HomeServe Limited
(formerly HomeServe plc)

Annual Report and Accounts

31 March 2023

Company Registration No: 02648297

Registered number	02648297
Registered office	Cable Drive Walsall WS2 7BN
Auditors	Deloitte LLP Four Brindleyplace Birmingham United Kingdom B1 2HZ

Strategic Report

At a glance

HomeServe's purpose is to make home repairs and improvements easy, and our vision is to become the European leader in home energy efficiency. We aspire to be able to do every job, in every home.

Following the disposal of our North American Membership & HVAC operations during the year (see "Key events" on page 3), we run our business in two largely autonomous divisions, which benefit from shared expertise and experience. Capital allocation decisions are made by the HomeServe EMEA Board, for the benefit of the business as a whole.

We expect to achieve strong earnings growth by maintaining and growing our Membership & HVAC businesses in EMEA and continuing to develop our new business model in Home Experts. Our Responsible business framework spans our 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.

Revenue[1]

£976.3m (FY22: £846.3m)

Statutory operating profit[1]

£15.5m (FY22: £95.0m)

Adjusted profit before tax[1]

£61.0m (FY22: £96.4m)

Statutory result from continuing ops

(£50.4m) (FY22: £69.1m)

[1] All income statement items, including comparative data, are presented for continuing operations following the disposal of the Group's North American Membership & HVAC operations. FY23 statutory profit measures include the impact of £80.6m of exceptional charges (FY22: £nil), see note 7. Profit metrics are further discussed as part of the Financial Review in the Strategic Report, see pages 4-6. Adjusted metrics are non-statutory and defined in note 2 to the financial statements.

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Strategic Report

The Directors present their Strategic Report for the year ended 31 March 2023.

Principal activities

HomeServe Limited and its subsidiaries (the Group) provide policies to insurance-minded homeowners covering 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.

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.

Other than the disposal of the Group's North American Membership & HVAC operations, discussed under Key events below, there have not been any significant changes in the Company's principal trading activity in the period under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The Group is headed by HomeServe Limited. Its immediate parent company is Hestia Bidco Limited, incorporated in the United Kingdom, and registered at 1 Canada Square, Level 25, Canary Wharf, London, E14 5AA. The ultimate parent company is Brookfield Corporation, incorporated in Canada, and its registered address is Brookfield Place, Suite 100, 181 Bay Street, Toronto, ON M5J 2T3.

Key events

On 4 January 2023, 100% of the outstanding equity of HomeServe plc (subsequently HomeServe Limited) was acquired by Hestia Bidco Limited, a newly formed company ultimately controlled and consolidated by Brookfield Corporation for cash consideration of £4.1bn. Consequently, on the same day, HomeServe plc's equity was delisted from the London Stock Exchange and the Company re-registered with Companies House as HomeServe Limited.

Subsequent to the acquisition, on 17 January 2023, the Group's principal borrowing facilities were repaid in full and replaced by intercompany funding from its immediate parent company, Hestia Bidco Limited, which sits outside of the HomeServe Limited Group. In the period since acquisition by Brookfield, funding has been provided in Sterling, Euros and US Dollars and at 31 March 2023 €212m/£186m remained outstanding on the balance sheet.

Following the acquisition and in line with the business strategy of the new owners, on 28 February 2023, the Group disposed of its 100% equity interest in HomeServe USA Holdings Corp for consideration of £2.1bn to Hestia UK Holdco II Limited, a related entity also controlled by Brookfield Asset Management Inc., but which sits outside of the HomeServe Limited consolidated financial statements.

As HomeServe North America represented a separate major line of business for the Group, it has been presented as a discontinued operation in the Group income statement. Financial performance information throughout the FY23 Annual Report, including business and financial review commentaries, is therefore presented on a 'continuing operations' basis with the contribution of the North American business for FY22 and the 11 months of ownership in FY23 prior to disposal excluded. For further detail on this transaction please see note 11 to the financial statements.

Business review

Our business covers a number of different market segments, each with different performance drivers:

Business segments	Key success factors
Membership: Subscription-based home emergency repair policies.	Delivering a valuable, high quality product to homeowners that enables retention of existing customers and acquisition of new customers.
HVAC: Installation, servicing and repair of home heating and air conditioning solutions.	Delivering high quality home heating installations, repairs and services and supporting domestic decarbonisation.
Home Experts: Online marketplace to help homeowners find trusted local tradespeople.	Delivering a valuable platform to connect tradespeople with consumers.

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Membership & HVAC market
Performance in our Membership & HVAC business has been strong through FY23, with customer acquisition volumes growing 40% on the prior year to 0.7m, retention rates remaining 'in line' at 82% and HVAC installation volumes growing 16% to 22k.

