other put and call options are recognised at fair value with any associated benefit being recognised directly in the income statement.

Notes to financial statements
Year ended 31 March 2022

3. Accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Where sensitivity analyses have been prepared below, management determine reasonably possible increases/decreases to primary inputs at appropriate thresholds to illustrate the potential impact on profit in the year. Currently these sensitivities reflect the potential increased volatility and uncertainty of forward looking judgements and estimates when operating in an emerging 'COVID endemic' environment.

As set out in the Task Force on Climate-Related Financial Disclosures (TCFD) report on page 29, climate change is a global challenge and an emerging risk to businesses, people and the environment. Therefore, in preparing the financial statements, the Group has considered the impact of climate-related risks on its financial position and performance. While the effects of climate change represent a source of uncertainty, the Group does not consider there to be a material impact on its judgements and estimates from the physical or transition risks in the short to medium-term.

All key estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The nature of the principal assumptions underlying sources of estimation uncertainty and other areas of focus remain consistent with the prior year.

Critical accounting judgements
No critical accounting judgements have been identified in the application of the Group's accounting policies.

Key sources of estimation uncertainty
Impairment of goodwill and acquisition intangible assets
The annual impairment assessment in respect of goodwill and acquisition intangibles requires estimates of the value in use (or fair value less costs to sell) of the CGU to which goodwill and acquisition intangibles have been allocated. CGUs are aligned to the lines of business within each geographic territory in which the Group operates. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows. Where significant investment is planned in a CGU during the typical three year plan period approved by the Directors, a period of actual cash flows deviating from the standard period may be deemed more appropriate for purposes of impairment testing.

The carrying value of goodwill is £667.9m (FY21: £564.3m). The carrying value of acquisition intangibles is £264.9m (FY21: £253.2m). Following the FY22 annual impairment review, no impairment charges were recorded (FY21: £nil). See notes 13 and 14.

As set out in note 13, changes in respect of commercial outcomes around sales volumes, prices, margins and discount rates can impact the recoverable value.

At 31 March 2022 all CGUs, with the exception of Habitissimo, have recoverable amounts that exceed the carrying value of goodwill by more than 70% (FY21: all CGUs by more than 40% with the exception of Habitissimo at 14%). For Habitissimo, significant investment is planned within the typical three year recoverable period. This investment is designed to accelerate growth over the medium to long-term but results in a supressed cash flow position in the short-term. As a result, we have extended the cash flows in the test of the Habitissimo CGU to cover a five-year period. This enables a more balanced analysis that includes both the significant investment and the returns associated with that investment. In this scenario, the recoverable value of net assets in this CGU exceeds its carrying value at 31 March 2022 by 131%. Using the three year cash flow forecast for Habitssimo, which includes the investment but excludes the associated returns, would see an impairment of £7.8m.

Other areas of focus
Whilst not considered to be critical accounting judgements or key sources of estimation uncertainty, the following are areas of focus for management.

Valuation of acquisition intangible assets
When acting as the acquirer in a business combination, the Group is required to recognise separately from goodwill all intangibles that are either separable or arise from contractual or other legal rights. The Group's acquired access rights, acquired customer databases and other acquired intangibles are principally valued using the multiple period excess earnings method. This valuation approach can include a variety of judgemental assumptions including, but not limited to, estimates of expected future cash flows, retention or attrition rates and discount rates.

In FY22 the Group identified intangible assets associated with business combinations totalling £45.0m (FY21: £28.6m). If the various judgements the Group takes in valuing these assets deviated such that the total acquired fair value of FY22 acquisition intangibles was 15% different to the recorded value, the impact of the variance would be recorded against goodwill in the balance sheet and would unwind through the income statement via the revised carrying value of the intangibles, over their useful lives. Based on an average useful economic life of 7.5 years for in-year acquired intangibles, this would cause a per annum impact of +/- £0.9m to the income statement (FY21: average useful economic life of 6.8 years, +/- £0.6m).

Valuation of put options over non-controlling interests

On acquisition of a subsidiary the Group records any associated put options over non-controlling interests at the expected gross present value of the obligations. Subsequent changes in the present value of the expected gross obligations are recorded in the income statement at the end of each reporting period. Determining the value of the obligations, both at initial recognition and subsequent reporting dates requires that management make assumptions and utilise techniques that are sources of estimation uncertainty. Key assumptions include using Monte Carlo simulations, to determine the expected performance of the acquired business over a period of up to five years as well as the probability of a range of actions available to the non-controlling interests regarding the timing of exercise. Initial estimates of expected performance are made by the Directors responsible for completing the acquisition and form a key component of the financial due diligence that takes place prior to completion. Subsequent measurement is based on the Directors' appraisal of the acquired business' performance in the post-acquisition period with any required adjustments to the amount payable recognised in the income statement.

The Monte Carlo simulation utilised by the Group to value its obligations contains a number of variable inputs, including estimates of future business performance (revenue, EBITDA and net debt projections), discount rates as well as certain volatility and correlation assumptions. The most consequential of these variables to the valuation of the instruments is the estimates of future business performance. Consequently, sensitivities of the carrying value to reasonably possible 'downside' and 'upside' forecast scenarios were performed. In the upside forecast scenario the carrying value of the obligations at 31 March 2022 increased from the amount recorded (£19.0m, see notes 22 & 23) by £0.5m (FY21: £1.6m, amount recorded £34.3m). In the downside forecast scenario the carrying value of the obligations at 31 March 2022 decreased by £1.5m (FY21: £2.1m).

Claims handling obligations

Regarding revenue recognition, a proportion of revenue is deferred to cover the Group's future obligations in respect of handling future claims arising on those policies that are on risk at the year end.

The key sources of estimation uncertainty in determining an appropriate proportion of revenue to defer are the assumptions made with regards to claims frequency and the estimated cost of handling a claim. The Group uses historical experience of claim volumes and forecast activity levels to estimate these assumptions. The total amount of revenue deferred at 31 March 2022 in respect of the Group's future claims handing obligations is £41.7m (FY21: £40.7m). If either of these assumptions were individually 15% higher or lower, which reflects management's judgement based on historical experience, the impact to the profit in the year would be £6.3m (FY21: £6.1m).

Policy cancellations

Policies may be cancelled by the policyholder part way through the contractual term, which will affect the economic benefits that flow to the Group. Consequently, in accordance with IFRS 15, a refund liability is recognised to ensure that the related revenue is appropriately constrained at the point that the policy incepts in order to ensure that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once the uncertainty associated with the possibility of cancellation is resolved. The total amount of revenue deferred at 31 March 2022 in respect of potential future cancellations is £26.5m (FY21: £23.6m).

The Group uses historical experience to ensure revenue is appropriately constrained analysing expected mid-term cancellation percentages and the period of cover remaining on the policy at the point of cancellation. The most significant estimation uncertainty within this judgement is the mid-term cancellation percentage (or, inversely, the rate at which policyholders are retained).

In the most recent ten-year period, the Group retention rate has not deteriorated from its current level, 84% (FY21: 83%), by more than 3 ppts (FY21: 2 ppts), making it highly probable that a significant reversal of cumulative revenue will not occur. Consequently the 'reasonably probable' sensitivity analysis has focused on the 'upside' scenario only. Were cancellation rates to be 15% lower, which reflects management's judgement based on historical experience, the impact to profit in the year would be £4.0m (FY21: £3.5m).

4. Segmental information and revenue from contracts with customers

Segment revenues and results

Underneath the Group's three division structure (being: Membership & HVAC – North America, Membership & HVAC – EMEA and Home Experts), the Group's IFRS 8 reportable segments are principally geographic in nature as these are the components which the Group's chief operating decision maker (CODM), the Chief Executive, regularly reviews internal reports about how to allocate resources to the segments and to assess their performance.

The two 'Membership & HVAC' divisions incorporate the Group's net policy, repair, HVAC installations and other revenue streams. The Membership & HVAC – North America division represents a separate segment based on the IFRS 8 criteria outlined above. The Membership & HVAC – EMEA division splits into four geographic segments: UK, France, Spain and New Markets (including the Group's Membership & HVAC international development initiatives, its Japanese joint venture and the results of Germany (since acquisition on 12 January 2022)).

Notes to financial statements
Year ended 31 March 2022

4. Segmental information and revenue from contracts with customers (continued)

Segment revenues and results (continued)

The Home Experts division, splits into three geographic IFRS 8 segments; UK (including the results of Checkatrade), North America (including the results of eLocal) and Other (including the results of Habitissimo (Spain), Preventivi (Italy) (since acquisition on 30 December 2020), Shermin Finance (UK) (since acquisition on 14 June 2021, see note 16) and Home Experts France (until the point of disposal on 15 May 2020)).

Segment operating profit/(loss) represents the result of each segment including allocating costs associated with head office and shared functions, but without allocating investment income, finance costs and tax. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The accounting policies of the operating segments are the same as those described in note 2. Group cost allocations are deducted in arriving at segmental operating profit. Inter-segment revenue relates to transactions with other Group companies, removed on consolidation, and principally comprises royalty and other similar charges charged at prevailing market prices. Disaggregation of revenue by both line of business and geography are disclosed below. Management believes that these are the most relevant categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The line of business analysis also illustrates the Group's revenue by major products and services.

	Membership & HVAC	Membership & HVAC – EMEA				Home Experts			
2022	North America £m	UK £m	France £m	Spain £m	New Markets £m	UK £m	North America £m	Other £m	Total £m
Revenue									
Net policy income	408.7	212.5	116.2	43.8	—	—	—	—	**781.2**
Repair income	80.4	95.7	0.2	145.1	—	—	—	—	**321.4**
HVAC installations	89.3	17.2	30.7	7.6	0.8	—	—	—	**145.6**
Home Experts	—	—	—	—	—	55.6	88.9	10.7	**155.2**
Other	4.6	12.1	5.6	11.0	—	—	—	—	**33.3**
Total revenue	583.0	337.5	152.7	207.5	0.8	55.6	88.9	10.7	**1,436.7**
Inter-segment	—	(7.4)	—	—	—	—	—	—	**(7.4)**
External revenue	**583.0**	**330.1**	**152.7**	**207.5**	**0.8**	**55.6**	**88.9**	**10.7**	**1,429.3**
Result									
Adjusted operating profit/(loss) [1]	117.7	72.9	36.4	20.8	(5.6)	(2.8)	10.6	(3.5)	**246.5**
Certain transaction related income/(costs)	3.2	—	(0.1)	—	—	—	(2.0)	(0.1)	**1.0**
Amortisation of acquisition intangibles	(19.2)	(4.0)	(6.9)	(3.2)	—	(4.6)	(5.9)	(1.1)	**(44.9)**
Operating profit/(loss)	101.7	68.9	29.4	17.6	(5.6)	(7.4)	2.7	(4.7)	**202.6**
Investment income									**0.3**
Finance costs									**(27.8)**
Profit before tax									**175.1**
Tax									**(41.7)**
Profit for the year									**133.4**

2021	Membership & HVAC North America £m	Membership & HVAC – EMEA UK £m	Membership & HVAC – EMEA France £m	Membership & HVAC – EMEA Spain[2] £m	Membership & HVAC – EMEA New Markets £m	Home Experts UK £m	Home Experts North America £m	Home Experts Other £m	Total £m
Revenue									
Net policy income	388.1	233.2	113.0	48.9	—	—	—	—	783.2
Repair income	57.1	80.3	0.3	131.2	—	—	—	—	268.9
HVAC installations	57.9	12.1	16.0	6.9	—	—	—	—	92.9
Home Experts	—	—	—	—	—	38.9	91.3	9.6	139.8
Other	3.3	13.3	3.3	8.7	—	—	—	—	28.6
Total revenue	506.4	338.9	132.6	195.7	—	38.9	91.3	9.6	1,313.4
Inter-segment	—	(8.7)	—	—	—	—	—	—	(8.7)
External revenue	506.4	330.2	132.6	195.7	—	38.9	91.3	9.6	1,304.7
Result									
Adjusted operating profit/(loss) [1]	105.0	72.5	35.6	17.7	(6.3)	(16.0)	13.2	(7.4)	214.3
Exceptional items	—	(87.8)	—	(0.6)	(3.7)	—	—	(0.3)	(92.4)
Certain transaction related costs	(2.0)	—	—	—	—	—	(3.1)	—	(5.1)
Amortisation of acquisition intangibles	(20.8)	(3.2)	(7.2)	(2.4)	—	(4.6)	(6.2)	(0.6)	(45.0)
Operating profit/(loss)	82.2	(18.5)	28.4	14.7	(10.0)	(20.6)	3.9	(8.3)	71.8
Investment income									0.4
Finance costs									(25.0)
Profit before tax									47.2
Tax									(15.4)
Profit for the year									31.8

[1] Adjusted operating profit is defined in the Glossary to the Annual Report & Accounts on page 217.
[2] Comparatives for the year to 31 March 2021 have been updated for the reclassification of £8.7m of Spanish HVAC on demand revenue from HVAC installations to other income.

Net policy income includes £52.2m of home assistance revenue (FY21: £52.7m) where the Group contracts directly with the end user and not through an underwriter.

Segment information

	Assets 2022 £m	Assets 2021 £m	Liabilities 2022 £m	Liabilities 2021 £m	Non-current asset additions 2022 £m	Non-current asset additions 2021 £m	Depreciation, amortisation and impairment 2022 £m	Depreciation, amortisation and impairment 2021 £m
Membership & HVAC								
North America	**636.1**	586.7	**709.6**	670.7	**24.0**	24.0	**42.0**	41.0
Membership & HVAC – EMEA								
UK	**1,225.3**	1,068.3	**895.4**	768.7	**14.6**	19.2	**18.6**	116.1
France	**286.1**	265.0	**185.4**	174.3	**19.0**	19.0	**19.5**	17.1
Spain	**201.2**	176.6	**142.9**	117.6	**8.0**	9.8	**13.4**	16.2
New Markets	**10.2**	0.8	**9.2**	—	**—**	—	**—**	—
Home Experts								
UK	**105.9**	111.8	**19.2**	20.8	**9.5**	9.3	**11.3**	9.1
North America	**129.3**	122.3	**13.0**	18.3	**1.7**	0.1	**6.4**	6.7
Other	**26.8**	21.3	**13.4**	8.7	**2.3**	2.7	**2.9**	2.1
Inter-segment	**(656.3)**	(575.6)	**(656.3)**	(575.6)	**—**	—	**—**	—
Total	**1,964.6**	1,777.2	**1,331.8**	1,203.5	**79.1**	84.1	**114.1**	208.3

All assets and liabilities including inter-segment loans and trading balances are allocated to reportable segments.

In FY21 these figures included £84.7m of impairment charges booked in the Membership & HVAC - EMEA UK segment in relation to eServe and other intangible software assets (see note 7) and £0.1m of non-exceptional impairment charges booked in the Home Experts UK segment in relation to contract costs.

Notes to financial statements
Year ended 31 March 2022

4. Segmental information and revenue from contracts with customers (continued)

Information about major customers

During FY22 two (FY21: three) underwriters were customers of the Group that individually accounted for over 10% of the Group's revenue:

	2022 %	2021 %
Customer 1 - UK	**19.9**	23.5
Customer 2 - North America	**15.9**	16.1
Customer 3 - North America	**9.1**	11.8
Other customers individually representing below 10% of Group revenue	**55.1**	48.6
	100.0	100.0

Geographical information

The Group operates in four principal geographical areas as disclosed below.

The Group's revenue from external customers (by customer domicile) and information about its segment assets (non-current assets excluding deferred tax, retirement benefit assets and financial instruments) by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2022 £m	2021 £m	2022 £m	2021 £m
USA	**670.1**	596.0	**426.0**	399.1
UK	**385.4**	368.5	**417.2**	354.9
Spain	**207.0**	199.1	**144.5**	100.6
France	**152.3**	132.6	**191.2**	181.0
Other	**14.5**	8.5	**7.2**	19.3
	1,429.3	1,304.7	**1,186.1**	1,054.9

The other category in the table above principally includes the Group's revenue and non-current assets from Canada, Latin America and Continental European countries, excluding Spain and France.

Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) on the Group's contractual arrangements is £66.6m (FY21: £62.2m). In the Membership & HVAC businesses this balance relates to the Group's contracts with underwriters to sell policies and subsequently provide ancillary services, including claims handling, as well as scenarios where the Group contracts directly with the end user on a non-underwritten basis and is obligated to provide further services after the point of sale. In the Home Experts businesses, our future performance obligations principally include the provision of leads or directory advertising services. The obligations associated with the outstanding transaction price are expected to be fulfilled, and revenue fully recognised, within the next 12 months.

Applying the practical expedient of paragraph 121 of IFRS 15, information about remaining performance obligations on these contracts has not been disclosed.

Contract balances

An analysis of the Group's contract balances is as follows:

	2022 £m	2021 £m
Current assets		
Amounts receivable for the provision of services (see note 20)	**458.0**	424.0
Accrued income	**19.5**	18.1
Current liabilities		
Deferred income	**66.6**	62.2

All contract balances are classified as current. Accrued income contract assets primarily relate to services performed for customers in our Spanish claims operations in advance of payment being received, or falling due. Accrued income contract assets are transferred to trade receivables when the right to consideration becomes unconditional. Deferred income contract liabilities principally relate to advanced consideration received from customers, for which revenue is recognised as the associated performance obligation is satisfied. Significant deferred income contract liabilities are recorded across the Group in the Membership and Home Experts businesses.

Significant changes in accrued and deferred income balances during the year were as follows:

	Accrued Income £m	Deferred Income £m
At 1 April 2020	16.9	51.7
Transfers to receivables	(14.6)	—
Revenue recognised from the opening balance	—	(44.9)
Revenue deferred not yet earned	—	54.6
Revenue earned not yet due	16.3	—
Business combinations	—	4.0
Foreign exchange	(0.5)	(3.2)
At 1 April 2021	18.1	62.2
Transfers to receivables	(18.1)	—
Revenue recognised from the opening balance	—	(62.2)
Revenue deferred not yet earned	—	62.0
Revenue earned not yet due	19.5	—
Business combinations	0.1	3.6
Foreign exchange	(0.1)	1.0
At 31 March 2022	**19.5**	**66.6**

Revenue deferred not yet earned is presented net of amounts created and released within the same reporting period. Revenue recognised in 2022 and 2021 in relation to performance obligations satisfied (or partially satisfied) in previous periods was immaterial.

Contract costs

	£m
At 1 April 2020	16.8
Additions	0.6
Amortisation	(9.0)
Impairment	(0.1)
Foreign exchange	(0.1)
At 1 April 2021	8.2
Additions	1.5
Amortisation	(5.6)
Foreign exchange	—
At 1 April 2022	**4.1**

Contract costs primarily represent the value attributable to the portfolio of renewable customers created by Affinity Partners through their own sales and marketing activity, subsequently purchased by the Group. Where these capitalised commission costs are incremental to the cost of obtaining the contract with the Group's direct customer they are capitalised under IFRS 15. Management anticipate these costs to be recoverable over the expected life of the associated customer relationship, over which they will be amortised.

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental cost of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

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5. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	Notes	2022 £m	2021 £m
Included in operating costs:			
Staff remuneration	6	**414.1**	389.1
Cost of inventories recognised as an expense		**39.1**	25.2
Depreciation of right-of-use assets	26	**15.1**	15.2
Depreciation of property, plant and equipment	15	**10.3**	9.9
Amortisation of acquisition intangible assets	14	**44.9**	45.0
Amortisation of other intangible assets	14	**38.2**	44.4
Amortisation of contract costs	4	**5.6**	9.0
(Gain)/loss on disposal of property, plant and equipment, intangibles and contract costs[1]		**(6.0)**	1.1
(Gain)/loss on disposal of associate	18	**(0.8)**	2.1
(Gain)/loss on disposal of businesses	16	**(4.3)**	0.1
Net amounts written off on trade receivables and contract assets	20	**3.5**	2.1
Impairment of goodwill, acquired intangibles and contract costs		**—**	0.1
Exceptional items	7	**—**	92.4
Expenses relating to variable lease payments not included in the measurement of lease liabilities		**2.4**	1.4
Expenses relating to leases of low value assets, excluding short-term leases of low value assets		**0.4**	0.4
Expenses relating to short-term leases		**1.9**	0.7

[1] The gain on disposal predominately relates to the Piedmont policy book disposal (see note 14), the gain has been fully reinvested in marketing.