A key driver of the customer growth has been the development of new product offerings across our European businesses, including the Service Customer model recently launched in Spain, as well as the delivery of a high quality of service, as reflected in our consistently high retention rates.

HVAC growth continues to be supported by the market shift toward domestic decarbonisation, with customers increasingly replacing 'old' heating units with more efficient boilers or, alternatively, heat pumps. We remain very committed to helping our customers decarbonise their homes and our presence in this space increased during FY23 via the acquisition of EnergyGo, a domestic energy renovation specialist in France.

Home Experts market
Performance across our Home Experts businesses has been good throughout FY23 and total revenues are up 20% on the prior year. Performance has been driven by our UK and US business, Checkatrade and eLocal respectively.

Although trading challenges have been present throughout FY23, particularly as a result of the impact of the 'cost of living' crisis on consumer demand, we have continued to invest in marketing and, together with continued investment in our digital platform, this has enabled us to continue growing revenues and delivering value to our paying trades.

Key performance indicators

Our KPIs are the measures we use to track progress against strategic priorities and sources of value. They help us analyse past performance and give us insight into future prospects.

Our principal Membership & HVAC KPIs are:

- Customers[2] – our core Membership business is built on our ability to attract customers from our addressable markets by offering great products and services.
- Retention rate - reflects our ability to deliver fit-for-purpose products and great service to our customers.
- Net income per customer ('NIPC') – measures the value that we can generate from our customers based on the product offering.
- HVAC installations – measures the number of heating, ventilation and air conditioning units we have installed.

Total customers were 3,621k (FY22: 3,576k) with a retention rate of 82% (FY22: 82%). Growth was driven by a strong performance in new customer acquisition, up 40% on the prior year at 0.7m, while retention rates remained strong despite the 'cost of living' challenges. On NIPC, this reduced by 2% to £103 on a constant currency basis and reflects our evolving product mix, including the impact of our lower priced 'service customer' product in Spain. Finally, our HVAC output continues to grow as we build our delivery capability organically and via M&A; total installations in FY23 increased 16% on the prior year to 22k and we continue to see this as a growth area going forward.

Our principal Home Experts KPIs are:

- Trade volumes – our Home Experts platforms are dependent on attracting professionals (Trades) to provide excellent service to home owners.
- Average revenue per Trade – this measures our ability to monetise Trades on our platforms.

Total Trades reduced in the year to 58k, down 2k on the prior year. Despite this, revenues increased year-over-year as we were able to deliver higher levels of value to our existing trade base via additional product sales, while also continuing to secure a number of larger trades onto our platforms on a 'pay per lead' basis. Together, this has helped drive up revenue per Trade, and particularly at Checkatrade where it has increased 17% to £1,444.

Financial review

The Group's results are shown in the Group income statement on page 37. The loss after tax and exceptional items from continuing operations in the year was £62.3m (FY22: profit of £50.2m). In addition, profit for the year from discontinued operations totalled £2,177.3m (FY22: £83.2m) following the disposal of the Group's North American Membership & HVAC business on 28 February 2023.

Adjusted profit before tax from continuing operations decreased by 37% to £61.0m, principally due to increased net finance costs which are discussed separately in this financial review. However, adjusted

[2] For operational management purposes, a customer is classified as the end consumer of our products. This differs to our 'IFRS 15' definition of a customer (which is the underwriter, by whom the Group has been contracted to sell policies).

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operating profit of £126.9m (FY22: £122.3m) demonstrated 4% growth in underlying business performance compared to the prior year. Adjusted metrics are calculated before the amortisation of acquisition intangibles, exceptional items and certain transaction related costs as described in note 2 to the financial statements. Statutory profit before tax is reported after these items and on this basis the continuing loss before tax was £50.4m (FY22: profit of £69.1m). Key drivers of this adverse movement were £80.6m of exceptional costs (FY22: £nil), principally related to the completion of the acquisition of the Group by Brookfield, and a £40.0m increase in net financing costs, largely created by a £47.4m adverse movement on foreign exchange year over year on borrowings and loan receivable balances held with parent companies.

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 £28.8m (FY22: £25.7m) increased principally due to the impact of a full year of charges associated with prior year acquisitions.

Certain transaction related costs of £2.0m (FY22: £1.6m) were incurred, related to the unwinding of interest on put options and contingent consideration in relation to previous M&A and an increase in the fair values of the associated option obligations and contingent consideration liabilities.

The Group's tax charge in the financial year was £11.9m (FY22: £18.9m). The pre-exceptional effective tax rate for the year ended 31 March 2023 was 48% (FY22: 27%). The post-exceptional effective tax rate for the same period was (24%) (FY22: 27%).

UK corporation tax is calculated at 19% (FY22: 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.

Until acquisition on 4 January 2023 the Group operated within the tax strategy approved by the Board in May 2022. This tax strategy, which was reviewed annually, reflected HomeServe's then 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 website.