The analysis of auditor's remuneration is as follows:	2022 £000	2021 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**312**	202
The audit of the Company's subsidiaries pursuant to legislation	**1,378**	1,137
Total audit fees	**1,690**	1,339
Audit-related assurance services	**103**	66
Total non-audit fees	**103**	66
Total auditor's remuneration	**1,793**	1,405

Audit related assurance services are in respect of the review of the interim financial information, review of the iXBRL electronically tagged Group accounts and regulatory legal dividend reporting requirements in France.

Fees payable to Deloitte LLP and their member firms for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

A description of the work of the Audit and Risk Committee is set out in the Corporate Governance report and includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by the auditor.

6. Staff remuneration

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

	2022 number	2021 number
UK (including Head Office)	**3,165**	3,068
Continental Europe	**2,879**	2,271
North America	**2,590**	2,108
	8,634	7,447

	2022 £m	2021 £m
Their aggregate remuneration comprised:		
Wages and salaries	**359.6**	337.7
Social security costs	**43.8**	40.9
Other pension costs (note 33)	**8.0**	7.7
Other long-term benefits	**2.7**	2.8
	414.1	389.1

Other long-term benefits relate to costs accrued in association with options held by employees of eLocal Holdings LLC to put their non-controlling interest equity to the Group.

The Company only staff numbers and remuneration amounts for HomeServe plc are disclosed in note 37 to the parent company financial statements.

7. Adjusting and exceptional items

Adjusting items, in addition to amortisation of acquired intangibles of £44.9m (FY21: £45.0m), comprised the following:

	2022 £m	2021 £m
Costs of put options on non-controlling interests accrued over time	**2.7**	2.8
Fair value (gains)/losses on option obligations and contingent consideration	**(3.7)**	2.3
Certain transaction related (income)/costs included within operating costs	**(1.0)**	5.1
Unwinding of discount on option obligations and contingent consideration	**1.3**	1.6
Certain transaction related costs included within finance costs	**1.3**	1.6
Total certain transaction related costs included in profit before tax	**0.3**	6.7
Net taxation on certain transaction related costs	**(0.1)**	(1.7)
Total certain transaction related costs after tax	**0.2**	5.0

Exceptional items, booked to operating costs, comprised the following:

	2022 £m	2021 £m
Impairment charges and associated costs	**—**	86.9
Restructuring costs	**—**	5.5
Exceptional items included within operating profit before tax	**—**	92.4
Net taxation on exceptional items	**—**	(17.6)
Net exceptional items after tax	**—**	74.8

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7. Adjusting and exceptional items (continued)

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Impairment and associated charges

The Group incurred exceptional impairment charges of £82.6m due to the full write down of the UK's 'eServe' CRM system and recognised £2.2m of exceptional provisions related to onerous contracts associated with the eServe system. During the second half of FY21 additional capability issues came to light as more policies were introduced onto the system, meaning that the duration of the parallel run period alongside the legacy system would need to be extended. Following an extensive review of system capability and robustness and the ongoing operational needs of the business, the difficult decision was taken to revert the minority of customers on this platform back to the existing Ensura CRM system, which is the proven system of record in North America. Following a period of decommissioning, eServe will be replaced by a flexible cloud-based solution, similar to that implemented successfully in France and which is planned for implementation in North America. This change resulted in an impairment charge being recognised for the asset's full carrying amount. Impairment and associated charges related to eServe were classified as exceptional in the consolidated income statement due to their size, nature and incidence.

Additionally, as part of the refocusing exercise discussed under restructuring costs below, additional impairment charges of £2.1m were recorded in relation to other intangible software assets bringing their carrying values to £nil. The assets in question were built to allow UK Membership jobs to be deployed to smaller trades via an app. However, the expected benefits associated with its deployment have not been realised and therefore the functionality will not be used going forward. Aggregate costs of the refocusing exercise were classified as exceptional in the consolidated income statement due to their size, nature and incidence.

Restructuring costs

As well as looking for new opportunities, the Group frequently reviews its existing activity and considers whether there is anything that it should stop doing. During the prior year, significant charges were incurred as part of a refocusing exercise in two main areas. Firstly, having reviewed international development opportunities and considered where capital allocated to this activity would create the most value for shareholders, it was agreed that adopting a 'near neighbour' strategy, focusing on adjacent territories of our existing businesses, such as Canada, Belgium and Portugal, was the optimum way to proceed. Development of these opportunities will be run by the management teams of our existing businesses and, as a result, the central International Business Development team was streamlined, which resulted in an exceptional cost of £3.7m. Secondly, as part of this refocusing, additional redundancy charges of £1.8m were recorded as the Group seeked to refocus its corporate functions and migrate back to a more federated operating model. Aggregate costs of the refocusing exercise were classified as exceptional in the consolidated income statement due to their size, nature and incidence.

8. Investment income

	2022 £m	2021 £m
Interest on bank deposits	**0.1**	0.1
Other interest	**0.2**	0.3
	0.3	0.4

9. Finance costs

	2022 £m	2021 £m
Interest on bank and other loans	**24.2**	20.3
Interest on lease liabilities	**1.2**	1.4
Unwinding of discount on deferred consideration	**0.7**	0.8
Unwinding of discount on contingent consideration	**0.6**	0.6
Unwinding of discount on obligations under put options	**0.7**	1.0
Other interest	**0.6**	0.8
Exchange movements	**(0.2)**	0.1
	27.8	25.0

10. Taxation

	2022 £m	2021 £m
Current tax		
Current year charge	**39.1**	40.5
Adjustments in respect of prior years	**(1.0)**	(2.0)
Total current tax charge	**38.1**	38.5
Deferred tax charge/(credit)	**3.6**	(23.1)
Total tax charge	**41.7**	15.4

The pre-exceptional effective tax rate for the year ended 31 March 2022 was 24% (FY21: 24%). The post-exceptional effective tax rate for the same period was 24% (FY21: 33%). UK corporation tax is calculated at 19% (FY21: 19%) of the estimated assessable profit for the year. The UK Government in its 2021 Budget announced that the main UK corporate rate would be maintained at 19% until 31 March 2023, before being increased to 25% from 1 April 2023. This proposal was substantively enacted on 24 May 2021 when the UK's deferred taxes were re-measured accordingly. However, based on the UK's deferred tax position this UK tax rate increase did not give rise to a material effect.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions, these being a blended (Federal/State) rate of 26% in the US (FY21: 25%), 27% in France (FY21: 28%), 25% in Spain (FY21: 25%), a blended rate of 30% in Germany (FY21: 30%) and a blended rate of 28% in Italy (FY21: substitute tax of 12%), which explains the 'Overseas tax rate differences' below. The US administration has recently proposed to increase the Federal tax rate but given the uncertainty as to when this proposal might be substantively enacted, and in exactly what form, it is not possible to estimate its impact. We will continue to monitor the progress of this US tax proposal and the impact upon the Group's effective tax rate.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2022 £m	2021 £m
Profit before tax on continuing operations	**175.1**	47.2
Tax at the UK corporation tax rate of 19% (FY21: 19%)	**33.3**	9.0
Tax effect of items that are not deductible in determining taxable profit	**0.5**	—
Adjustments in respect of prior years – current tax	**(1.0)**	(2.0)
Deferred tax rate adjustment	**(0.3)**	—
Adjustments in respect of prior years – deferred tax	**0.2**	1.3
Overseas tax rate differences	**9.0**	7.1
Tax expense for the year	**41.7**	15.4

Given the UK parented nature of the Group, the majority of financing that the overseas businesses require is provided from the UK, and as such the UK has provided a number of intra-group loans to its overseas operations in order to fund their growth plans. In light of the different tax rates applicable in each of the markets in which the Group operates, as noted above, these loans result in a reduction in the Group's effective tax rate, which is included in 'Overseas tax rate differences' in the table above.

In April 2019, the European Commission (the Commission) of the European Union (the EU) published its official decision in relation to certain aspects of the UK's Controlled Foreign Company ('CFC') rules. In particular, the Commission has decided that the 'Group Financing Exemption' is in breach of the EU's State Aid rules. The UK Government and a number of taxpayers have appealed this judgement applying for the decision to be annulled. These annulment proceedings are likely to take several years before a final decision is handed down. Whilst we await the outcome of these annulment proceedings the UK has implemented legislation in order to give the European Commission's judgement legal effect. As a result, the Group was issued with a charging notice in January 2021, which represented the tax that was exempted under the UK's CFC group financing exemption rules. The Group has submitted an appeal to HMRC in respect of this charging notice, but under EU State Aid rules, the notice required payment within 30 days irrespective of this appeal being lodged. As a result, the Group paid the tax arising during the financial year ended 31 March 2021, which was not material. The Group had previously included the calculation of the potential liability within its uncertain income tax estimation within current tax liabilities in the Group Balance Sheet. The Group in FY21 had utilised this tax provision in settling the HMRC charging notice and therefore it had no adverse impact upon the Group's effective tax rate in FY21.

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10. Taxation (continued)

A retirement benefit tax charge of £0.9m (FY21: credit £0.9m) has been recognised directly in other comprehensive income. In addition to the amounts (charged)/credited to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	2022 £m	2021 £m
Current tax		
Excess tax deductions related to share-based payments on exercised options	**0.2**	1.5
Deferred tax		
Change in estimated excess tax deductions related to share-based payments	**0.1**	(1.0)
Total tax recognised directly in equity	**0.3**	0.5

Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Group and the movements during the current and prior year:

Asset/(liability)	Timing differences £m	Elected goodwill deductions £m	Retirement benefit obligations £m	Share schemes £m	Acquired intangible assets £m	Unutilised losses £m	Investment revaluation reserve £m	Total £m
At 1 April 2020	(8.0)	(0.8)	(1.9)	4.6	(18.9)	4.8	–	**(20.2)**
Credit/(charge) to Income	15.7	(1.0)	(0.4)	(1.0)	10.7	(0.9)	–	**23.1**
Charge to equity	–	–	–	(1.0)	–	–	–	**(1.0)**
(Charge)/credit to Comprehensive Income	–	–	0.9	–	–	–	(1.3)	**(0.4)**
Business acquisitions	–	(0.3)	–	–	(3.5)	–	–	**(3.8)**
Transfers	(0.6)	0.1	0.1	–	0.3	0.1	–	**–**
Exchange movements	–	0.1	–	(0.1)	0.2	(0.4)	–	**(0.2)**
At 1 April 2021	7.1	(1.9)	(1.3)	2.5	(11.2)	3.6	(1.3)	**(2.5)**
(Charge)/credit to Income	(7.9)	1.8	(1.3)	(0.2)	4.7	(0.7)	–	**(3.6)**
Credit to equity	–	–	–	0.1	–	–	–	**0.1**
Charge to Comprehensive Income	–	–	(0.9)	–	–	–	–	**(0.9)**
Business acquisitions	–	–	–	–	(9.3)	–	–	**(9.3)**
Adjustments to prior year acquisitions	–	–	–	–	(0.3)	–	–	**(0.3)**
Transfers	–	0.3	–	–	(0.3)	–	–	**–**
Exchange movements	(0.1)	(0.1)	–	–	0.3	0.1	–	**0.2**
At 31 March 2022	**(0.9)**	**0.1**	**(3.5)**	**2.4**	**(16.1)**	**3.0**	**(1.3)**	**(16.3)**

The majority of the FY22 charge within timing differences is driven by HVAC acquisitions in our North American segment whereby tax deductions on tangible assets are claimed more quickly when compared to the associated accounting expense which is amortised over longer useful economic lives, resulting in deferred tax liabilities being recognised. Due to the acquisitive nature of the Group, we have also recognised deferred tax liabilities in respect of our business acquisitions as some of this capital expenditure will not be tax deductible. The majority of unutilised losses are expected to be utilised within twelve months.

Certain deferred tax assets and liabilities have been offset in the table above. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

2022	UK £m	France £m	Spain £m	Italy £m	Germany £m	North America £m	**Total £m**
Deferred tax assets	—	—	—	—	—	2.3	**2.3**
Deferred tax liabilities	(2.2)	(13.3)	(1.4)	—	(1.7)	—	**(18.6)**
Net deferred tax (liabilities)/assets	**(2.2)**	**(13.3)**	**(1.4)**	**—**	**(1.7)**	**2.3**	**(16.3)**

2021	UK £m	France £m	Spain £m	Italy £m	Germany £m	North America £m	Total £m
Deferred tax assets	4.6	—	0.9	—	—	7.3	12.8
Deferred tax liabilities	—	(13.7)	—	(0.3)	(1.3)	—	(15.3)
Net deferred tax (liabilities)/assets	4.6	(13.7)	0.9	(0.3)	(1.3)	7.3	(2.5)

Deferred tax has not been recognised on £13.2m (FY21: £13.2m) of unused losses in Help-Link UK Limited due to the uncertainty over the timing of future recovery. There are no expiry dates in respect of the unrecognised tax losses in either year.

11. Dividends

	2022 £m	2021 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2021 of 19.8p (2020: 17.8p) per share	**66.5**	59.7
Interim dividend for the year ended 31 March 2022 of 6.8p (2021: 6.2p) per share	**22.8**	20.8
	89.3	80.5

In light of the offer for the Group, the Board is not recommending payment of a final dividend. However, if the offer terminates, the Board will look to declare an interim dividend in accordance with the Company's Articles of Association (FY21: final dividend of 19.8p per share amounting to £66.5m).

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12. Earnings per share

	2022 pence	2021 pence
Basic	**39.5**	9.3
Diluted	**39.3**	9.2
Adjusted basic	**49.3**	42.7
Adjusted diluted	**49.1**	42.6

The calculation of the basic and diluted earnings per share is based on the following data:

Number of shares	2022 m	2021 m
Weighted average number of shares		
Basic	**336.3**	335.8
Dilutive impact of share options	**1.2**	1.0
Diluted	**337.5**	336.8

Earnings	2022 £m	2021 £m
Profit for the year attributable to equity holders of the parent	**132.8**	31.1
Amortisation of acquisition intangibles	**44.9**	45.0
Certain transaction related costs (note 7)	**0.3**	6.7
Exceptional items (note 7)	**—**	92.4
Tax impact arising on adjusting and exceptional items	**(10.9)**	(29.7)
Non-controlling interests' share of adjusting items	**(1.4)**	(2.1)
Adjusted profit for the year attributable to equity holders of the parent	**165.7**	143.4

Basic and diluted earnings per ordinary share have been calculated in accordance with IAS 33 Earnings Per Share. Basic earnings per share is calculated by dividing the profit or loss in the financial year by the weighted average number of ordinary shares in issue during the year. Adjusted earnings per share is calculated excluding the amortisation of acquisition intangibles, certain transaction related costs, exceptional items and the associated tax impacts.

The Group uses adjusted operating profit, adjusted operating margin, adjusted EBITDA, adjusted profit before tax and adjusted earnings per share as its primary performance measures. These are non-IFRS measures which exclude the impact of exceptional items, certain transaction related costs, the amortisation of acquisition intangibles and the associated tax impacts. For further details refer to the 'Profitability' section of the Glossary.

Diluted earnings per share includes the impact of dilutive share options in issue throughout the year.

13. Goodwill

	£m
Cost	
At 1 April 2020	509.9
Recognised on business acquisitions	72.3
Adjustment related to prior year acquisitions	4.1
Exchange movements	(22.0)
At 1 April 2021	564.3
Recognised on business acquisitions	96.3
Adjustment related to prior year acquisitions	(0.1)
Exchange movements	7.4
At 31 March 2022	**667.9**

Adjustments to provisional balances

During FY22 the provisional fair values for the acquisitions completed in FY21 and disclosed as part of the Group's FY21 Annual Report were updated leading to a total net £0.1m decrease to goodwill at 31 March 2022. This decrease in goodwill arose due to fair value adjustments increasing the value of intangible assets identified on acquisition by £1.1m, deferred tax liabilities by £0.3m and a £0.7m decrease in other acquired net assets. The fair value adjustments arose across nine prior year acquisitions.

Impairment testing methodology and goodwill allocation

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group's CGUs are defined as the lines of business within each geographic territory in which the Group operates, because they represent the smallest identifiable group of assets that generate cash flows. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations.

The key assumptions for the value in use calculations are those regarding growth rates, discount rates and expected changes to selling prices and direct costs during the period. The Group prepares cash flow forecasts derived from the most recent financial budgets and plans for the next three years approved by the Directors and extrapolates the annual cash flows using estimated, long-term growth rates.

The growth rates are based on detailed business plans and although long-term growth rate forecasts may be higher in certain territories, the lowest rate across the Group has been applied to reduce the risk that value in use calculations are overstated. The long-term growth rate utilised is 2% (FY21: 2%). Changes in selling prices and direct costs are based on expectations of future changes in the market.

Where significant investment is planned in a CGU during the typical three year plan period approved by the Directors, a period of actual cash flows deviating from the standard period may be deemed more appropriate for purposes of impairment testing.

Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money. The pre-tax cost of capital rates used to discount the forecast pre-tax cash flows are different for each CGU and are as follows:

Segment	CGUs	2022	2021
Membership & HVAC – North America	North America	**10.7%**	10.9%
Membership & HVAC – EMEA UK	UK	**10.8%**	10.4%
Membership & HVAC – EMEA France	France	**10.1%**	9.5%
Membership & HVAC – EMEA Spain	Spain	**10.7%**	10.2%
Membership & HVAC – EMEA New Markets	Germany	**11.1%**	—
Home Experts - UK	Checkatrade	**12.8%**	11.8%
Home Experts - North America	eLocal	**12.6%**	12.5%
Home Experts - Other	Habitissimo	**12.6%**	11.6%
Home Experts - Other	Consumer Finance	**12.8%**	—

Pre-tax cost of capital rates reflect the latest cost of debt and equity for a sample of comparable companies in accordance with the market participant premise detailed in IAS 36. The increase in the discount rates versus FY21 reflects the increased market uncertainty brought about by recent geopolitical events and the associated impact of this on the cost of both equity and debt.

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value, which also reflects the different risk profile of each CGU. Having performed this analysis, the Group believes that, for all CGUs other than Habitissimo, that there are no reasonably possible changes to the key assumptions in the next year which would result in the carrying amount of goodwill exceeding the recoverable amount. This view is based upon inherently judgemental assumptions, although the judgements taken are prudent and reasonable, and also takes account of the headroom in the value in use calculation versus the current carrying value. In Habitissimo, with all other assumptions held static, the relevant discount rate within the value in use calculation would need to increase by 4.0ppts (to 16.6%) for headroom to reduce to £nil. Performing the same sensitivities on the terminal free cash flow assumption would require reductions of 25% to reduce headroom to £nil. As detailed in note 3 the Group performed additional scenario analysis over the Habitissimo CGU, due to the significant investment and associated returns, see note 3 for further details.

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13. Goodwill (continued)

The carrying amount of goodwill has been allocated, by CGU, as follows:

	2022 £m	2021 £m
North America	**119.4**	94.3
UK	**227.9**	183.8
France	**110.2**	103.4
Spain	**73.1**	53.6
Germany	**3.9**	—
Checkatrade	**58.6**	58.6
eLocal	**60.9**	58.2
Habitissimo	**12.4**	12.4
Consumer Finance	**1.5**	—
	667.9	564.3

The Group's CGUs do not contain any intangible assets with indefinite useful economic lives.

14. Other intangible assets and prepaid software

Other intangible assets and prepaid software on the balance sheet include £421.4m (FY21: £391.3m) of intangible assets and £2.7m (FY21: £nil) of prepaid software assets related to 'Software as a Service' arrangements. Other intangible assets are categorised as follows:

	Acquired access rights £m	Acquired customer databases £m	Other acquired intangibles £m	**Total acquisition intangibles £m**	Trademarks & access rights £m	Customer databases £m	Software £m	**Total intangibles £m**
Cost								
At 1 April 2020	207.9	246.9	15.3	**470.1**	43.0	31.4	298.4	**842.9**
Additions	0.8	0.6	—	**1.4**	0.7	15.0	52.8	**69.9**
Business acquisitions	2.0	26.6	—	**28.6**	—	—	1.2	**29.8**
Disposals	—	(1.2)	—	**(1.2)**	(0.4)	—	(1.7)	**(3.3)**
Disposal of business	—	—	—	**—**	—	—	(0.3)	**(0.3)**
Adjustments to prior year acquisitions [1]	(1.2)	—	(0.2)	**(1.4)**	—	—	—	**(1.4)**
Exchange movements	(19.7)	(15.7)	(0.1)	**(35.5)**	(1.7)	(2.2)	(8.0)	**(47.4)**
At 1 April 2021	189.8	257.2	15.0	**462.0**	41.6	44.2	342.4	**890.2**
Additions	2.8	0.1	—	**2.9**	—	14.2	42.0	**59.1**
Business acquisitions	4.5	37.8	2.7	**45.0**	—	—	—	**45.0**
Disposals	—	(0.6)	—	**(0.6)**	(0.3)	(0.6)	(13.7)	**(15.2)**
Disposal of businesses	—	—	—	**—**	—	—	(14.1)	**(14.1)**
Adjustments to prior year acquisitions [1]	—	1.1	—	**1.1**	—	—	—	**1.1**
Exchange movements	8.0	5.1	—	**13.1**	0.8	0.2	3.2	**17.3**
At 31 March 2022	**205.1**	**300.7**	**17.7**	**523.5**	**42.1**	**58.0**	**359.8**	**983.4**

Accumulated amortisation								
At 1 April 2020	51.4	122.3	4.1	**177.8**	35.1	9.3	123.6	**345.8**
Charge for the year	15.6	27.4	2.0	**45.0**	2.3	6.8	35.3	**89.4**
Impairment	—	—	—	**—**	—	—	84.7	**84.7**
Disposals	—	(1.2)	—	**(1.2)**	(0.2)	—	(1.0)	**(2.4)**
Exchange movements	(4.5)	(8.3)	—	**(12.8)**	(1.2)	(0.7)	(3.9)	**(18.6)**
At 1 April 2021	62.5	140.2	6.1	**208.8**	36.0	15.4	238.7	**498.9**
Charge for the year	17.8	25.1	2.0	**44.9**	2.0	8.5	27.7	**83.1**
Disposals	—	(0.6)	—	**(0.6)**	(0.1)	(0.2)	(13.3)	**(14.2)**
Disposal of businesses	—	—	—	**—**	—	—	(13.9)	**(13.9)**
Transfers	4.0	(4.0)	—	**—**	—	—	—	—
Exchange movements	2.5	3.0	—	**5.5**	0.6	0.1	1.9	**8.1**
At 31 March 2022	**86.8**	**163.7**	**8.1**	**258.6**	**38.5**	**23.8**	**241.1**	**562.0**
Carrying amount								
At 31 March 2022	**118.3**	**137.0**	**9.6**	**264.9**	**3.6**	**34.2**	**118.7**	**421.4**
At 31 March 2021	127.3	117.0	8.9	253.2	5.6	28.8	103.7	391.3

[1] The carrying value of acquired intangible assets relating to prior year acquisitions were adjusted during the associated re-measurement periods increasing the value of acquired customer databases by £1.1m (FY21: reducing acquired access rights by £1.2m), and goodwill by £1.1m (FY21: increasing goodwill by £1.4m and reducing other acquired intangibles by £0.2m). See note 13 for further details.

Other acquired intangibles include acquired brands and technology assets. At the balance sheet date, there are no contractual commitments for the purchase of intangible assets (FY21: £nil).

The most significant intangible assets are customer relationships acquired as part of the acquisition of eLocal Holdings LLC in FY20 with a book value of £46.8m (FY21: £51.0m), held within acquired access rights. The assets are being amortised over periods ranging between 10 and 11 years on a straight-line basis and have over 7 to 8 years useful economic life remaining.

Year ended 31 March 2022

Disposal of Piedmont policy book

On 10 December 2021, HomeServe USA Corp ('HSUSA') entered into an agreement to sell the book of policies built up during the affinity partnership to Piedmont Natural Gas Company, Inc. ('Piedmont') ahead of the affinity partnership ending in April 2022. HSUSA disposed of the policy book in two tranches, the first tranche completing in March 2022 and the second tranche in April 2022. As a result in FY22 for tranche one of the transaction, the Group received $10.9m/£8.2m of cash consideration, derecognised intangible assets of $0.5m/£0.4m, receivables of $2.9m/£2.1m and payables of $0.8m/£0.6m relating to commissions and underwriter payables. This resulted in an initial gain on disposal of £6.3m being recorded in the income statement. The gain will be finalised following the completion of the post close cash collection process on transferred accounts receivable balances during June. For further details on the disposal of tranche two see note 35.

Year ended 31 March 2021

Impairment

At 31 March 2021 the carrying value of the eServe customer relationship management system and associated intangibles within the UK Membership business were reviewed for impairment resulting in impairment charges of £82.6m being recorded within software assets, bringing the post impairment carrying value of the eServe CRM system to £nil. In addition, an impairment of £2.1m was recognised in association with other intangible software assets, bringing the post impairment carrying value of the asset to £nil. Total impairment charges of £84.7m have been treated as exceptional due to their size, nature and incidence (see note 7).

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Year ended 31 March 2022

15. Property, plant and equipment

	Land & buildings £m	Furniture, fixtures & equipment £m	Computer equipment £m	Motor vehicles £m	**Total £m**
Cost					
At 1 April 2020	40.8	14.9	35.5	4.7	**95.9**
Additions	0.5	0.7	4.2	1.7	**7.1**
Disposals	(0.2)	(0.1)	(1.9)	(0.3)	**(2.5)**
Business acquisitions	0.7	0.3	0.3	2.9	**4.2**
Exchange movements	(0.6)	(0.4)	(1.3)	(0.6)	**(2.9)**
At 1 April 2021	41.2	15.4	36.8	8.4	**101.8**
Additions	1.3	1.5	3.9	0.1	**6.8**
Disposals	(0.3)	(0.4)	(0.9)	(0.8)	**(2.4)**
Business acquisitions	0.1	0.5	—	1.4	**2.0**
Exchange movements	0.1	0.1	0.7	0.5	**1.4**
At 31 March 2022	**42.4**	**17.1**	**40.5**	**9.6**	**109.6**
Accumulated depreciation					
At 1 April 2020	17.2	10.4	24.9	1.4	**53.9**
Charge for the year	2.1	1.5	4.9	1.4	**9.9**
Disposals	(0.2)	(0.1)	(1.5)	(0.2)	**(2.0)**
Exchange movements	(0.4)	(0.3)	(0.9)	(0.1)	**(1.7)**
At 1 April 2021	18.7	11.5	27.4	2.5	**60.1**
Charge for the year	2.0	2.3	4.5	1.5	**10.3**
Disposals	(0.2)	(0.4)	(0.9)	(0.6)	**(2.1)**
Exchange movements	0.1	0.2	0.4	0.2	**0.9**
At 31 March 2022	**20.6**	**13.6**	**31.4**	**3.6**	**69.2**
Carrying amount					
At 31 March 2022	**21.8**	**3.5**	**9.1**	**6.0**	**40.4**
At 31 March 2021	22.5	3.9	9.4	5.9	41.7

At the balance sheet date, there are no contractual commitments for the purchase of property, plant and equipment (FY21: £nil).

16. Acquisitions and Disposals

The Group has incurred a net cash outflow in respect of business combinations of £130.8m in the year (FY21: £77.3m).

There were three material acquisitions in the year ended 31 March 2022:

- On 16 July 2021, HomeServe Skilled Trades LLC, a Group company, acquired 100% of the issued share capital and obtained control of McLoughlin Plumbing & Heating Co., (hereafter 'McLoughlin'), for total consideration of £13.4m. The acquisition of McLoughlin continues to enhance the scale and scope of the Group's HVAC capabilities in North America.
- On 22 October 2021, HomeServe Assistance Limited, a Group company, acquired 100% of the issued share capital and obtained control of CET Structures Limited, (hereafter 'CET'), for total consideration of £53.9m. The acquisition of CET is a significant step in broadening the UK's capabilities in home emergency assistance.
- On 14 January 2022, HomeServe Iberia S.L.U., a Group company acquired 100% of the issued share capital and obtained control of Atecal 2001 S.L.U. and Sanimamp 2005 S.L.U. (hereafter collectively 'Grupo MH'), for total consideration of £17.8m. The acquisition of Grupo MH enhances the scale and scope of the Group's HVAC capabilities in Spain.

Additionally, the following immaterial acquisitions, which have been combined and presented as 'Other' for the purpose of provisional fair value disclosures, were made during the year ended 31 March 2022.

Membership

- On 7 June 2021, HomeServe Asistencia Spain SAU, a Group company, acquired 100% of the issued share capital and obtained control of Servitis LDA (hereafter 'Servitis'). The acquisition of Servitis continues to expand the Group's home assistance services and increases the opportunity for future growth in this market.

HVAC

In the year the Group made 18 HVAC acquisition for total consideration of £43.8m. The acquisitions made during FY22 enhance the scale and scope of the Group's HVAC capabilities and increase the opportunity for future growth related to new HVAC system installations.

Date	Acquiree	Acquirer	Acquired
14 April 2021	Mark Gillece Plumbing and Heating LLC	HomeServe Skilled Trades LLC	100% share capital
31 August 2021	Mauger	ID Energies SAS	Group of assets constituting a business under IFRS 3
31 August 2021	Confort & Chaleur	Roussin Energies SAS	Group of assets constituting a business under IFRS 3
31 August 2021	JM Autin	Aujard SAS	Group of assets constituting a business under IFRS 3
3 September 2021	Voinot Services	Aujard SAS	Group of assets constituting a business under IFRS 3
10 September 2021	Esven Servicio Tecnico S.L.	HomeServe Iberia S.L.U.	100% share capital
20 September 2021	Vimar Sociedad Civil	Aragonesa De Postventa S.L.U. and Servicio Tecnico Sate S.L.	100% share capital – 50% by each acquirer (both Group companies)
30 September 2021	Alain Beal	SMT SAS	Group of assets constituting a business under IFRS 3
30 September 2021	APG Domestic Services Limited	HomeServe Membership Limited	100% share capital
31 October 2021	JCM Confort SAS & JC Technique SAS	HomeServe Energy Services SAS	100% share capital
20 December 2021	Montgomery Brothers LLC (known as United Plumbing Company)	HomeServe Skilled Trades LLC	100% share capital
31 December 2021	Dépann'Gaz SAS	ID Energies SAS	100% share capital
12 January 2022	Schneider & Steffens GmbH & Co. KG	HomeServe Deutschland Handwerksdienstleistung GmbH	100% share capital
28 January 2022	John Wilkinson Heating Services Limited	HomeServe Membership Limited	100% share capital
31 January 2022	Hainaut Chauffage C.S.T.E SA	HomeServe Energy Services Belgium SLR	100% share capital
7 February 2022	Olympic Aire Services Inc	HomeServe Skilled Trades LLC	100% share capital
14 March 2022	SureTemp Air Conditioning LLC	Arizona Dukes of Air LLC	100% share capital
25 March 2022	Electricidad Angulo	Atecal 2001 S.L.U.	Group of assets constituting a business under IFRS 3

Home Experts

- On 14 June 2021, HomeServe Assistance Limited, a Group company, acquired 100% of the issued share capital and obtained control of VBF Holdings Limited. VBF Holdings Limited is the parent entity of Shermin Finance Limited (hereafter 'Shermin'). The acquisition of Shermin expands the Group's Home Experts offering through providing specialist point of sale finance brokering services.

Notes to financial statements
Year ended 31 March 2022

16. Acquisitions and Disposals (continued)

The provisional fair values of identifiable assets acquired, and liabilities assumed are set out in the table below:

At fair value	CET £m	Grupo MH £m	McLoughlin £m	Other £m	**Total £m**
Property, plant and equipment	0.1	0.1	0.2	1.6	**2.0**
Right-of-use assets	0.4	0.4	0.1	2.7	**3.6**
Cash and cash equivalents	2.0	0.8	1.5	5.7	**10.0**
Inventories	—	0.4	—	2.7	**3.1**
Trade and other receivables	4.2	0.6	0.4	6.8	**12.0**
Trade and other payables, provisions & retirement benefit obligations	(5.9)	(0.9)	(0.6)	(8.1)	**(15.5)**
Deferred income	—	(2.3)	—	(1.3)	**(3.6)**
Lease liabilities	(0.4)	(0.4)	(0.1)	(2.7)	**(3.6)**
Bank & other loans	—	(0.2)	—	(1.2)	**(1.4)**
Intangible assets identified on acquisition	16.6	7.1	3.3	18.0	**45.0**
Deferred tax liabilities	(3.6)	(1.8)	(0.9)	(3.0)	**(9.3)**
Net assets acquired	13.4	3.8	3.9	21.2	**42.3**
Goodwill	40.5	14.0	9.5	32.3	**96.3**
Total	**53.9**	**17.8**	**13.4**	**53.5**	**138.6**
Satisfied by:					
Cash	53.9	17.4	10.7	40.4	**122.4**
Deferred consideration	—	0.4	0.6	4.2	**5.2**
Contingent consideration at fair value	—	—	2.1	8.9	**11.0**
Total	**53.9**	**17.8**	**13.4**	**53.5**	**138.6**
Net cash outflow arising on acquisition:					
Cash consideration	53.9	17.4	10.7	40.4	**122.4**
Less: cash acquired	(2.0)	(0.8)	(1.5)	(5.7)	**(10.0)**
Total	**51.9**	**16.6**	**9.2**	**34.7**	**112.4**

The information above is provisional with fair value assessment activities ongoing. The 'Other' column relates to 20 individually immaterial business combinations completed during the year.

The goodwill arising on the excess of consideration over the fair value of the assets and liabilities acquired represents the expectation of future growth, synergistic benefits and efficiencies. Where elections are made to treat an acquisition that is in scope of US tax legislation as an asset purchase for tax, goodwill is deemed deductible for tax purposes. Where goodwill arises on consolidation within the Group it is not deductible for tax purposes, but tax deductions on goodwill amortisation may arise at a local level in certain territories, subject to specific local rules. Deferred tax liabilities associated with elected goodwill deductions are disclosed in note 10. The gross contracted amounts due are equal to the fair value amounts stated above for trade and other receivables.

The post-acquisition revenue, adjusted operating profit and acquisition-related costs (included in operating costs) from these acquisitions in the year ended 31 March 2022 were as follows:

	CET £m	Grupo MH £m	McLoughlin £m	Other £m	**Total £m**
Revenue	15.7	2.1	5.8	21.5	**45.1**
Adjusted operating profit	1.1	0.1	0.9	2.9	**5.0**
Acquisition-related costs	0.5	0.2	—	1.1	**1.8**

If all of the acquisitions had been completed on the first day of the financial year, Group revenues for the year would have been £1,480.8m and Group adjusted profit before tax would have been £228.6m.

In addition to the net cash outflow on the acquisitions above of £112.4m, deferred and contingent consideration was paid relating to previous business combinations of £18.4m (FY21: £3.6m).

Disposal of HomeServe Labs Limited
On 21 March 2022, HomeServe Assistance Limited ('HAL'), a Group company, disposed of its 100% interest in HomeServe Labs Limited. The total fair value of consideration was £4.9m. The net assets of the Group's interest in the business at the date of the disposal were:

At fair value	**£m**
Total identifiable net liabilities	(0.1)
Gain on disposal	3.6
Transaction costs	1.4
Total	**4.9**
Satisfied by:	
Cash	1.6
Interest in acquiror	1.8
Fair value of loan notes	1.5
Total	**4.9**
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	1.6
Less: cash and cash equivalent balances disposed	—
Total	**1.6**

The loan notes receivable as consideration in this transaction represent an originated credit impaired financial asset under IFRS 9. They have a face value of £6.4m and have been measured at a day one fair value of £1.5m. They will be subsequently measured at amortised cost less any provision for impairment using the effective interest method.

As a result of the transaction, at 31 March 2022, HAL held a 19.99% interest in the acquiror, Spinnaker Acquisitions Plc, subsequently renamed Ondo InsurTech Plc ('Ondo'). The Group have assessed that HAL does not have significant influence over Ondo and as a result the holding is to be accounted for as a non-controlling interest under IFRS 9. The Group has elected to classify the instrument as an investment recorded at fair value through other comprehensive income. See note 17 and 27 for further details.

Disposal of Brazilian operations
On 30 June 2021, Habitissimo S.L disposed of its Brazilian operations to Juntos Somos Mais Fidelizacao S.A. for total consideration of €1.8m/£1.6m, including cash of €1.6m/£1.4m recognising a net gain on disposal of €0.8m/£0.7m after the write off of intangible assets and other associated disposal costs. The net gain on disposal is realised within Group operating profit.

Notes to financial statements
Year ended 31 March 2022

17. Other investments

Equity investments carried at fair value through other comprehensive income	£m
At 1 April 2020	5.6
Additions	2.9
Fair value gain on FVTOCI investment	4.6
Exchange movements	(0.2)
At 1 April 2021	12.9
Additions	1.6
Fair value loss on FVTOCI investments	(0.1)
Exchange movements	(0.1)
At 31 March 2022	**14.3**

On 21 March 2022, HomeServe Assistance Limited ('HAL'), a Group company, disposed of 100% of its interest in HomeServe Labs Limited (see note 16). As part of the total consideration HAL obtained a 19.99% holding in the acquiror, Spinnaker Acquisitions Plc, subsequently renamed Ondo InsurTech Plc ('Ondo'). The Group has elected to classify the investment at fair value through other comprehensive income under IFRS 9. For the period from initial recognition to 31 March 2022 the change in fair value recorded in other comprehensive income was a loss of £0.2m.

HomeServe France Holding SAS ('HFH'), a Group company retained a 20% holding in Groupe Maison.fr SAS in May 2020, during FY22 the Group provided additional funding on an arm's length basis in the form of a €3.7m loan facility of which €1.5m/£1.3m had been drawn down at 31 March 2022. The majority shareholders also provided additional equity funding which reduced HFH shareholding to 19.49%. The fair value of the equity investment has been assessed at 31 March 2022 by analysing the future outlook for the business. The result of this reassessment increased the fair value of the investment by £0.1m.

At 31 March 2022 the fair value of the Group's investment held in a manufacturer of smart thermostat connected home technology was held at the valuation indicated by the investee's latest equity funding round (May 2021).

18. Equity accounted investments

A list of equity accounted investments, including the name, address, country of incorporation, and proportion of ownership is given in note 50 to the Company's separate financial statements.

Contributions to joint ventures

The Group made additional contributions to its joint venture investment in HomeServe Japan Corporation during the year of £3.6m (FY21: £2.2m).

Disposal of interest in associate

On 31 March 2021 HomeServe USA Corp disposed of its 20% equity interest in Centriq Technology Inc. ('Centriq') in exchange for a perpetual licence to the technology underpinning Centriq's mobile application which provides customers with a cutting-edge digital home product and system catalogue with ancillary maintenance and repair service solutions. This transaction represented a non-monetary asset exchange in which the Group determined the fair value of the consideration received by reference to the fair value of the asset given up, namely the 20% equity interest in Centriq, which was estimated to be \$1.1m/£0.8m at 31 March 2021. At 31 March 2021, the carrying value of the Group's investment in Centriq of \$4.0m/£2.9m was derecognised and the Group recorded a loss on disposal of £2.1m in the income statement and recognised an intangible asset for £0.8m representing the value of the licence acquired.

Subsequently in FY22, the fair value of the asset received in exchange for the 20% equity interest was finalised with an increase of \$1.0m/£0.8m, bringing the total asset to \$2.1m/£1.6m. This resulted in an increase in the intangible asset recognised and a gain on disposal of \$1.0m/£0.8m being recorded in the income statement.

Acquisition of interest in associate

On 22 February 2021, HomeServe France Holding, a Group company, acquired a 20% holding in Mouse Holding SAS for €2,000.

Summary Financial Information

The following amounts relate to the combined results of the Group's joint venture interest in HomeServe Japan Corporation and associate interests in (including Centriq until date of disposal):

	2022 £m	2021 £m
Loss after tax	**(6.8)**	(5.5)
Total comprehensive expense	**(6.8)**	(5.5)
Amounts recognisable	**(3.4)**	(2.5)

19. Inventories

	2022 £m	2021 £m
Consumables	**20.4**	12.2

20. Trade and other receivables

	2022 £m	2021 £m
Amounts receivable for the provision of services	**458.0**	424.0
Other receivables	**48.5**	44.7
Accrued income	**19.5**	18.1
Prepayments	**23.6**	14.2
	549.6	501.0

Credit risk

Where the Group contracts directly with the consumer of its services, the counterparty to the financial asset in question (the tradesperson or policyholder) is the primary driver of the Group's credit exposure. Where the Group acts as an insurance intermediary, the counterparty to the financial asset in question (the underwriter) is not the primary driver of the Group's credit exposure, rather the risk derives from the creditworthiness of the underlying policyholder. In both instances the relevant credit risk pools are numerous and diverse, thereby mitigating the significance of the Group's exposure to any single pool of risk. Of the at risk balance at the end of the year there is no significant concentration of credit risk within an individual pool, with risk exposure spread across a large number of policyholders or tradespersons. There are no risk exposures that represent more than 5% of the total balance at risk. Note 3 contains further detail regarding the potential risk if policy cancellations were to be higher than expected.

Risks associated with the environments in which customers and policyholders operate may also influence the credit risk. Credit quality of customers is assessed by taking into account the current financial position of the counterparty, past experience and forward looking factors, including economic outlook. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality from the date credit was initially granted up to the reporting date. The Group's exposures are further reduced by its ability, in the event of default, to cease providing member services or to take policyholders "off risk". A default on a trade receivable is when the counterparty fails to make contractual payments within the stated payment terms. Balances are written off when there is no reasonable expectation of recovery and carrying amounts represent the maximum potential credit exposure.

Trade receivables and accrued income are subject to impairment using the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. Consequently the IFRS 9 concept of a significant increase in credit risk is not applicable to the Group's expected credit loss calculations. To assess expected credit losses, balances are either assessed individually or grouped based on similar credit risk characteristics (e.g. type of customer or days past due). Expected losses are then measured using a provisioning matrix approach adjusted, where applicable, to take into account current macro-economic factors or counterparty specific considerations.

The Group trades only with creditworthy third parties and maintains a policy that, with the exception of our membership policyholders, customers who wish to trade on credit terms are reviewed for financial stability. The Group has provided fully for those balances that it does not expect to recover. This assessment has been undertaken by reviewing the status of all at risk balances in line with the process described above. The Directors believe that there is no further credit provision required in excess of the expected credit loss provision.

Included in the Group's exposure are balances with a carrying amount of £45.5m (FY21: £34.5m) which are past due at the reporting date but for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Notes to financial statements
Year ended 31 March 2022

20. Trade and other receivables (continued)

Ageing of balances past due net of expected credit losses:

	2022 £m	2021 £m
1 - 30 days	**21.6**	19.3
31 - 60 days	**14.9**	7.9
61 - 90 days	**3.7**	2.5
91 days +	**5.3**	4.8
Balance at 31 March past due	**45.5**	34.5
Current/not yet due	**412.5**	389.5
At 31 March	**458.0**	424.0

Movement in expected credit losses:

	2022 £m	2021 £m
At 1 April	**5.9**	3.8
Impairment losses recognised	**3.5**	2.4
Amounts written off	**(2.7)**	(1.7)
Amounts recovered	**(0.1)**	(0.3)
Business disposals	**(0.4)**	–
Business acquisitions	**0.7**	0.6
Transfers	**–**	1.2
Exchange movements	**0.2**	(0.1)
At 31 March	**7.1**	5.9

Of the provision total £nil relates to accrued income (FY21: £nil).

Ageing of impaired balances:

	2022 £m	2021 £m
1 - 30 days	**0.4**	0.2
31 - 60 days	**0.8**	0.5
61 - 90 days	**0.6**	0.7
91 days +	**3.7**	2.4
Current/not yet due	**1.6**	2.1
At 31 March	**7.1**	5.9

Other receivables

Other receivables principally comprise deposits, tax balances due to the Group and other non-trading items. No expected credit loss allowance was recognised at 31 March 2022 or 31 March 2021 as there has been no experience of significant historic losses and no charge was reported in the income statement. No other receivable balances were considered past due but not impaired.

21. Cash and cash equivalents

	2022 £m	2021 £m
Cash and cash equivalents in the Group balance sheet	**174.5**	171.4
Bank overdrafts	**(17.0)**	(22.0)
Cash and cash equivalents in the Group cash flow statement	**157.5**	149.4

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Of the total cash and cash equivalents balance held £15.6m (FY21: £19.3m) is not available for use by the Group due to the restrictions stipulated within the Group's contractual relationships with underwriters. These balances principally relate to advances from underwriters received to fund claims payments. No client monies as defined under CASS 5 of the FCA Handbook are held.

With respect to credit risk arising from cash and cash equivalents, the Group's exposure arises from the probability of default of the counterparty. The Group manages the risk associated with cash and cash equivalents through depositing funds only with reputable and creditworthy banking institutions.

22. Trade and other payables – current

	2022 £m	2021 £m
Trade payables and accruals	**172.6**	158.9
Contingent consideration	**11.0**	17.0
Deferred consideration	**5.9**	4.0
Obligations under put options	**4.7**	24.6
Deferred income	**66.6**	62.2
Refund liabilities	**26.5**	23.6
Taxes and social security, excluding current tax	**14.1**	13.2
Amounts related to policyholders to be remitted to underwriters	**83.7**	82.1
Other payables	**62.3**	69.3
	447.4	454.9

Trade payables, other payables and accruals principally comprise amounts outstanding for trade purchases and other ongoing costs.

Deferred and contingent consideration relate to future amounts payable, or potentially payable, on business combinations and asset purchases.

Obligations under put options relate to the obligation to acquire the remaining 10.5% non-controlling interest in eLocal Holdings LLC, following HomeServe USA Holding Corp's initial 79% acquisition in FY20 and subsequent exercise of 10.5% of the options in FY22 (see note 30 for further details). Put options classified as current are exercisable by the holder during July 2022.

Deferred income represents revenue where an obligation exists to provide future services. An appropriate proportion of monies received in advance are treated as deferred income and recognised over the relevant period (see note 4).

Refund liabilities are made in respect of those policies that may be cancelled by the policyholder part way through the contractual term, which will affect the economic benefits that flow to the Group. The liability is made to ensure that the related revenue is not recognised at the point that the policy incepts.

Amounts related to policyholders to be remitted to underwriters principally relate to the cost of underwriting and Insurance Premium Tax for cash collected or cash to be collected from policyholders for the provision of services, not yet transmitted.

23. Trade and other payables – non-current

	2022 £m	2021 £m
Contingent consideration	**14.5**	12.8
Deferred consideration	**6.4**	6.8
Obligations under put options	**14.3**	9.7
Other non-current payables	**1.6**	2.5
	36.8	31.8

Deferred and contingent consideration relate to future amounts payable, or potentially payable, on business combinations and asset purchases.

Obligations under put options relate to the obligation to acquire the remaining 10.5% non-controlling interest in eLocal Holdings LLC, following HomeServe USA Holding Corp's initial 79% acquisition in FY20 and subsequent exercise of 10.5% of the options in FY22 (see note 30 for further details). Put options classified as non-current are exercisable by the holder between July 2023 and July 2025.

Notes to financial statements
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24. Provisions

Movements in provisions during the years ended 31 March 2022 and 31 March 2021 are disclosed below:

	Restructuring costs £m	Other £m	**Total £m**
At 1 April 2020	1.0	1.0	**2.0**
Created	1.1	5.5	**6.6**
Acquired on business acquisitions	–	0.1	**0.1**
Utilised	(1.7)	(1.9)	**(3.6)**
Released	(0.2)	(0.8)	**(1.0)**
Transferred	–	2.0	**2.0**
Foreign exchange	–	(0.1)	**(0.1)**
At 1 April 2021	0.2	5.8	**6.0**
Created	0.2	1.3	**1.5**
Acquired on business acquisitions	–	0.2	**0.2**
Utilised	(0.2)	(1.9)	**(2.1)**
Released	–	(0.4)	**(0.4)**
At 31 March 2022	**0.2**	**5.0**	**5.2**

Where material, provisions are discounted based on an approximation for the time value of money. The amount and timing of the cash outflows are subject to variation. Provisions are principally expected to be utilised over the next 12 months.

25. Borrowings

Bank and other loans

	2022 £m	2021 £m
Sterling denominated	**86.9**	40.1
US dollar denominated	**2.8**	2.3
Euro denominated	**11.2**	11.6
Due within one year	**100.9**	54.0
Sterling denominated	**225.6**	242.8
US dollar denominated	**344.8**	280.5
Euro denominated	**94.5**	56.5
Due after one year	**664.9**	579.8
Total bank and other loans	**765.8**	633.8

Bank and other loans due within one year includes US Private Placements and bank facilities due within one year of £78.5m (FY21: £26.4m), overdrafts in relation to our cash pooling arrangements of £17.0m (FY21: £22.0m) and interest due on borrowings of £5.4m (FY21: £5.6m).

The US Dollar and Euro denominated borrowings are used to provide debt funding to the North America and Continental Europe operations respectively. Foreign currency borrowings are drawn in the UK and passed to the overseas subsidiaries of the Group by way of intercompany loans, denominated in the same currencies. These external borrowings and the equivalent intercompany receivable loans are treated as monetary liabilities and assets respectively and, as such, the Group's foreign currency exposure risk is minimised.

The weighted average interest rates paid on bank and other loans were as follows:

	2022			2021		
	£ %	€ %	$ %	£ %	€ %	$ %
Fixed	**3.1**	**—**	**4.0**	3.2	—	4.1
Floating	**2.1**	**1.6**	**1.6**	1.2	1.1	1.2

All of the Group's borrowings are unsecured. The currencies in which the Group's borrowings are denominated reflect the geographical segments for which they have been used.

On 15 October 2021 the Group completed a financing transaction in the United States Private Placement market, issuing notes amounting to £30.0m with a fixed interest rate of 2.47%. The notes have a 6 year maturity from the date of issue.

The principal features of the Group's other borrowings are as follows:

- The Group has a £400m revolving credit facility with seven banks. This facility was taken out on 1 August 2017 and has an initial term of five years with the option to extend the term twice, by one year, up to a maximum of seven years. On 1 August 2019 the second one year option was exercised to extend the facility to 2024. The financial covenants associated with the facility are 'net debt to EBITDA of less than 3.0 times' (FY21: 3.0 times) and 'interest cover greater than 4.0 times EBITDA' (FY21: 4.0 times). Interest is charged at floating rates at margins of between 1.15% and 1.55% (FY21: 1.05% and 1.15%) above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk. At 31 March 2022, the Group had available £262.7m (FY21: £346.9m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
- The Group has a £35m revolving credit facility with one bank. This facility was taken out on 20 November 2020 with an original termination date of 19 November 2021. On 30 September 2021, the option was exercised to extend the facility by 6 months to 20 May 2022. The financial covenants associated with the facility are the same as the £400m revolving credit facility. Interest is charged at a floating margin of 1.5% (FY21: 1.5%) above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk. At 31 March 2022, the Group had available £35.0m (FY21: £35.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
- The Group has a £50m revolving credit facility with one bank. This facility was taken out on 30 March 2020 with a termination date of 15 July 2024. The financial covenants associated with the facility are the same as the £400m revolving credit facility. Interest is charged at a floating margin of 1.55% (FY21: 1.15%) above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk. At 31 March 2022, the Group had available £35.6m (FY21: £40.6m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
- The Group has £530m of additional US Private Placements (FY21: £518m) consisting of: a combined £245m (FY21: £236m) USD and GBP denominated notes taken out on 21 August 2020 at a weighted average interest of 3.41%, a combined £175m (FY21: £172m) USD and GBP denominated notes taken out on 13 December 2018 at a weighted average interest rate of 4.25%; a £60m placement taken out on 6 March 2017 with a fixed interest rate of 2.59% and a £50m placement taken out on 7 October 2015 with a fixed interest rate of 3.44%. These notes vary in maturity from 7, 10 and 12 years from date of issue and the financial covenants are the same as the £400m revolving credit facility.
- The Group renewed a £25m (FY21: £25m) short-term loan in FY22 through to July 2022. The financial covenants associated with the facility are the same as the £400m revolving credit facility. Interest is charged at floating rates at margins of 1.10% (FY21: 1.10%) above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk.
- The Group has a $5m facility in the USA, of which $4.1m/£3.2m (FY21: $2.6m/£1.9m) was drawn at 31 March 2022. The weighted average interest rate was 1.5% (FY21: 1.5%).

In addition to the core external borrowings listed above the Group is party to £8.3m (FY21: £4.2m) in financing arrangements for asset purchases. The weighted average interest rate was 2.2% (FY21: 2.0%).

The Group has complied with all covenant requirements in the current and prior year. Information about liquidity risk is presented in note 27. For the Group's floating Revolving Credit Facilities (RCFs) and with the cessation of GBP LIBOR the Group successfully negotiated to transition to SONIA plus a credit adjustment spread. The facilities will continue to apply USD LIBOR where applicable until June 2023 at which point it is expected that facilities will transition to SOFR based rates.

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25. Borrowings (continued)

Reconciliation of movements in liabilities arising from financing

	Lease liabilities £m	Bank and other loans £m	**Total £m**
At 1 April 2020	59.3	580.9	**640.2**
Proceeds from new loans and borrowings	–	243.4	**243.4**
Proceeds from additional borrowings on existing facilities	–	27.1	**27.1**
Repayment of borrowings	–	(214.6)	**(214.6)**
Repayment of lease principal	(14.8)	–	**(14.8)**
Interest paid	(1.4)	(18.2)	**(19.6)**
Costs associated with new bank and other loans raised	–	(2.2)	**(2.2)**
Total changes from cash flows	(16.2)	35.5	**19.3**
Non-cash movements			
Foreign exchange	(2.6)	(33.4)	**(36.0)**
Interest expense	1.4	20.3	**21.7**
Additions	6.5	4.2	**10.7**
Disposals	(1.1)	–	**(1.1)**
Business acquisitions	4.0	4.3	**8.3**
Total changes from non-cash movements	8.2	(4.6)	**3.6**
Bank overdrafts included within bank and other loans	–	22.0	**22.0**
At 1 April 2021	51.3	633.8	**685.1**
Proceeds from new loans and borrowings	–	30.0	**30.0**
Proceeds from additional borrowings on existing facilities	–	123.2	**123.2**
Repayment of borrowings	–	(39.9)	**(39.9)**
Repayment of overdrafts	–	(5.0)	**(5.0)**
Repayment of lease principal	(14.7)	–	**(14.7)**
Interest paid	(1.2)	(22.5)	**(23.7)**
Costs associated with new bank and other loans raised	–	(0.3)	**(0.3)**
Total changes from cash flows	(15.9)	85.5	**69.6**
Non-cash movements			
Foreign exchange	0.6	14.8	**15.4**
Interest expense	1.2	24.2	**25.4**
Additions	11.7	6.1	**17.8**
Disposals	(1.0)	–	**(1.0)**
Business acquisitions	3.6	1.4	**5.0**
Total changes from non-cash movements	16.1	46.5	**62.6**
At 31 March 2022	**51.5**	**765.8**	**817.3**
Analysed as:			
Non-current	15.2	100.9	116.1
Current	36.3	664.9	701.2
At 31 March 2022	**51.5**	**765.8**	**817.3**

A maturity analysis of the contractual undiscounted cash flows associated with lease liabilities and bank and other loans is provided in note 27.

26. Leasing

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	Properties £m	Motor vehicles £m	Other £m	**Total £m**
Cost				
At 1 April 2020	53.6	20.3	0.2	**74.1**
Additions	2.8	3.6	0.1	**6.5**
Disposals	(1.6)	(1.1)	–	**(2.7)**
Acquisitions of subsidiaries	3.5	0.5	–	**4.0**
Exchange movements	(3.0)	(0.7)	–	**(3.7)**
At 1 April 2021	55.3	22.6	0.3	**78.2**
Additions	3.4	8.3	–	**11.7**
Disposals	(1.5)	(2.7)	–	**(4.2)**
Acquisitions of subsidiaries	3.2	0.4	–	**3.6**
Exchange movements	0.9	0.3	–	**1.2**
At 31 March 2022	**61.3**	**28.9**	**0.3**	**90.5**
Accumulated depreciation				
At 1 April 2020	8.6	8.6	0.1	**17.3**
Charge for the year	9.5	5.6	0.1	**15.2**
Disposals	(0.6)	(1.0)	–	**(1.6)**
Exchange movements	(0.8)	(0.5)	–	**(1.3)**
At 1 April 2021	16.7	12.7	0.2	**29.6**
Charge for the year	9.8	5.3	–	**15.1**
Disposals	(0.5)	(2.6)	–	**(3.1)**
Exchange movements	0.4	0.2	–	**0.6**
At 31 March 2022	**26.4**	**15.6**	**0.2**	**42.2**
Carrying amount				
At 31 March 2022	**34.9**	**13.3**	**0.1**	**48.3**
At 31 March 2021	38.6	9.9	0.1	48.6

Amounts recognised in the consolidated income statement are disclosed in notes 5 and 9 respectively. A maturity analysis of the contractual undiscounted cash flows associated with lease liabilities is provided in note 27. The total cash outflow for leases for the year ended 31 March 2022 was £15.9m (FY21: £16.2m), representing £14.7m (FY21: £14.8m) of principal repayments and £1.2m (FY21: £1.4m) of interest charges on outstanding lease liabilities (see note 25).

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27. Financial instruments

Classification

Aside from the financial instruments discussed under 'financial instruments subsequently measured at fair value' below, all other financial assets and liabilities to which the Group is party are held at amortised cost and their carrying values approximate their fair values.

Financial instruments subsequently measured at fair value

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those equal to quoted and unadjusted market prices in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

There were no transfers of assets or liabilities between levels during the year. There are no non-recurring fair value measurements. The Group held the following financial instruments at fair value:

	2022 £m	2021 £m
Level 1		
Assets classified as fair value through other comprehensive income		
Other investments (note 17)	**1.4**	–
Level 2		
Assets classified as fair value through other comprehensive income		
Other investments (note 17)	**12.9**	12.9
Level 3		
Assets classified as fair value through profit and loss		
Other financial assets	**0.9**	1.2
Contingent consideration at fair value through profit and loss		
Current liabilities	**11.0**	17.0
Non-current liabilities	**14.5**	12.8

The Group uses the following methods to estimate fair value of its financial instruments:

Financial Instrument	Level	Valuation method
Other financial assets	1	Quoted bid price in an active market
Other investments	2	Discounted cashflows at current market rates
Other financial assets	3	Black Scholes model and discounted cashflows at current market rates
Contingent consideration	3	Discounted cashflows at current market rates

The table below presents a reconciliation of recurring Level 3 fair value measurements:

	2022		2021	
	Other financial assets £m	**Contingent consideration £m**	Other financial assets £m	Contingent consideration £m
At 1 April	**1.2**	**29.8**	—	11.4
Additions (note 16)	**—**	**11.0**	1.2	20.4
Payments	**—**	**(14.6)**	—	(1.1)
Re-measurement adjustment related to prior year acquisition	**—**	**—**	—	1.0
Unwinding of discount rate through the income statement	**—**	**0.6**	—	0.6
Other movements	**—**	**0.2**	—	(0.3)
Fair value re-measurements	**(0.3)**	**(2.5)**	0.1	—
Foreign exchange	**—**	**1.0**	(0.1)	(2.2)
At 31 March	**0.9**	**25.5**	1.2	29.8

The inputs used to derive the asset fair values are reviewed at least annually by the Directors as part of the valuation process. The variable inputs most consequential to the final valuation of the instrument are the price of the underlying equity and the expected volatility. If the underlying price of the equity was higher/lower by 10%, then the carrying amount would increase by £0.4m/decrease by £0.1m (FY21: increase by £0.3m/decrease by £0.2m). If the volatility assumption increased/decreased by 10%, then the carrying amount would increase/decrease by £0.1m (FY21: £0.1m).

If discount rates on contingent consideration were higher/lower than the Group's historical experience by 10%, the carrying amount would increase/decrease by £0.1m (FY21: £0.1m). The undiscounted range of outcomes associated with the contingent consideration payments has a floor of £0.8m (FY21: £1.6m). Payments above the floor vary based on a range of conditional performance metrics, for example a percentage commission based on the future revenues associated with certain products of an acquired business over a defined period.

Other financial assets – Level 3

HomeServe France Holding SAS ("HFH") call option over equity in Maison.fr

As a result of the disposal, on 15 May 2020, of an 80% interest in HomeServe Home Experts SAS (subsequently renamed Groupe Maison.fr), HFH acquired a call option, initially exercisable in April 2022, providing the opportunity to acquire a further 23.73% equity stake of Groupe Maison.fr SAS for a fixed price of €3.7m/£3.3m. On 26 November 2021 the option term was amended and the instrument is now exercisable in December 2022 with no other changes in terms. The option has been fair valued using a Black-Scholes option pricing model. The assumptions used in the model are as follows:

- The price of the underlying equity (determined by discounting future forecast cash flows of the business to present value)
- The exercise price of the option
- The risk-free rate
- The life of the option
- The expected volatility of the share price/equity
- Expected dividends

The fair value of the option at 31 March 2022 was £0.9m (FY21: £1.2m). During FY22 the change in fair value before the impact of foreign exchange was a charge of £0.3m (FY21: £0.1m charge).

Eneco Belgium NV call option over equity in HomeServe Belgium

On 27 January 2021 HomeServe France Holding SAS wrote a call option giving an unrelated third party, Eneco Belgium NV ('Eneco'), the ability to acquire 50% of the equity in HomeServe Belgium SRL, a wholly owned subsidiary of HFH, at any time between the first and third anniversaries of the signing date of the call option agreement. At 31 March 2022 the Group have compared the forecast exercise price to Eneco throughout the exercise period to the forecast fair value of 50% of the equity in HomeServe Belgium SRL and concluded that the option has no significant fair value at the balance sheet date.

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27. Financial instruments (continued)

Other financial assets – held at amortised cost

Ondo InsurTech Plc ("Ondo") loan notes

As a result of the disposal of HomeServe Labs Limited, HomeServe Assistance Limited ('HAL'), a Group company, obtained loan notes in Ondo as part of the total consideration. They represent an originated credit impaired financial asset under IFRS 9 and have been measured at a day one fair value of £1.5m. The loan notes are subsequently measured at amortised cost less any provision for impairment using the effective interest method. The carrying value at 31 March 2022 was £1.5m.

Capital risk management

The Group manages its capital to ensure that entities in the Group are able to continue as going concerns while maximising the return to stakeholders through the appropriate balance of debt and equity. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 25, cash and cash equivalents in note 21 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 28, 29 and the Group Statement of Changes in Equity.

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

	2022 £m	2021 £m
Attributable to equity holders of the parent	**627.6**	564.0
Cash and cash equivalents	**174.5**	171.4
Bank and other loans	**765.8**	633.8

Certain of the entities in the Group are subject to externally imposed capital requirements from the Financial Conduct Authority. Where such requirements exist, the Group manages the risk through the close monitoring of performance and distributable capital within the entities impacted by the regulations. The Group has complied with all such arrangements throughout the current and preceding year.

Financial risk management objectives

The Group principally utilises cash and cash equivalents and bank and other loans for the purpose of raising finance for its operations. The Group also has various other financial instruments such as trade receivables and trade payables which arise directly from its operations.

Financial risk management is overseen by the Board according to objectives, targets and policies set by the Board. Treasury risk management, including management of currency risk, interest rate risk and liquidity risk is carried out by a central Group Treasury function in accordance with objectives, targets and policies set by the Board. Treasury is not a profit centre and does not enter into speculative transactions.

Classification of financial instruments

The Group's financial assets and liabilities are disclosed in notes 20-23 and note 25. The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Foreign currency risk is minimised by the treasury borrowing approach set out in note 25.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's long-term debt requirements with floating interest rates. The Group's policy is to manage its interest rate risk using a mix of fixed and variable rate debts.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The following table demonstrates the sensitivity to a reasonably possible increase of 100bps in the cost of borrowing, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	2022	2021
Increase in cost of borrowing	**100bps**	100bps
Reduction in profit before tax (£m)	**1.8**	0.7

Credit risk

Credit risk associated with trade receivables and accrued income contract assets is discussed in note 20. Credit risk related to cash and cash equivalents is discussed in note 21.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Group's Board which sets the framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecast and actual cash flows. Included in note 25 are details of the undrawn facilities that are available to the Group to reduce liquidity risk further, along with the weighted average interest rates paid on bank and other loans.

The maturity profile of the Group's financial liabilities based on contractual maturities, is provided in the table below. Interest is payable on all bank and other loans. All cash flows are presented on an undiscounted basis.

	Bank and other loans £m	Trade payables £m	Other payables £m	Deferred and contingent consideration £m	Lease liabilities £m	Obligations under put options £m	**Total £m**
2022							
Under 2 months	20.2	104.9	63.5	0.4	2.5	—	**191.5**
Between 2 and 12 months	97.7	67.7	123.2	17.6	13.2	4.8	**324.2**
Between 1 and 2 years	23.9	0.6	0.5	6.0	13.2	17.6	**61.8**
Between 2 and 5 years	320.2	—	0.1	12.3	19.5	—	**352.1**
After 5 years	436.4	0.3	—	5.0	6.3	—	**448.0**
Total	**898.4**	**173.5**	**187.3**	**41.3**	**54.7**	**22.4**	**1,377.6**

	Bank and other loans £m	Trade payables £m	Other payables £m	Deferred and contingent consideration £m	Lease liabilities £m	Obligations under put options £m	Total £m
2021							
Under 2 months	24.6	97.2	39.3	6.1	2.5	—	169.7
Between 2 and 12 months	44.4	61.7	109.9	17.0	11.6	26.7	271.3
Between 1 and 2 years	72.2	0.1	1.5	3.9	12.1	—	89.8
Between 2 and 5 years	229.5	0.1	0.1	10.9	20.6	15.8	277.0
After 5 years	405.3	0.7	—	6.5	7.7	—	420.2
Total	776.0	159.8	150.8	44.4	54.5	42.5	1,228.0

The revolving credit facility is drawn down and associated interest is settled on a monthly basis. The principal is included in the above maturity profile tables when the facility is due to expire.

28. Share capital

	2022 £m	2021 £m
Issued and fully paid 336,471,082 ordinary shares of 2 9/13p each (FY21: 336,045,030)	**9.1**	9.1

The Company has one class of ordinary shares which carry no right to fixed income. Share capital represents consideration received or amounts, based on fair value, allocated to LTIP and One Plan participants on exercise, or amounts, based on fair value of the consideration for acquired entities. The nominal value was 2 9/13p per share on all issued and fully paid shares.

During the year from 1 April 2021 to 31 March 2022 the Company issued 426,052 shares with a nominal value of 2 9/13p creating share capital and share premium with a combined value of £2.9m.

During the year from 1 April 2020 to 31 March 2021 the Company issued 1,410,752 shares with a nominal value of 2 9/13p creating share capital and share premium with a combined value of £7.2m.

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29. Reserves

Share premium

The share premium account represents consideration received or amounts, based on fair value, allocated to LTIP and One Plan participants on exercise for authorised and issued shares in excess of the nominal value of 2 9/13p (FY21: 2 9/13p).

Share incentive reserve

The share incentive reserve represents the cumulative charges to income under IFRS 2 'Share-based payments' on all share options and schemes granted, net of share option exercises.

Currency translation reserve

The currency translation reserve represents the cumulative foreign currency translation movement on the assets and liabilities of the Group's international operations at year end exchange rates.

Investment revaluation reserve

The investment revaluation reserve represents the movement on revaluation of the Group's fair value through other comprehensive income investments disclosed in note 17.

Other reserves

The movement on other reserves during the current and preceding years is set out in the table below:

	Capital redemption reserve £m	Merger reserve £m	Own shares reserve £m	**Total other reserves £m**
At 1 April 2020, 1 April 2021 and 31 March 2022	**1.2**	**81.0**	**(3.0)**	**79.2**

The capital redemption reserve arose on the redemption of 1.2m £1 redeemable preference shares on 1 July 2002.

Merger reserve

The merger reserve represents:

- the issue on 6 April 2004 of 11.6m new shares relating to the acquisition of the minority interest held in the Group at that date. The reserve reflects the difference between the nominal value of shares at the date of issue of 12.5p and the share price immediately preceding the issue of 624.5p per share; and
- the issue on 17 November 2017 of 1.2m new shares relating to the acquisition of Checkatrade. The reserve reflects the difference between the nominal value of shares at the date of issue of 2 9/13p and the share price immediately preceding the issue of 838p per share. The shares issued formed part of the consideration for the acquisition of the remaining 60% of the equity of Checkatrade (taking the Group's overall holding to 100%) and therefore qualify for merger relief.

The own shares reserve represents the cost of shares in HomeServe plc purchased in the market and held by the HomeServe plc Employee Benefit Trust. The shares are held to satisfy obligations under the Group's share option schemes and are recognised at cost. During the year no shares were repurchased or transferred to individuals to satisfy awards (FY21: nil).

30. Non-controlling interests

On 8 September 2021, the non-controlling shareholders of eLocal LLC exercised put options to sell 50% of their 21% non-controlling interest in eLocal LLC for cash consideration of $25.1m/£18.2m to HomeServe USA Holding Corp. The transaction increased HomeServe USA Holding Corp interest in eLocal to 89.5% of the issued share capital. On extinguishment of the exercised options, $7.0m/£5.2m of the non-controlling interest was derecognised against equity attributable to the parent. Options over the remaining 10.5% minority equity instruments are exercisable between July 2022 and July 2025.

Summarised financial information in respect of the Group's non-controlling interests is set out below. In FY22, this relates to the 10.5% (FY21: 21%) non-controlling interest in eLocal USA Holdings LLC. The summarised financial information below represents amounts before intra-group eliminations.

	2022 £m	2021 £m
Current assets	**18.9**	12.1
Non-current assets	**44.7**	52.1
Current liabilities	**(9.8)**	(14.7)
Non-current liabilities	**(3.9)**	(3.5)
Equity attributable to owners of the Company	**49.9**	46.0
Non-controlling interests	**5.2**	9.7

31. Notes to the cash flow statement

	Notes	2022 £m	2021 £m
Operating profit		**202.6**	71.8
Adjustments for:			
Depreciation of property, plant and equipment	15	**10.3**	9.9
Depreciation of right-of-use assets	26	**15.1**	15.2
Amortisation of acquisition intangible assets	14	**44.9**	45.0
Amortisation of other intangible assets	14	**38.2**	44.4
Amortisation of contract costs	4	**5.6**	9.0
Share-based payments expense		**5.2**	4.3
Share of equity accounted investees results		**3.4**	2.5
Fair value movements on options and contingent consideration		**(3.7)**	2.3
Costs of put options on non-controlling interests accrued over time		**2.7**	2.8
(Gain)/loss on disposal of associate	18	**(0.8)**	2.1
(Gain)/loss on disposal of businesses	16	**(4.3)**	0.1
(Gain)/loss on disposal of property, plant and equipment, intangible assets and contract costs		**(6.0)**	1.1
Other non-cash movements		**0.5**	–
Non-exceptional impairment of goodwill, intangible assets and contract costs		**–**	0.1
Exceptional impairment charges and associated costs	7	**–**	86.9
Other exceptional items		**–**	5.3
Operating cash flows before movements in working capital		**313.7**	302.8
Increase in inventories		**(4.9)**	(0.8)
Increase in receivables		**(26.1)**	(20.0)
Decrease in payables and provisions		**(10.2)**	(4.3)
Net movement in working capital		**(41.2)**	(25.1)
Cash generated by operations		**272.5**	277.7
Income taxes paid		**(40.6)**	(35.1)
Interest paid (inclusive of payments on lease liabilities and non-bank interest)		**(24.3)**	(19.6)
Net cash inflow from operating activities		**207.6**	223.0

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32. Share-based payments

During the year ended 31 March 2022, the Group had three (FY21: three) share-based payment schemes, which are described below:

i) Long-Term Incentive Plan ('LTIP')

The LTIP provides for the grant of performance, matching and restricted awards. The vesting period is normally three years. Restricted awards are not subject to performance conditions. Until July 2020, 75% of each performance and matching award was subject to an Earnings Per Share performance condition and the remaining 25% was subject to comparative Total Shareholder Return performance.

From July 2020, for participants with Group roles, 50% of each performance award is subject to an Earnings Per Share performance condition and 50% to comparative Total Shareholder Return performance. For business unit participants, 50% of each performance award is subject to a Cumulative Profits Measure performance condition and the remaining 50% is subject to comparative Total Shareholder Return performance. For Executives who participate in the matching element of the LTIP, from July 2020, 100% of each performance award is subject to an Earnings Per Share performance condition and each matching award is subject to Total Shareholder Return performance.

ii) Special Value Creation Plan ('SVCP')

This Plan provides for the grant of performance awards with performance conditions related to particular business units. The performance conditions include metrics such as EBIT, EBITDA, EBITA or household and customer targets. The vesting periods range from three and five years from the date of grant.

iii) One Plan

One Plan is a share incentive scheme which is available to all employees. Since February 2021, for every partnership share purchased, participants will receive (or have the right to receive) one free matching share. Prior to this for every two partnership shares purchased, participants received (or had the right to receive) one free matching share. Matching shares are held in trust for a period of up to three years.

	LTIP	SVCP	One Plan
2022			
Number			
Outstanding at 1 April 2021	2,989,500	2,140,337	105,624
Granted	1,502,123	794,688	164,617
Lapsed	(711,251)	—	—
Forfeited	(145,624)	(66,258)	(25,426)
Exercised	(433,129)	—	(33,951)
Outstanding at 31 March 2022	**3,201,619**	**2,868,767**	**210,864**
Exercisable at 31 March 2022	747	—	—
Exercise price of options outstanding at 31 March 2022	£0.00	£0.00	£0.00
Weighted average remaining contractual life	2	3	2
Weighted average fair value of options granted	£7.61	£9.61	£8.76

	LTIP	SVCP	One Plan
2021			
Number			
Outstanding at 1 April 2020	3,370,593	1,246,661	104,191
Granted	913,578	1,444,241	51,156
Lapsed	—	—	—
Forfeited	(56,769)	(550,565)	(14,806)
Exercised	(1,237,902)	—	(34,917)
Outstanding at 31 March 2021	2,989,500	2,140,337	105,624
Exercisable at 31 March 2021	107,877	—	—
Exercise price of options outstanding at 31 March 2021	£0.00	£0.00	£0.00
Weighted average remaining contractual life	2	3	2
Weighted average fair value of options granted	£11.20	£12.95	£11.81

The weighted average share price at the date of exercise for share options exercised during the year was £9.87 (FY21: £12.96).

The estimated fair values are calculated by applying a Black-Scholes option pricing model for SVCP and One Plan and in addition Monte Carlo and Stochastic simulations for the LTIP. The assumptions used in the models (which are comparable to the prior year) are as follows:

Input	Assumption
Share price	Price at date of grant
Exercise price	Per scheme rules
Expected volatility	22% - 35%
Option life	Per scheme rules
Expected dividends	Based on historic dividend yield
Risk free interest rate	0.0% - 0.6%

Levels of early exercises and lapses are estimated using historical averages. Volatility is calculated by looking at the historical share price movements prior to the date of grant over a period of time commensurate with the remaining term for each award. In FY22 the Group recognised an IFRS 2 charge of £5.2m (FY21: £4.3m) related to equity-settled share-based payment transactions.

Notes to financial statements
Year ended 31 March 2022

33. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all UK employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. In addition to the scheme in the UK, the Group operates a defined contribution retirement benefit scheme for North American employees.

The total cost charged to income of £8.1m (FY21: £7.4m) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes. At 31 March 2022, contributions of £0.9m (FY21: £0.9m) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

Water Companies Pension Scheme (WCPS)

In the UK, the Group participates in a defined benefit scheme, the Water Companies Pension Scheme, which is closed to new members. This is a sectionalised scheme and the Group participates in the HomeServe plc Section of the Scheme. The Section is administered by a Trustee and is independent of the Group's finances. Contributions are paid to the Section in accordance with the recommendations of an independent actuary and must not fall below a minimum limit specified by the Trustee on actuarial advice as being required to provide the benefits which if the scheme was terminated would be required to be paid to and in respect of the Section members. Each member's pension at retirement is related to their pensionable service and pensionable salary, and the weighted average duration of the expected benefit payments from the Section is around 17 years (FY21: 19 years). The estimated costs for the GMP equalisation were fully reflected in the scheme in FY20.

The results of the actuarial valuation as at 31 March 2020 were updated to the accounting date by a qualified independent actuary in accordance with IAS19. Re-measurements are recognised immediately through other comprehensive income.

	Valuation at	
	2022	2021
Key assumptions used:		
Discount rate at 31 March	**2.8%**	2.1%
Consumer price inflation	**3.5%**	3.0%
Retail price inflation	**3.9%**	3.5%
Expected rate of salary increases	**3.5%**	3.0%
Future pension increases	**3.5%**	3.0%
Life expectancy of female aged 60 at balance sheet date	**29.2yrs**	29.2yrs
Life expectancy of male aged 60 at balance sheet date	**27.2yrs**	27.5yrs

Pensions accounting entries are subject to judgement and volatility, as the majority of the assets are held within instruments with quoted market prices in an active market, whereas the present value of the obligation is linked to yields on AA-rated corporate bonds.

The scheme exposes the Group to actuarial risks including interest rate risk, longevity risk, investment risk and inflationary risk. The following table illustrates the sensitivity of the WCPS defined benefit obligation to some of the significant assumptions as at 31 March 2022, all other things being equal:

	£m
Price inflation -1%	**(5.5)**
Price inflation +1%	**6.4**
Discount rate -1%	**6.5**
Discount rate +1%	**(5.4)**
Life expectancy -1 year	**(1.1)**
Life expectancy +1 year	**1.1**

Amounts recognised in the income statement in respect of the WCPS defined benefit scheme are as follows:

	2022 £m	2021 £m
Current service cost and section expenses	**0.2**	0.2
Interest income	**(0.2)**	(0.3)
	—	(0.1)

The actual return on scheme assets was a gain of £2.5m (FY21: gain of £4.0m). The amount included in the balance sheet arising from the Group's obligations in respect of its WCPS defined benefit retirement scheme is as follows:

	2022 £m	2021 £m
Present value of defined benefit obligations	**(34.8)**	(35.7)
Fair value of scheme assets	**49.1**	44.0
Surplus in scheme recognised in the balance sheet in non-current assets	**14.3**	8.3

The net asset recognised in the balance sheet has not been limited as the Group believes that a refund of the surplus assets would be available to it following the final payment to the last beneficiary of the pension scheme.

Movements in the present value of WCPS defined benefit obligations were as follows:

	2022 £m	2021 £m
At 1 April	**35.7**	27.1
Employer's part of the current service cost	**0.1**	0.2
Interest cost	**0.7**	0.7
Actuarial (gains)/losses due to:		
Changes in financial assumptions	**(2.1)**	8.5
Changes in demographic assumptions	**(0.1)**	0.1
Experience adjustments on benefit obligations	**1.1**	(0.2)
Benefits paid	**(0.6)**	(0.7)
At 31 March	**34.8**	35.7

Movements in the fair value of WCPS scheme assets were as follows:

	2022 £m	2021 £m
At 1 April	**44.0**	37.4
Interest on Section assets	**1.0**	1.0
Section expenses	**(0.1)**	—
Actual return less interest on Section assets	**2.5**	4.0
Contributions from the employer	**2.3**	2.3
Benefits paid	**(0.6)**	(0.7)
At 31 March	**49.1**	44.0

The amount recognised outside the income statement in the statement of comprehensive income for FY22 is a gain of £3.6m (FY21: loss of £4.4m). The cumulative amount recognised outside the income statement at 31 March 2022 is a loss of £4.8m (FY21: loss of £8.4m).

Notes to financial statements
Year ended 31 March 2022

33. Retirement benefit schemes (continued)

Defined benefit schemes (continued)

Water Companies Pension Scheme (WCPS) (continued)

The analysis of the fair value of WCPS scheme assets at the balance sheet date was as follows:

	2022 £m	2021 £m
Equity instruments	**19.7**	17.7
Diversified growth funds	**5.0**	4.8
Liability driven investment funds	**15.2**	12.8
Buy and maintain credit funds	**8.2**	—
Liquidity funds	**0.7**	—
Absolute return bonds	**—**	8.6
Cash	**0.3**	0.1
	49.1	44.0

The majority of the assets are held within instruments with quoted market prices in an active market. The HomeServe plc Section of the WCPS invests in BMO's Real Dynamic Liability Driven Investment Fund which makes use of derivative instruments to leverage its assets to more closely resemble the Scheme's liability profile. The fund helps to hedge the Section's interest rate and inflation risk which reduces the volatility of the Section's funding level.

The estimated amounts of contributions expected to be paid to the scheme during the forthcoming financial year is £1.1m (FY22: actual £2.3m) plus any Pension Protection Fund levy payable.

Indemnité de Fin de Carrière (IFC)

In France, companies are legally obligated by the labour code to provide a retirement indemnity plan or 'Indemnité de Fin de Carrière'. The IFC meets the definition of a defined benefit plan under IAS 19. Upon retiring, employees receive an end of career indemnity paid by their last employer with conditions governed by a collective agreement of each labour sector, or, in the absence of a collective agreement, by the French Law (article L. 122-14-13 al.2 of labour code). The Group's IFC obligations are not supported by any scheme assets.

At each year end, the Group must measure its anticipated obligation by assessing for each employee of in scope entities, an estimation of their date of departure, their expected gross wage as well as the estimated amount of benefits that will be paid to them. Actuarial movements associated with the obligation are recognised through other comprehensive income with all other movements recognised in the income statement.

Re-measurement of the Group's IFC obligations was performed at 31 March in accordance with IAS 19 using the following assumptions:

	Valuation at 2022	2021
Key assumptions used:		
Discount rate at 31 March	**1.6%**	0.7%
Employer social charges	**37 - 55%**	37 - 55%
Employee turnover rate	**14.2%**	14.2%
Expected rate of salary increases	**1.0 - 1.5%**	1.0 - 1.5%
Mortality rates	**INSEE 2021**	INSEE 2019
Legal retirement age	**60 - 67yrs**	60 - 67yrs

The following table illustrates the sensitivity of IFC obligations to reasonably possible changes in discount rates at 31 March 2022, all other things being equal:

	£m
Discount rate -0.5%	**0.1**
Discount rate +0.5%	**(0.1)**

Amounts recognised in the income statement, within operating costs, in respect of the IFC schemes were a credit of £0.3m, (FY21: £0.1m charge), principally related to current service costs.

Movements in the present value of IFC defined benefit obligations were as follows:

	2022 £m	2021 £m
At 1 April	**1.2**	1.0
Employer's part of the current service cost	**(0.3)**	0.1
Acquisition of subsidiaries	**—**	0.1
Actuarial (gains)/losses due to changes in financial assumptions	**(0.1)**	0.1
Foreign exchange	**—**	(0.1)
At 31 March	**0.8**	1.2

The amount recognised outside the income statement in the statement of comprehensive income for FY22 is a gain of £0.1m (FY21: loss of £0.1m). The cumulative amount recognised outside the income statement at 31 March 2022 is £nil (FY21: loss of £0.1m).

The estimated amounts of contributions expected to be paid to the scheme during the forthcoming financial year is £nil (FY22 actual: £nil).

Notes to financial statements
Year ended 31 March 2022

34. Related party transactions

The Group consists of a parent Company, HomeServe plc, incorporated in England and Wales, and a number of subsidiaries and associates held directly and indirectly by HomeServe plc, which operate and are incorporated internationally. Note 50 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements (note 50).

Transactions with equity accounted investees

	2022 £m	2021 £m
Purchases from associates	—	0.3
Sales to joint ventures	**0.2**	0.1
Loan due from investee (see note 17)	**1.3**	—

Transactions and balances principally relate to salaries, consultancy, contractor costs and marketing services.

Other related party transactions

During the year Group companies purchased services amounting to £0.1m (FY21: £nil) from companies that are not members of the Group but that are related parties as they are controlled by or connected to Richard Harpin, Chief Executive of the Group and a Director of the parent company of the Group. These services related to the use by the Group of private aircraft, including the provision of pilots and all related operating costs that are controlled by the related parties. The provision of such services were made at arm's length prices, which were approved by the Remuneration Committee.

The specific companies that were subject to the transactions were Harpin Limited (FY22: £0.1m, FY21: £nil) and Centreline AV Limited (FY22: £33,000, FY21: £29,000). Amounts outstanding to all these companies on 31 March 2022 amounted to £nil (FY21: £nil).

Remuneration of key management personnel

The remuneration of the Directors and members of the Executive Committee, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration report.

	2022 £m	2021 £m
Short-term employee benefits	**10.4**	12.2
Post-employment benefits	**0.3**	0.4
Other long-term employee benefits	**1.2**	1.5
Share-based payments expense	**2.9**	1.3
Termination benefits	—	4.4
	14.8	19.8

Except as noted above, there were no other transactions with Directors requiring disclosure.

35. Post balance sheet events

Recommended cash offer for HomeServe

On 19 May 2022, Brookfield Infrastructure announced a recommended cash offer for the entire issued, and to be issued share capital of the Company, to be effected by means of a court approved scheme of arrangement under Part 26 of the UK Companies Act 2006. The proposed acquisition is subject to shareholder approval, approval of the courts and approval from a number of regulatory authorities.

Disposal of Piedmont policy book

On 10 December 2021, HomeServe USA Corp ('HSUSA') entered into an agreement to sell the book of policies built up during the affinity partnership to Piedmont Natural Gas Company, Inc. ('Piedmont') ahead of the affinity partnership ending in April 2022. HSUSA disposed of the policy book in two tranches, the first tranche completing in March 2022 and the second tranche in April 2022. As anticipated tranche two of the transaction completed in April 2022. The Group received $11.6m/£8.8m of cash consideration, derecognised intangible assets of $0.5m/£0.4m, receivables of $5.4m/£4.1m and payables of $1.7m/£1.3m relating to commissions and underwriter payables. This resulted in an initial gain on disposal of £5.6m being recorded in the income statement. The gain will be finalised following the completion of the post close cash collection process on transferred accounts receivable balances during July.

Company statement of comprehensive income

Year ended 31 March 2022

	Notes	2022 £m	2021 £m
Profit for the year		**105.8**	90.7
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain/(loss) on defined benefit pension scheme	33	**3.6**	(4.4)
Deferred tax (charge)/credit relating to actuarial re-measurements	43	**(0.9)**	0.8
Total other comprehensive income/(expense)		**2.7**	(3.6)
Total comprehensive income for the year		**108.5**	87.1

Company balance sheet
31 March 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Other intangible assets	38	**4.1**	3.0
Property, plant and equipment	39	**0.4**	0.5
Right-of-use assets	45	**1.1**	1.3
Investment in subsidiaries	40	**954.9**	954.6
Amounts receivable from Group Companies	40	**—**	4.9
Retirement benefit assets	33	**14.3**	8.3
		974.8	972.6
Current assets			
Trade and other receivables	41	**217.6**	72.8
Current tax asset		**0.3**	1.7
Cash and cash equivalents	41	**32.5**	25.4
		250.4	99.9
Total assets		**1,225.2**	1,072.5
Current liabilities			
Trade and other payables	42	**(13.4)**	(15.8)
Bank and other loans	44	**(82.5)**	(39.1)
Lease liabilities	45	**(0.5)**	(0.5)
		(96.4)	(55.4)
Net current assets		**154.0**	44.5
Non-current liabilities			
Bank and other loans	44	**(663.2)**	(577.8)
Lease liabilities	45	**(0.6)**	(0.9)
Deferred Tax liabilities	43	**(2.7)**	(0.3)
		(666.5)	(579.0)
Total liabilities		**(762.9)**	(634.4)
Net assets		**462.3**	438.1
Equity			
Share capital	28	**9.1**	9.1
Share premium account	29	**199.3**	196.4
Merger reserve	29	**81.0**	81.0
Share incentive reserve	47	**18.4**	16.5
Capital redemption reserve	29	**1.2**	1.2
Retained earnings		**153.3**	133.9
Total equity		**462.3**	438.1

As provided by s408 of the Companies Act 2006, the Company has not presented its own income statement. The Company's profit for the year was £105.8m (FY21: £90.7m).

The financial statements of HomeServe plc were approved by the Board of Directors and authorised for issue on 24 May 2022. They were signed on its behalf by:

David Bower
Chief Financial Officer
24 May 2022

Registered in England No. 2648297

Company statement of changes in equity

Year ended 31 March 2022

	Share capital £m	Share premium account £m	Merger reserve £m	Share incentive reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2021	9.1	196.4	81.0	16.5	1.2	133.9	**438.1**
Profit for the year	—	—	—	—	—	105.8	**105.8**
Other comprehensive income	—	—	—	—	—	2.7	**2.7**
Total comprehensive income	—	—	—	—	—	108.5	**108.5**
Dividends paid (note 11)	—	—	—	—	—	(89.3)	**(89.3)**
Issue of share capital	—	2.9	—	—	—	—	**2.9**
Share-based payments	—	—	—	4.8	—	—	**4.8**
Share options exercised	—	—	—	(2.9)	—	—	**(2.9)**
Tax on exercised share options	—	—	—	—	—	0.1	**0.1**
Deferred tax on share options	—	—	—	—	—	0.1	**0.1**
Balance at 31 March 2022	**9.1**	**199.3**	**81.0**	**18.4**	**1.2**	**153.3**	**462.3**

Year ended 31 March 2021

	Share capital £m	Share premium account £m	Merger reserve £m	Share incentive reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2020	9.0	189.3	81.0	19.8	1.2	127.2	427.5
Profit for the year	—	—	—	—	—	90.7	90.7
Other comprehensive expense	—	—	—	—	—	(3.6)	(3.6)
Total comprehensive income	—	—	—	—	—	87.1	87.1
Dividends paid (note 11)	—	—	—	—	—	(80.5)	(80.5)
Issue of share capital	0.1	7.1	—	—	—	—	7.2
Share-based payments	—	—	—	3.8	—	—	3.8
Share options exercised	—	—	—	(7.1)	—	—	(7.1)
Tax on exercised share options	—	—	—	—	—	0.5	0.5
Deferred tax on share options	—	—	—	—	—	(0.4)	(0.4)
Balance at 31 March 2021	9.1	196.4	81.0	16.5	1.2	133.9	438.1

Company cash flow statement

Year ended 31 March 2022

	Notes	2022 £m	2021 £m
Net cash outflow from operating activities	48	**(169.8)**	(77.9)
Investing activities			
Interest received		**3.3**	1.4
Dividends received from subsidiary undertakings		**152.6**	99.8
Purchases of intangible assets		**(1.8)**	(0.4)
Purchases of tangible assets		**—**	(0.1)
Investment in subsidiary undertaking		**—**	(45.0)
Net cash inflow from investing activities		**154.1**	55.7
Financing activities			
Dividends paid	11	**(89.3)**	(80.5)
Repayment of lease principal	45	**(0.5)**	(0.4)
New bank and other loans raised	44	**34.9**	247.6
Costs associated with new bank and other loans raised	44	**(0.3)**	(2.2)
Proceeds from loans and borrowings	44	**123.2**	27.1
Repayment of loans and borrowings	44	**(36.8)**	(213.3)
Net cash generated by/(used in) financing activities		**31.2**	(21.7)
Net movement in cash and cash equivalents, net of bank overdrafts		**15.5**	(43.9)
Cash and cash equivalents, net of bank overdrafts at the beginning of the year		**16.9**	60.9
Effect of foreign currency exchange rate changes		**0.1**	(0.1)
Cash and cash equivalents, net of bank overdrafts, at the end of the year	41	**32.5**	16.9

Notes to Company financial statements

Year ended 31 March 2022

Company only

The following notes 36 to 50 relate to the Company only position and performance for the year ended 31 March 2022.

36. Significant accounting policies

As provided by s408 of the Companies Act 2006, the Company has not presented its own income statement. The Company's profit for the year was £105.8m (FY21: £90.7m).

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom, and are presented in Pounds Sterling.

The financial statements have been prepared on the historical cost basis. 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 less impairment.

Furthermore, included within amounts receivable from Group companies are amounts advanced to the HomeServe plc Employee Benefit Trust for the purchase of shares. The shares held of 249,975 (FY21: 249,975) are in trust to satisfy obligations under share options schemes and are recognised at cost £3m (FY21: £3m).

None of the critical accounting judgements and key sources of estimation uncertainty disclosed in note 3 apply to the Company. There are no other critical accounting judgements or key sources of estimation uncertainty.

37. Other information

Staff remuneration

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

	2022 number	2021 number
UK (all administrative roles)	**97**	91

	2022 £m	2021 £m
Their aggregate remuneration comprised:		
Wages and salaries	**11.8**	12.3
Social security costs	**1.6**	1.6
Other pension costs (note 33)	**0.3**	0.4
	13.7	14.3

Audit fees

	2022 £000	2021 £000
Fees payable to the Company's auditor for the audit of the Company's financial statements	**312**	202
Total audit fees	**312**	202

38. Other intangible assets

	Trademarks & access rights £m	Software £m	**Total intangibles £m**
Cost			
At 1 April 2020	2.9	5.4	**8.3**
Additions	—	0.9	**0.9**
Disposals	—	(0.3)	**(0.3)**
At 1 April 2021	2.9	6.0	**8.9**
Additions	—	1.6	**1.6**
Disposals	—	(0.2)	**(0.2)**
At 31 March 2022	**2.9**	**7.4**	**10.3**
Accumulated amortisation			
At 1 April 2020	2.1	3.5	**5.6**
Charge for the year	0.1	0.5	**0.6**
Disposals	—	(0.3)	**(0.3)**
At 1 April 2021	2.2	3.7	**5.9**
Charge for the year	—	0.5	**0.5**
Disposals	—	(0.2)	**(0.2)**
At 31 March 2022	**2.2**	**4.0**	**6.2**
Carrying amount			
At 31 March 2022	**0.7**	**3.4**	**4.1**
At 31 March 2021	0.7	2.3	3.0

Notes to Company financial statements
Year ended 31 March 2022

39. Property, plant and equipment

	Leasehold improvements £m	Computer equipment £m	Motor Vehicles £m	**Total tangible assets £m**
Cost				
At 1 April 2020	0.6	0.2	0.1	**0.9**
Additions	–	0.1	–	**0.1**
At 1 April 2021	0.6	0.3	0.1	**1.0**
Additions	–	0.1	–	**0.1**
Disposals	–	(0.1)	–	**(0.1)**
At 31 March 2022	**0.6**	**0.3**	**0.1**	**1.0**
Accumulated depreciation				
At 1 April 2020	0.2	0.1	–	**0.3**
Charge for the year	0.1	0.1	–	**0.2**
At 1 April 2021	0.3	0.2	–	**0.5**
Charge for the year	0.1	0.1	–	**0.2**
Disposals	–	(0.1)	–	**(0.1)**
At 31 March 2022	**0.4**	**0.2**	–	**0.6**
Carrying amount				
At 31 March 2022	**0.2**	**0.1**	**0.1**	**0.4**
At 31 March 2021	0.3	0.1	0.1	0.5

40. Subsidiaries

Details of the Company's subsidiaries at 31 March 2022, including the name, address, country of incorporation and proportion of ownership interest is given in note 50.

Investments in subsidiaries

	£m
Cost and net book value	
At 1 April 2020	909.6
Additions	45.0
At 1 April 2021	954.6
Additions	0.3
At 31 March 2022	**954.9**

The addition during the year of £0.3m relates to a contribution to the French business in relation to the HomeServe plc LTIP scheme.

The addition in the prior year of £45.0m related to an injection of capital of £45.0m into HomeServe Enterprises Limited. At each balance sheet date the Company reviews the carrying amount of the investment in HomeServe Enterprises Limited to determine whether there is any indication of an impairment loss. Given that HomeServe Enterprises Limited owns directly or indirectly all subsidiaries in the HomeServe plc Group, a comparison is made between the carrying value of the investment in HomeServe Enterprises Limited and the market capitalisation of HomeServe plc. There has not been an impairment loss recorded in either the current or prior year.

Amounts receivable from Group Companies

	2022 £m	2021 £m
Amounts receivable from Group Companies (note 50)	**—**	4.9

The amounts receivable from Group Companies of £nil (FY21: £4.9m) represented a long-term loan due from another Group company. In determining the recoverability of the loan, the Company considers any change in the credit quality of the loan. No allowance for doubtful debts is considered necessary based on prior experience and the Directors' assessment of the current economic environment.

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

41. Financial assets

Trade and other receivables

	2022 £m	2021 £m
Amounts receivable from Group companies (note 50)	**213.7**	71.5
Other receivables	**1.5**	1.1
Prepayments and accrued income	**2.4**	0.2
	217.6	72.8

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 in accordance with the IFRS 9 expected credit loss model as explained more fully in note 20.

Ageing of past due but not impaired receivables:

	2022 £m	2021 £m
Current	**213.7**	71.5
At 31 March	**213.7**	71.5

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 mitigated through the close management and regular review of performance of the subsidiary companies.

No allowance for doubtful debts is 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 to their fair value.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet of £32.5m (FY21: £25.4m) 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 to their fair value.

Cash and cash equivalents, net of bank overdrafts, in the cashflow of £32.5m (FY21: £16.9m) comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less and bank overdrafts. The carrying amount of these assets approximates to their fair value.

Notes to Company financial statements
Year ended 31 March 2022

42. Financial liabilities

Trade and other payables

	2022 £m	2021 £m
Amounts payable to Group companies (note 50)	**0.1**	—
Trade payables and accruals	**12.1**	14.7
Taxes and social security, excluding corporation tax	**1.2**	1.1
	13.4	15.8

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 18 days (FY21: 9 days).

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

43. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Company and movements thereon:

	Retirement benefit obligations £m	Share schemes £m	Timing differences £m	Total £m
At 1 April 2020	(1.9)	1.6	0.2	**(0.1)**
(Charge)/credit to income	(0.5)	(0.3)	0.2	**(0.6)**
Charge to equity	—	(0.4)	—	**(0.4)**
Credit to comprehensive income	0.8	—	—	**0.8**
At 1 April 2021	(1.6)	0.9	0.4	**(0.3)**
Charge to income	(1.0)	(0.3)	(0.3)	**(1.6)**
Credit to equity	—	0.1	—	**0.1**
Charge to comprehensive income	(0.9)	—	—	**(0.9)**
At 31 March 2022	**(3.5)**	**0.7**	**0.1**	**(2.7)**

44. Bank and other loans

	2022 £m	2021 £m
Bank and other loans	**82.5**	39.1
Due within one year	**82.5**	39.1
Bank and other loans	**663.2**	577.8
Due after one year	**663.2**	577.8
Total bank and other loans	**745.7**	616.9

Bank and other loans due within one year of £82.5m (FY21: £39.1m) includes bank facilities and Private Placements due within one year of £75m (FY21: £25m), bank overdrafts of £nil (FY21: £8.5m), accrued interest of £5.2m (FY21: £4.7m) and other loans of £2.3m (FY21: £0.9m). The principal features of these loans are set out in note 25.

Bank and other loans due after more than one year comprise of the drawn loans from the revolving credit facility, the Private Placements and other loans. The principal features of these loans are set out in note 25.

The weighted average of interest rates paid are set out in note 25.

Reconciliation of movements in liabilities arising from financing

	Bank and other loans £m
At 1 April 2020	**580.4**
New bank and other loans raised	**247.6**
Proceeds from loans and borrowings	**27.1**
Repayment of loans and borrowings	**(213.3)**
Interest paid	**(18.1)**
Costs associated with new bank and other loans raised	**(2.2)**
Total changes from cash flows	**41.1**
Non-cash movements	
Foreign exchange	**(33.4)**
Interest expense	**20.3**
Total changes from non-cash movements	**(13.1)**
Bank overdrafts included within bank and other loans	**8.5**
At 1 April 2021	**616.9**
New bank and other loans raised	**34.9**
Proceeds from loans and borrowings	**123.2**
Repayment of loans and borrowings	**(36.8)**
Repayment of overdraft	**(8.5)**
Interest paid	**(22.5)**
Costs associated with new bank and other loans raised	**(0.3)**
Total changes from cash flows	**90.0**
Non-cash movements	
Foreign exchange	**14.6**
Interest expense	**24.2**
Total changes from non-cash movements	**38.8**
At 31 March 2022	**745.7**
Analysed as:	
Non-current	663.2
Current	82.5
At 31 March 2022	**745.7**

Notes to Company financial statements
Year ended 31 March 2022

45. Leasing

The following disclosures about leases, for which the Company is a lessee, are presented in accordance with IFRS 16 for the year ended 31 March 2022.

Right-of-use assets	Properties £m	Motor vehicles £m	**Total £m**
Cost			
At 1 April 2020	1.8	0.1	**1.9**
Additions	—	0.2	**0.2**
Disposals	(0.2)	—	**(0.2)**
At 1 April 2021	1.6	0.3	**1.9**
Additions	—	0.3	**0.3**
At 31 March 2022	**1.6**	**0.6**	**2.2**
Accumulated depreciation			
At 1 April 2020	0.3	—	**0.3**
Charge for the year	0.4	—	**0.4**
Disposals	(0.1)	—	**(0.1)**
At 1 April 2021	0.6	—	**0.6**
Charge for the year	0.3	0.2	**0.5**
At 31 March 2022	**0.9**	**0.2**	**1.1**
Carrying amount			
At 31 March 2022	**0.7**	**0.4**	**1.1**
At 31 March 2021	1.0	0.3	1.3

Lease liabilities	**2022 £m**	2021 £m
Leases	**0.5**	0.5
Due within one year	**0.5**	0.5
Leases	**0.6**	0.9
Due after one year	**0.6**	0.9
Total lease liabilities	**1.1**	1.4

A maturity analysis of the contractual undiscounted cash flows associated with lease liabilities is provided in note 46. The total cash outflow for leases for the year ended 31 March 2022 was £0.5m (FY21: £0.4m) representing £0.5m (FY21: £0.4m) of principal repayments and £nil of interest charges in both years. Non-cash movements on leases include additions of £0.2m (FY21: £0.2m) and interest expense of £nil (FY21: £0.1m).

46. Financial instruments

The tables below set out the classification of financial instruments in the statement of financial position:

Financial assets	2022 £m	2021 £m
Amortised cost	**247.7**	102.9

Financial liabilities	2022 £m	2021 £m
Other financial liabilities at amortised cost	**759.0**	633.0

Principal financial instruments

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

- cash and cash equivalents
- bank loans, revolving credit facilities, Private Placements and other loans
- trade receivables
- other receivables
- trade payables
- other payables

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 44, cash and cash equivalents disclosed in note 41 and equity comprising issued capital, reserves and retained earnings as disclosed in this note and notes 28, 29 and the Company Statement of Changes in Equity.

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

	2022 £m	2021 £m
Shareholders' funds	**462.3**	438.1
Cash and cash equivalents	**32.5**	25.4
Bank and other loans	**745.7**	616.9

Financial risk management objectives

The Company's principal financial instruments comprise bank and other loans and cash and cash equivalents. 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, foreign currency risk and liquidity risk.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates primarily relates 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. The Company's exposure to interest rate risk is closely aligned to that of the Group, more details of which can be found in note 25.

Foreign currency risk

The Company has exposure to fluctuations in foreign currencies due to borrowings made to fund investments in its overseas subsidiaries which are affected by foreign exchange movements.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the year end are set out in the table below.

	Assets		Liabilities	
	2022 £m	2021 £m	2022 £m	2021 £m
Euro	**65.1**	37.3	**(93.4)**	(63.3)
US dollar	**4.8**	6.7	**(346.7)**	(286.3)

Notes to Company financial statements
Year ended 31 March 2022

46. Financial instruments (continued)

The following table demonstrates the sensitivity to a reasonably possible change of 10% increase in sterling against the relevant foreign currencies, with all other variables held constant, of the Company's profit after tax and equity.

	2022	2021
Increase in £:$ exchange rate:	**10%**	10%
Effect on profit after tax (£m)	**25.2**	20.6
Effect on equity (£m)	**25.2**	20.6
Increase in £:€ exchange rate:	**10%**	10%
Effect on profit after tax (£m)	**2.1**	1.9
Effect on equity (£m)	**2.1**	1.9

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 25 are details of the undrawn facilities that are available to the Company and the Group to further reduce liquidity risk.

The maturity profile of the Company's financial liabilities is provided in the table below. The revolving credit facility is drawn down and associated interest is settled on a monthly basis. The principal is included in the table below when the facility is due to expire. All cash flows are presented on an undiscounted basis.

	Lease liabilities £m	Bank and other loans £m	Trade, other and Group payables £m	**Total £m**
2022				
Under 2 months	–	3.1	7.7	**10.8**
Between 2 and 12 months	0.5	96.4	4.5	**101.4**
Between 1 and 2 years	0.5	22.6	–	**23.1**
Between 2 and 5 years	0.2	319.7	–	**319.9**
Over 5 years	–	436.4	–	**436.4**
Total	**1.2**	**878.2**	**12.2**	**891.6**

	Lease liabilities £m	Bank and other loans £m	Trade, other and Group payables £m	Total £m
2021				
Under 2 months	–	10.6	5.5	16.1
Between 2 and 12 months	0.5	43.6	9.2	53.3
Between 1 and 2 years	0.5	70.7	–	71.2
Between 2 and 5 years	0.5	229.0	–	229.5
Over 5 years	–	405.2	–	405.2
Total	1.5	759.1	14.7	775.3

It is, and has been throughout the year under review, the Company's policy that no speculative trading in financial instruments shall be undertaken.

The following table demonstrates the sensitivity to a reasonably possible increase of 100bps in the cost of borrowing, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

	2022	2021
Increase in cost of borrowing	**100bps**	100bps
Reduction in profit before tax (£m)	**1.8**	0.7

47. Share incentive reserve

	£m
At 1 April 2020	19.8
Share-based payment charges in the year	3.8
Share options exercised in the year	(7.1)
At 1 April 2021	16.5
Share-based payment charges in the year	4.8
Share options exercised in the year	(2.9)
At 31 March 2022	**18.4**

48. Notes to the cash flow statement

	2022 £m	2021 £m
Operating loss	**(21.7)**	(23.2)
Adjustments for:		
Amortisation of intangible assets	**0.5**	0.6
Depreciation of property, plant and equipment	**0.2**	0.2
Depreciation of Right-of-use assets	**0.5**	0.4
Exceptional charges	**—**	4.1
Amounts received from subsidiary undertakings for share incentive schemes and other items	**3.5**	3.1
Share-based payment expense	**1.7**	1.1
Operating cash flows before movements in working capital	**(15.3)**	(13.7)
Increase in receivables	**(140.4)**	(43.2)
Decrease in payables	**(3.5)**	(2.6)
Movements in working capital	**(143.9)**	(45.8)
Cash used in operations	**(159.2)**	(59.5)
Income taxes received/(paid)	**12.3**	(0.3)
Interest paid (inclusive of payments on lease liabilities and non-bank interest)	**(22.9)**	(18.1)
Net cash outflow from operating activities	**(169.8)**	(77.9)

Notes to Company financial statements
Year ended 31 March 2022

49. Share-based payments

During the year ended 31 March 2022, the Company had three (FY21: three) share-based payment arrangements, which are described in note 32.

	LTIP	SVCP	One Plan
2022			
Number			
Outstanding at 1 April 2021	1,193,806	233,332	8,389
Granted	660,115	–	9,539
Transfer in	9,000	–	462
Lapsed	(310,112)	–	–
Forfeited	(53,655)	–	(866)
Exercised	(216,683)	–	(3,800)
Outstanding at 31 March 2022	**1,282,471**	**233,332**	**13,724**
Exercisable at 31 March 2022	–	–	–
Exercise price of options outstanding at 31 March 2022	£0.00	£0.00	£0.00
Weighted average remaining contractual life	3	2	2
Weighted average fair value of options granted in 2022	£8.01	n/a	£8.75

	LTIP	SVCP	One Plan
2021			
Number			
Outstanding at 1 April 2020	1,218,460	233,332	7,012
Granted	341,453	–	3,234
Transfer in	8,460	–	1,513
Forfeited	(5,137)	–	(48)
Exercised	(369,430)	–	(3,322)
Outstanding at 31 March 2021	1,193,806	233,332	8,389
Exercisable at 31 March 2021	104,784	–	–
Exercise price of options outstanding at 31 March 2021	£0.00	£0.00	£0.00
Weighted average remaining contractual life	2	3	2
Weighted average fair value of options granted in 2021	£11.13	n/a	£11.79

The weighted average share price at the date of exercise for share options exercised during the year was £10.20 (FY21: £12.98).

The estimated fair values are calculated by applying a Black-Scholes option pricing model for SVCP and One Plan and in addition Monte Carlo and Stochastic simulations for the LTIP. The assumptions used in the models are set out in note 32.

In FY22 the Company recognised an IFRS 2 charge of £1.7m (FY21: £1.1m) related to equity-settled share-based payment transactions.

50. Related party transactions

During the year the Company purchased services amounting to £0.1m (FY21: £nil) from companies that are not members of the Group but that are related parties as they are controlled by or connected to Richard Harpin, Chief Executive of the Group and a Director of the parent company of the Group. These services related to the use by the Group of private aircraft, including the provision of pilots and all related operating costs that are controlled by the related parties. The provision of such services were made at arm's length prices, which were approved by the Remuneration Committee.

The specific companies that were subject to the transactions were Harpin Limited (FY22: £0.1m, FY21: £nil) and Centreline AV Limited (FY22: £33,000, FY21: £29,000). Amounts outstanding to all these companies on 31 March 2022 amounted to £nil (FY21: £nil). No guarantees have been given or received.

In respect of transactions with subsidiaries of the Group, the Company provided goods of £nil (FY21: £nil), provided services of £9.2m (FY21: £9.5m), lent monies to of £141.0m (FY21: £56.3m) and borrowed monies from of £nil (FY21: £nil). Amounts due to subsidiary companies total £0.1m (FY21: £nil). Amounts owed by subsidiary companies total £213.7m (FY21: £76.4m) which principally relate to intercompany loans receivable. The Company provided services of £nil (FY21: £nil) to associates during the year and £0.2m (FY21: £0.1m) to joint ventures during the year. The Company purchased services of £nil (FY21: £nil) from joint ventures during the year. There are no amounts outstanding in either year with associates and £nil outstanding (FY21: £nil) with joint ventures.

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.

Remuneration of key management personnel

The remuneration of the Directors and relevant members of the Executive Committee, 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. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration report.

	2022 £m	2021 £m
Short-term employee benefits	**4.3**	4.3
Post-employment benefits	**0.3**	0.2
Termination benefits	**—**	3.6
Share-based payments expense	**1.5**	0.2
	6.1	8.3

Except as noted above there were no other transactions with Directors requiring disclosure.

Notes to Company financial statements
Year ended 31 March 2022

50. Related party transactions (continued)

Interests held in related companies

All interests in the companies listed below are owned by HomeServe plc and all interests held are in the ordinary share capital. All companies operate principally in their country of incorporation.

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
Directly held entities of HomeServe plc:				
HomeServe Enterprises Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
Indirectly held entities of HomeServe plc:				
Holding Companies				
HomeServe Assistance Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe International Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Home Experts UK Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe North America UK Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe GB Limited (No. 5536994) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe France Holding SAS	Trading	France	100	9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7
HomeServe Energy Services SAS	Trading	France	100	9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7
HomeServe Energy Services Belgium SRL	Trading	Belgium	100	Manhattan Center, Avenue du Boulevard 21 / Bte 5 1210 Bruxelles
Mouse Holding SAS	Trading	France	20	73 Boulevard Hausmann, 75008 Paris
HomeServe USA Holdings Corp	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe Beteiligungs GmbH	Trading	Germany	100	Rheinstr. 30-32, 65185, Wiesbaden
HomeServe Deutschland Verwaltungs GmbH	Trading	Germany	100	Klingholzstraße 7, 65189 Wiesbaden
HomeServe Deutschland Holding GmbH & Co. KG	Trading	Germany	100	Klingholzstraße 7, 65189 Wiesbaden
HomeServe Handwerksdienstleistung Deutschland GmbH	Trading	Germany	100	Klingholzstraße 7, 65189 Wiesbaden
HomeServe Assistance Deutschland GmbH	Trading	Germany	100	Klingholzstraße 7, 65189 Wiesbaden
VBF Holdings Limited (No. 12123573) [4,5]	Trading	England	100	Cable Drive, Walsall, WS2 7BN
Sherrington Mews Limited (No. 09167024) [4]	Trading	England	100	Building 2000, Lakeside North Harbour, Western Road, Portsmouth, PO6 3EN
UK & Ireland				
HomeServe Membership Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Servowarm Limited (No. 560810) [4]	Non-Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe At Home Limited (No. 4186398) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Vetted Limited	Trading	England	100	Building 2000, Lakeside North Harbour, Western Road, Portsmouth, PO6 3EN
247999 Limited (No. 7183505) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Home Energy Services Limited (No. 8419975) [4]	Non-Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Manufacturer Warranties Limited (No. 4079068) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Heating Services Limited (No. 3468609) [4]	Non-Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Trustees Limited (No. 3349817) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe France Limited (No. 9469168) [4]	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe USA Limited (No. 9468635) [4]	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Now Limited (No. 12523412) [4]	Non-Trading	England	100	Cable Drive, Walsall, WS2 7BN
CET Structures Limited [5]	Trading	England	100	3 Boundary Court Warke Flatt, Willow Business Park, Castle Donnington, DE74 2UD
Shermin Finance Limited [5]	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Europe Limited	Non-Trading	Ireland	100	25-28 Adelaide Road, Dublin 2
HomeServe America Limited	Non-Trading	Ireland	100	25-28 Adelaide Road, Dublin 2
HomeServe Gas Limited (No. 2248585) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Home Service (GB) Limited (No. 3546370) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
Fastfix Plumbing and Heating Limited (No. 3120932) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Care Solutions Limited (No. 3228902) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Warranties Limited (No. 3156861) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Multimaster Limited (No. 3670180) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Ondo InsurTech Plc	Trading	England	19.99	6th Floor, 60 Gracechurch Street, London, EC3B 0HR
Help-Link UK Limited	Trading	England	100	1175 Century Way, Thorpe Park, Colton, Leeds, LS15 8ZB
Energy Insurance Services Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
Aqua Plumbing & Heating Services Limited (No. 04121404) [4]	Trading	England	100	Cable Drive, Walsall, WS2 7BN
APG Domestic Services Limited (No. 04277772) [4 5]	Trading	England	100	Unit 1, Jbf Units Dewhurst Row, Bamber Bridge, Preston, England, PR5 6SW
John Wilkinson Heating Services Limited (No. 07645851) [4 5]	Trading	England	100	Cable Drive, Walsall, WS2 7BN
Continental Europe				
HomeServe SAS	Trading	France	100	9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7
HomeServe France Corporate SAS	Trading	France	100	9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7
Electro Gaz Service SAS	Trading	France	100	17, rue Bavastro, 06300, Nice
ID Energies SAS	Trading	France	100	ZA d'Armanville, route de la brique, 50700 Valognes
Sylvain Brun Froid SAS	Trading	France	100	401 rue des Champagnes 73290 La Motte-Servolex
HomeServe On Demand SAS	Trading	France	100	9, rue Anna Marly, CS 80510 , 69007 Lyon Cedex 7
Groupe Maison.fr SAS	Trading	France	20	350 avenue JRGG de la Lauzière, 13290 Aix-en-Provence
Societe V.B. Gaz	Trading	France	100	1 rue George Sand, 94000 Creteil
Aujard SAS	Trading	France	100	12 Av. du Président Paul Séramy, 77870 Vulaines sur Seine
Conviflamme SAS	Trading	France	100	Chemin des Carrières 14123 Fleury-sur-Orne
Lesage SAS	Trading	France	100	ZA d'Armanville secteur de prémesnil 50700 Valognes
Réseau Energies SAS	Trading	France	100	Chemin des Carrières 14123 Fleury-sur-Orne
Société de Maintenance Thermique SAS (SMT)	Trading	France	100	117 avenue du 8 mai 1945 42340 Veauche
G2M SAS	Trading	France	100	41 route de la libération 69110 Ste Foy les Lyon
PH Energies SAS	Trading	France	100	318 rue des digues, 14123 Fleury-sur-Orne
PH9 SAS	Trading	France	100	318 rue des digues, 14123 Fleury-sur-Orne
Pack SD SAS	Trading	France	100	318 rue des digues, 14123 Fleury-sur-Orne
Roussin Energies SAS	Trading	France	100	34, allée des Balmes, 38600 Fontaines
Dépann'Gaz SAS [5]	Trading	France	100	15 Z.A. Cromel 50220 Saint-Quentin-Sur-Le-Homme
JCM Confort SAS [5]	Trading	France	100	2 Rue Joseph Fourier 49070 Beaucouze
JC Technique SAS [5]	Trading	France	100	2 Rue Joseph Fourier 49070 Beaucouze
HomeServe Belgium SRL	Trading	Belgium	100	Manhattan Center, Avenue du Boulevard 21 / Bte 5 1210 Bruxelles
Hainaut Chauffage C.S.T.E. SA [5]	Trading	Belgium	100	sis 25, Rue de la Terre A Briques, 7522 Tournai
HomeServe Assistencia Spain SAU [2]	Trading	Spain	100	Camino del Cerro de los Gamos 1, Parque empresarial – Edificios 5 y 6, 28224 Pozuelo de Alarcon
HomeServe Iberia S.L.U. (formerly HomeServe Spain S.L.U.) [2]	Trading	Spain	100	Camino del Cerro de los Gamos 1, Parque empresarial – Edificios 5 y 6, 28224 Pozuelo de Alarcon
Seguragua SAU [2]	Trading	Spain	100	Camino del Cerro de los Gamos 1, Parque empresarial – Edificios 5 y 6, 28224 Pozuelo de Alarcon
Habitissimo S.L. [2]	Trading	Spain	100	c/ Rita Levi, Edificio Blue - Parc Bit CP 07121, Palma de Mallorca
Bit Advanced Marketing S.L. [2]	Trading	Spain	100	Passeig Mallorca 17C, 07011 Palma de Mallorca
Oscagas Hogar SLU [2]	Trading	Spain	100	Rafael Alberti Nº 8, Zaragoza CP 50018
Somgas Hogar S.L. [2]	Trading	Spain	100	Paseo Can Feu Num14, 08205 Sabadell, Barcelona
Linacal S.L.U. [2]	Trading	Spain	100	Polig. Las Labradas, C. Estella S/N. 31500 Tudela, Navarra

Notes to Company financial statements
Year ended 31 March 2022

50. Related party transactions (continued)

Interests held in related companies (continued)

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
Servicios Tecnicos Sate S.L. [2]	Trading	Spain	100	Calle Anselmo Pie Sopena 1-Local 4, Esquina Avenida Monegros No 31, Huesca
Solusat Asistencia Tecnica S.L. [2]	Trading	Spain	100	Avda Ingeniero Torres Quevedo 6, 28022 Madrid
Servicio Tecnico Urueña S.L. [2]	Trading	Spain	100	Calle Orixe 54 48015 Bilbao,Vizcaya
Aragonesa De Postventa S.L.U. [2]	Trading	Spain	100	Calle Centro, Nº 40 Parque Tecnologico Nave 40 50298 Pinseque, Zaragoza
Infocale Navarra S.L.U. [2]	Trading	Spain	100	Plaza De Los Sauces, 2, Trasera 31010 Baranain, Navarra
Técnica del frío Landaluce S.L.U. [2]	Trading	Spain	100	Calle Quinta (La) Num 29-A 39750 Colindres, Cantabria
Mantenimientos Holguín S.L.U. [2]	Trading	Spain	100	Plaza De Los Tilos S/N 31010 Baranain, Navarra
Mesos Gestión y Servicios S.L. [2]	Trading	Spain	100	Avda Industria18 28820 Coslada, Madrid
Sanimamp 2005 S.L.U. [2 5]	Trading	Spain	100	Calle Camp, 81, Cerdanyola del Valles, 08290, Barcelona
Atecal 2001 S.L.U. [2 5]	Trading	Spain	100	Av. Roma, 10, B, Cerdanyola del Valles, 08290, Barcelona
HS Contact Desk S.L. [2]	Trading	Spain	100	Camino cerro de los Gamos 1, 28224 Madrid
Esven Servicio Tenico S.L. [2 5]	Trading	Spain	100	C/ Lluis Sagnier, 16 -18 Bajo 08302 Barcelona
Vimar Sociedad Civil [2 5]	Trading	Spain	100	C/ Padre Marín, 13. 26004 Logroño, La Rioja
Mesos Portugal, Unipessoal LDA [2]	Trading	Portugal	100	Praça Duque De Saldanha 1, EDIF. Atrium, 4º H-O.1069-244, Lisbon
Servitis LDA [2 5]	Trading	Portugal	100	Rua Insdustrial das Lages, 63, 4410-312 Canelas, Vila Nova de Gaia
Preventivi SRL	Trading	Italy	100	Via Martiri di Bologna, 13, 76123 Andria
Schneider & Steffens GmbH & Co. KG [5]	Trading	Germany	100	Mehlbachstrift 4, 21339 Lüneburg
North America				
HomeServe USA Corp	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp. [6]	Trading	USA	100	1232 Premier Drive, Chattanooga, TN 37421
HomeServe USA Repair Management (Florida) Corp.	Trading	USA	100	1232 Premier Drive, Chattanooga, TN 37421
Leakguard Inc	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
Leakguard Services Repair Inc	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management (Iowa) Corp.	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management (Virginia) Corp.	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management (Wisconsin) Corp.	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Energy Services LLC	Trading	USA	100	500 Bi-County Blvd, Farmingdale, NY 11735
HomeServe USA Energy Services (New England) LLC	Trading	USA	100	5 Constitution Way, Woburn, MA 01801
LI PH Enterprises LLC	Trading	USA	49	1307 Manatuck Blvd, Bay Shore, NY 11706
NYC PH Enterprises LLC	Trading	USA	49	4295 Arthur Kill Rd, Staten Island, NY 10309
SJESP Plumbing Services LLC	Trading	USA	90	420 N. 2nd Road, Unit 1, Hammonton NJ 08037
USP Holdings 1 LLC	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
USP Holdings 2 LLC	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Utility Service Partners Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Utility Service Partners Private Label, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
USP Water Heater Rentals LLC	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Utility Service Partners Private Label of Virginia, Inc	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners Inc	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of America, Inc - Delaware.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of America, Inc - California.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of Canada Holdings, Inc.	Trading	Canada	100	2600 – 1066 West Hastings Street, Vancouver, BC V6E 3X1
Columbia Service Partners of Pennsylvania, Inc	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of Kentucky, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
Columbia Service Partners of Ohio, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of West Virginia, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of Canada Inc.	Trading	Canada	100	2600 – 1066 West Hastings Street, Vancouver, BC V6E 3X1
HomeServe Skilled Trades LLC (formerly HomeServe HVAC LLC)	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
Gregg Mechanical Corp.	Trading	USA	100	198 Pulaski Avenue, Staten Island, New York 10303
Geisel Heating and Air Conditioning Inc.	Trading	USA	100	633 Broad Street, Elyria, Ohio 44035
C.M.H., Inc (formerly Cropp-Metcalfe Air Conditioning and Heating Company)	Trading	USA	100	8421 Hilltop Road, Fairfax, VA 22031
American Home Guardian Inc	Trading	USA	100	1839 S Alma School Rd, Mesa, AZ 85210
Nations Preferred Home Warranty Inc	Trading	USA	100	3530 Forest Lane, Dallas, TX 75234
Crawford Services, Inc	Trading	USA	100	1405 Avenue T. Grand Prairie, TX 75050
eLocal Holdings LLC	Trading	USA	89.5	1100 East Hector Street, Suite 101, Conshohocken, PA 19428
eLocal USA LLC	Trading	USA	89.5	1100 East Hector Street, Suite 101, Conshohocken, PA 19428
HomeServe SEM LLC	Trading	USA	100	2300 East Lincoln Highway, Suite 317 Langhorne, PA 19047
Hays Cooling and Heating LLC	Trading	USA	100	24825 N 16th Ave #115, Phoenix, AZ 85085
Worry Free Comfort Systems Inc	Trading	USA	100	630 20th St. N, Bessemer, AL 35020
Arizona's Dukes of Air LLC	Trading	USA	100	6938 E. Parkway Norte Mesa, AZ 85212
Canyon State Air Conditioning & Heating LLC	Trading	USA	100	13632 West Camino Del Sol, Sun City West, AZ 85375
Renew Air, LLC	Trading	USA	100	6938 E. Parkway Norte Mesa, AZ 85212
Environmental Systems Associates, Inc	Trading	USA	100	9375 Gerwig Ln J, Columbia, MD 21046
Olympic Aire Services, Inc. [5]	Trading	USA	100	4384 Hackett Place White Plains MD 20695
Sure Temp Air Conditioning, LLC [5]	Trading	USA	100	7931 E. Pecos Road, Mesa, AZ 85212
Mark Gillece Plumbing & Heating, LLC [5]	Trading	USA	100	4905 Library Road, Bethel Park PA 15102
McLoughlin Plumbing and Heating Co. [5]	Trading	USA	100	8649 West Chester Pike, Upper Darby, PA 19082
Montgomery Brothers, LLC [5]	Trading	USA	100	8951 West US HWY 42, Goshen, KY 40026
HomeServe Insurance Agency Corp. (formerly HomeServe USA Repair Management Corp (California))	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe Insurance Services Holding Corp	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
Asia				
HomeServe Japan Corporation [3]	Trading	Japan	50	MH-KIYA BLDG. 12-1, Mikuracho Kanda, Chiyoda-ku, Tokyo 101-0038

1 The Group has taken advantage of the exemption from audit of the dormant subsidiaries registered in England under s480 of the Companies Act 2006. The registered numbers of the dormant subsidiaries are provided above.
2 These companies have a 31 December year end due to the reporting requirements in Spain and Portugal.
3 The Group includes equity accounted investments; please refer to note 18 for full details.
4 These companies qualify for an exemption to audit for non-dormant entities under the requirements of s479A of the Companies Act 2006. As such, no audit has been conducted for these companies in the current financial year. The registered numbers of the audit exempt subsidiaries are provided above.
5 These companies were acquired during FY22. Please refer to note 16 for full details.
6 This company also operates in Canada.

Five year summary
Continuing operations

Unaudited	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
External revenue					
Membership & HVAC – North America	**583.0**	**506.4**	**429.5**	**333.4**	**282.1**
UK	330.1	330.2	365.1	384.4	357.7
France	152.7	132.6	111.8	104.6	100.0
Spain	207.5	195.7	154.1	140.8	141.3
New Markets	0.8	—	—	—	—
Membership & HVAC – EMEA	**691.1**	**658.5**	**631.0**	**629.8**	**599.0**
Home Experts	155.2	139.8	71.8	40.4	18.6
External sales	**1,429.3**	**1,304.7**	**1,132.3**	**1,003.6**	**899.7**
Profit/(loss)					
Membership & HVAC – North America	**117.7**	**105.0**	**85.4**	**67.6**	**48.6**
UK	72.9	72.5	81.0	66.0	61.1
France	36.4	35.6	33.8	33.3	31.5
Spain	20.8	17.7	20.1	17.7	16.6
New Markets	(5.6)	(6.3)	(4.7)	(2.4)	(1.6)
Membership & HVAC – EMEA	**124.5**	**119.5**	**130.2**	**114.6**	**107.6**
Home Experts	4.3	(10.2)	(13.9)	(7.4)	(2.8)
Adjusted operating profit	**246.5**	**214.3**	**201.7**	**174.8**	**153.4**
Amortisation of acquisition intangibles	(44.9)	(45.0)	(35.5)	(26.8)	(18.4)
Certain transaction related costs	1.0	(5.1)	—	—	—
Exceptional items	—	(92.4)	(7.6)	4.6	—
Operating profit	202.6	71.8	158.6	152.6	135.0
Net interest	(27.5)	(24.6)	(20.7)	(13.1)	(11.7)
Profit before tax	**175.1**	**47.2**	**137.9**	**139.5**	**123.3**

Glossary

HomeServe uses a number of alternative performance measures (APMs) to assess the performance of the Group and its individual segments. APMs used in this announcement address profitability, leverage and liquidity and together with operational KPIs give an indication of the current health and future prospects of the Group.

Definitions of APMs and the rationale for their usage are included below with a reconciliation, where applicable, back to the equivalent statutory measure.

Profitability

The Group uses adjusted operating profit, adjusted EBITDA, adjusted profit before tax and adjusted earnings per share as its primary profit performance measures. These are non-IFRS measures which exclude the impact of the amortisation of acquisition intangible assets, certain transaction related costs and exceptional items.

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their size, nature or incidence.

Acquisition intangible assets are calculated using the estimated and discounted incremental future cash flows resulting from the affinity relationship or future policy renewals as appropriate, which will include the impact of the past actions of the former owners. These past actions will include historical marketing and business development activity, including but not limited to, the staff and operational costs of the business. In addition, the specific construct of the policy terms and conditions, and the current and expected future profitability to be derived from the acquired business or asset, is also a factor in determining the valuation of acquisition intangible assets.

Certain financial instruments which the Group becomes party to by virtue of its transactional activity (typically, but not limited to, acquisitions and disposals) have the potential to create volatility that is not representative of the underlying performance of the business. These include;

- Fair value movements on financial instruments generated from transaction related activity;
- Unwinding of discount on contingent financial instruments (including options); and
- Charges associated with put options over non-controlling interests.

The on-going service and operating costs incurred by the Group in managing the acquired businesses or assets, including but not limited to print, postage, telephony, claims costs and overheads are recognised as operating costs within these adjusted measures in the reporting period in which they are incurred. Certain transaction related costs do not include deal fees, financing charges on deferred consideration or the market rate salaries and bonuses of employees who hold non-controlling interest puts. All these items are included within the Group's adjusted performance measures.

Accordingly, by excluding the amortisation of acquisition intangibles, exceptional items and certain transaction related costs from the adjusted performance measures reported by the Group in each specific reporting period, this ensures that these measures only reflect the revenue attributable to, and costs incurred by, the Group in managing and operating those businesses and assets at that time in each reporting period. Furthermore, it ensures that the impact of the historical costs of the vendor or considerations of the future profits to be derived from the acquired business or assets are excluded.

Moreover, excluding these items from the Group's adjusted metrics provides for a consistent measure of underlying profitability on which to assess the Group's performance, both period-on-period and relative to its peers.

Glossary continued

Reconciliations of statutory to adjusted profit measures

Total Group

£million	2022	2021
Operating profit (statutory)	**202.6**	71.8
Exceptional items	**—**	92.4
Certain transaction related (income)/costs	**(1.0)**	5.1
Amortisation of acquisition intangibles	**44.9**	45.0
Adjusted operating profit	**246.5**	214.3

Operating profit (statutory)	**202.6**	71.8
Exceptional items	**—**	92.4
Certain transaction related (income)/costs	**(1.0)**	5.1
Depreciation of property, plant and equipment	**10.3**	9.9
Depreciation of Right-of-use assets	**15.1**	15.2
Amortisation of acquisition intangible assets	**44.9**	45.0
Amortisation of other intangible assets	**38.2**	44.4
Amortisation of contract costs	**5.6**	9.0
Adjusted EBITDA	**315.7**	292.8

Profit before tax (statutory)	**175.1**	47.2
Exceptional items and certain transaction related costs	**0.3**	99.1
Amortisation of acquisition intangible assets	**44.9**	45.0
Adjusted profit before tax	**220.3**	191.3

Pence per share		
Earnings per share (statutory)	**39.5**	9.3
Exceptional items and certain transaction related costs (net of tax)	**0.1**	23.0
Amortisation of acquisition intangible assets (net of tax)	**9.7**	10.4
Adjusted earnings per share	**49.3**	42.7

Segmental

2022 £m	Membership & HVAC – North America	UK	Membership & HVAC – EMEA France	Spain	New Markets	Home Experts
Revenue	**583.0**	**337.5**	**152.7**	**207.5**	**0.8**	**155.2**
Statutory operating profit/(loss)	**101.7**	**68.9**	**29.4**	**17.6**	**(5.6)**	**(9.4)**
Operating margin %	17%	20%	19%	8%	—	—
Adjusting items						
Certain transaction related (income)/costs	(3.2)	—	0.1	—	—	2.1
Amortisation of acquisition intangibles	19.2	4.0	6.9	3.2	—	11.6
Total adjusting items	**16.0**	**4.0**	**7.0**	**3.2**	**—**	**13.7**
Effect on operating margin (ppts)	3ppts	2ppts	5ppts	2ppts	—	—
Adjusted operating profit/(loss)	**117.7**	**72.9**	**36.4**	**20.8**	**(5.6)**	**4.3**
Adjusted operating margin %	20%	22%	24%	10%	—	—

2021 £m	Membership & HVAC – North America	UK	Membership & HVAC – EMEA France	Spain	New Markets	Home Experts
Revenue	506.4	338.9	132.6	195.7	—	139.8
Statutory operating profit/(loss)	82.2	(18.5)	28.4	14.7	(10.0)	(25.0)
Operating margin %	16%	—	21%	8%	—	—
Adjusting items						
Certain transaction related costs	2.0	—	—	—	—	3.1
Exceptional items	—	87.8	—	0.6	3.7	0.3
Amortisation of acquisition intangibles	20.8	3.2	7.2	2.4	—	11.4
Total adjusting items	22.8	91.0	7.2	3.0	3.7	14.8
Effect on operating margin (ppts)	5ppts	n/a	6ppts	1ppt	n/a	n/a
Adjusted operating profit/(loss)	105.0	72.5	35.6	17.7	(6.3)	(10.2)
Adjusted operating margin %	21%	21%	27%	9%	—	—

Glossary continued

2022 Local currency million	Membership & HVAC – North America $	UK	Membership & HVAC – EMEA France €	Spain €	New Markets	Home Experts
Revenue	**794.9**	**337.5**	**179.9**	**244.2**	**0.8**	**155.2**
Statutory operating profit/(loss)	**137.5**	**68.9**	**34.7**	**20.8**	**(5.6)**	**(9.4)**
Operating margin %	17%	20%	19%	8%	–	–
Adjusting items						
Certain transaction related (income)/costs	(4.4)	–	0.1	–	–	2.1
Amortisation of acquisition intangibles	26.0	4.0	8.2	3.8	–	11.6
Total adjusting items	**21.6**	**4.0**	**8.3**	**3.8**	**–**	**13.7**
Effect on operating margin (ppts)	3ppts	2ppts	5ppts	2ppts	–	–
Adjusted operating profit/(loss)	**159.1**	**72.9**	**43.0**	**24.6**	**(5.6)**	**4.3**
Adjusted operating margin %	20%	22%	24%	10%	–	–

2021 Local currency million	Membership & HVAC – North America $	UK	Membership & HVAC – EMEA France €	Spain €	New Markets	Home Experts
Revenue	665.8	338.9	148.5	219.0	–	139.8
Statutory operating profit/(loss)	107.9	(18.5)	31.8	16.4	(10.0)	(25.0)
Operating margin %	16%	–	21%	8%	–	–
Adjusting items						
Certain transaction related costs	2.6	–	–	–	–	3.1
Exceptional items	–	87.8	–	0.7	3.7	0.3
Amortisation of acquisition intangibles	27.4	3.2	8.1	2.7	–	11.4
Total adjusting items	30.0	91.0	8.1	3.4	3.7	14.8
Effect on operating margin (ppts)	5ppts	n/a	6ppts	1ppt	n/a	n/a
Adjusted operating profit/(loss)	137.9	72.5	39.8	19.8	(6.3)	(10.2)
Adjusted operating margin %	21%	21%	27%	9%	–	–

Leverage

The Group targets net debt in the range of 1.0 to 2.0x adjusted EBITDA measured at the year end. The range reflects HomeServe's relatively low risk appetite. Due to the seasonality of the business and depending on M&A opportunities, HomeServe is able to operate outside 1.0 to 2.0x for periods of time. However, with a highly cash generative business model, HomeServe will seek to return to its target range. The leverage ratio is also important as it factors into the Group's banking covenants. Furthermore, the rolling 12 month rate at each half year period influences the future interest rates payable on the Group's Revolving Credit Facility.

Certain of the Group's segmental bonus measures relate to net cash. Net cash is defined and calculated in the same way as net debt but returns a positive closing balance.

The 2022 Annual Report provides a full reconciliation of the movements in liabilities arising from borrowings and lease liabilities. The closing balances at 31 March were as follows:

	2022 £m	2021 £m
Current liabilities from borrowing and lease liabilities		
Lease liabilities	**15.2**	12.7
Banks and other loans	**100.9**	54.0
	116.1	66.7
Non-current liabilities from borrowings and lease liabilities		
Lease liabilities	**36.3**	38.6
Bank and other loans	**664.9**	579.8
	701.2	618.4
Total liabilities from borrowings and lease liabilities	**817.3**	685.1
Cash and cash equivalents	**(174.5)**	(171.4)
Net debt	**642.8**	513.7
Adjusted EBITDA	**315.7**	292.8
Leverage	**2.0x**	1.8x

Glossary continued

Liquidity

Cash conversion % is defined as cash generated by operations divided by adjusted operating profit. The measure demonstrates the cash generative nature of the ordinary trading operations of HomeServe's business model. It also indicates the ability to produce positive cashflows that can be invested for future growth initiatives or in capital projects to maintain customer service initiatives, digital enhancements or efficiencies that benefit the long-term health of the business.

Free cash flow is stated after capital expenditure, tax and interest obligations and is an indication of the strength of the business to generate funds to meet its liabilities and repay borrowings. It also shows the funds that might be made available to pursue M&A activities and to pay dividends.

	2022 £m	2021 £m
Adjusted operating profit	**246.5**	214.3
Exceptional items	**—**	(92.4)
Certain transaction related income/(costs)	**1.0**	(5.1)
Amortisation of acquisition intangibles	**(44.9)**	(45.0)
Operating profit	**202.6**	71.8
Exceptional items	**—**	92.2
Impact of certain transaction related (income)/costs	**(1.0)**	5.1
Depreciation and amortisation	**114.1**	123.5
Non-cash items	**(2.0)**	10.2
Increase in working capital	**(41.2)**	(25.1)
Cash generated by operations	**272.5**	277.7
Net interest and borrowing costs	**(24.5)**	(21.7)
Repayment of lease principal	**(14.7)**	(14.8)
Taxation	**(40.6)**	(35.1)
Capital expenditure - ordinary	**(68.2)**	(71.4)
Capital expenditure - acquisitions of policy books	**(2.3)**	—
Proceeds on disposal of fixed assets	**8.8**	0.3
Free cash flow	**131.0**	135.0

	2022 £m	2021 £m
Adjusted operating profit	**246.5**	214.3
Cash generated by operations	**272.5**	277.7
Cash conversion	**111%**	129%

KPIs

HomeServe is now comprised of three divisions, each of which are at different stages of development and have different growth drivers. In addition to Group key performance indicators ("KPIs") the Group uses operational KPIs specific to each division to more accurately capture the particular growth drivers of each division.

These indicators provide insight into past performance, and are an indicator of the future prospects of each division and the Group as a whole.

Group

Adjusted profit before tax is the Group's key profit measure by which business growth is monitored.
Return on invested capital (ROIC) tracks the Group's ability to generate returns from each unit of capital (both debt and equity) being utilised in the business. The Group calculates ROIC by expressing net operating profit after tax as a percentage of invested capital (being the average value through the year of total assets net of current payables, cash and cash equivalents).
Growth in adjusted earnings per share tracks the Group's ability to grow earnings for shareholders, offering indicative potential for shareholder returns through both distributions and capital appreciation.
Relative total shareholder returns tracks the return to shareholders from dividends and share price gains, relative to a benchmark of comparable FTSE constituents.

North American Membership & HVAC

New Membership customer additions tracks success in organically converting the addressable market into new revenue generating customers.
Membership customers tracks success in growing the total base of Membership policyholders over time
Net income per Membership customer reflects the ability to deliver value added products and services to existing customers.
Policy retention rate reflects the ability to consistently deliver value to customers, such that they renew their Membership.
HVAC adjusted operating profit measures ability to drive organic growth from the existing HVAC portfolio and continue to source and acquire high quality targets.

EMEA Membership & HVAC

Organic new customer additions tracks success in organically converting the addressable market into new revenue generating customers.
Policy retention rate reflects the ability to consistently deliver value to customers, such that they renew their Membership.
Non-Membership sales tracks the diversification of the EMEA businesses into the complementary product offerings of HVAC and Claims Assistance.

Home Experts

Paying trades are the customers in the Home Experts businesses. This tracks progress in building an engaged and high quality online community of tradespeople.
Average revenue per trade tracks the ability to design, deliver and monetise value-added services to the online community of tradespeople.
Contacts tracks the ability to deliver value to customers (tradespeople), in the form of access to consumers' home improvement job requirements.

Customers

IFRS 15 defines a customer as 'a party that has contracted with an entity to obtain goods or services'. In the Membership businesses where the Group acts as an intermediary selling contracts and insurance policies to end consumers, the 'IFRS 15 customer' is considered to be the underwriter with which the Group has contracted to sell policies.

This is different, however, from how the Group markets and communicates the value of its products and services to end consumers. Here, the businesses' strategy and communications (both internally and externally) refer to the end consumer as the customer. As a result, for the purposes of describing the strategy and operational performance of the business, the Business review and the Group's KPIs refer to the end consumer as the customer of the Group, rather than the underwriter. However, for the purposes of preparing the financial statements, the accounting transactions are recorded in accordance with IFRS 15 where the customer is the underwriter.

For all other sources of revenue, it is the party that has contracted with the Group to obtain goods and services that is classified as the customer. The following table summarises this position:

<table>
<tr><th>Revenue Stream</th><th>IFRS 15 'contracted' customer</th><th>Customer as referred to in the Business and Operating Reviews</th></tr>
<tr><td>Policy Income – insurance intermediary commissions</td><td>Underwriters</td><td>End user of the service</td></tr>
<tr><td>Policy Income – repairs</td><td colspan="2">Underwriters or other B2B contracted parties</td></tr>
<tr><td>Policy Income – home assistance</td><td colspan="2" rowspan="4">End user of the service</td></tr>
<tr><td>Home Experts</td></tr>
<tr><td>HVAC</td></tr>
<tr><td>Other</td></tr>
</table>

Shareholder information

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: 0370 707 1053
Address: PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH
Website: **www-uk.computershare.com/investor**

homeserveplc.com

The HomeServe website 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.

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