The Group tax strategy covers how HomeServe:

i. Applies tax governance 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.

Since acquisition the Group has complied with the UK components of the tax strategy of its ultimate parent, Brookfield Corporation.

Although exceptional payments of £77.3m (FY22: £nil) and the removal of cash flows generated by the US business post disposal on 28 February, reduced free cash flow[3] in FY23, HomeServe's business model continued to be highly cash generative with free cash flow of £68.7m (FY22: £131.0m). Working capital absorption was £21.1m in FY23 (FY22: £41.2m), this principally reflects the normal seasonal profile of particularly the Membership business, with a second-half weighting in policy sales continuing to be seen.

Total capital expenditure, comprising ordinary capital expenditure, policy book acquisitions and fixed asset disposal proceeds, was £58.4m (FY22: £61.7m). Ordinary capital expenditure included £14.3m (FY22: £11.3m) of payments made to partners who undertake marketing activity to acquire customers on HomeServe's behalf. The balance of £54.7m (FY22: £56.9m) was slightly lower than the prior year, reflecting the conclusion of key transformation programmes across our businesses. There were no policy book acquisitions in the year (FY22: £2.3m). Partially offsetting ordinary capital expenditure were proceeds of £10.6m (FY22: £8.8m) predominantly related to the disposal of the second tranche of the Piedmont policy book in North America in April.

M&A activity continued to support HomeServe's growth ambitions, incurring a total net cash outflow in the year of £101.6m (FY22: £127.0m). There was one material acquisition in the year, giving rise to a £37.2m net cash outflow;

- A 75% equity stake in EnergyGo SAS, expanding the scope and scale of the Group's HVAC capabilities in

[3] Free cash flow is defined as cash generated by operations less net interest and associated borrowing costs, lease payments, taxation paid and capital expenditure/proceeds received (see note 2).

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France, specifically in relation to energy efficient solutions.

An additional 31 acquisitions were completed in FY23 for a net cash outflow of £55.2m. The total cash outflow on acquisitions of £101.6m consisted of £92.4m net cash outflow in the year, as well as £9.2m (FY22: £14.6m) paid on contingent consideration relating to business combinations in prior periods. In addition, payment of deferred consideration, recognised through cash flows from financing activities, totalled £7.5m (FY22: £3.8m).

Subsequent to the Group's acquisition by Brookfield Corporation, on 17 January 2023 the Group's principal borrowing facilities were repaid in full and replaced by intercompany funding from its immediate parent company, Hestia Bidco Limited, which sits outside of the HomeServe Limited group. In the period since acquisition, funding has been provided in Sterling, Euros and US Dollars and, at 31 March 2023, principal borrowings of €212m/£186m (FY22: £nil) remained outstanding from entities related to the Group. Total bank and other loans outstanding were £207.4m (FY22: £765.8m) at the balance sheet date. Exceptional charges associated with the early repayment of certain borrowings were £1.5m (FY22: £nil).

Net interest and borrowing costs paid increased to £36.2m (FY22: £24.3m) due to a combination of a higher than average net debt figure year-on-year and increased variable interest charges on floating rate debt considering the rising macro-economic interest rate environment.

Given the shareholder-approved cash offer for the Group, no interim HY23 dividend was paid during the year. The directors are not recommending the payment of a final dividend for FY23.

People

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 support the development of our people, focusing on key policy areas like diversity, equality 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.

FY23 update – Our focus this year was on diversity, equality 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.

Building the workforce of the future and treating our people responsibly

Employee engagement: 73 % (March 2023)
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 valued hybrid working practices which offered them the flexibility to excel in both their work and personal lives. Therefore, our working practices across all our businesses have evolved to facilitate hybrid working wherever possible.

HomeServe employs over 6,000 people globally, with approximately half of these being based in the UK, and the remainder primarily in Continental Europe. Over 5,000 people are employed in our Membership and HVAC businesses and around 820 in our Home Experts businesses - Checkatrade, Habitissimo and eLocal. We directly employ c.700 engineers.

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

People strategy
Our people strategy is overseen at Board level.

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.

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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.

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 75% stated that they were proud to tell others that they work at HomeServe (2023).

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, recognising the importance of self-identification, given the broad circumstances under which discrimination can happen. We are committed to addressing under representation across the organisation.

At HomeServe we have a broad approach to DE&I which goes beyond considering each protected characteristic (as defined by the Equality Act 2010) in isolation. Our approach is to treat each person as an individual and provide them with what they need to succeed. This principle underpins all of our people policies through the employee lifecycle and will include people who join us with a disability or become disabled during employment. Locally, our markets have specific policies to guide and support employees and managers in certain situations relating to the management of disability or underlying health conditions, such as our Reasonable Adjustments Policy and Process in our UK Membership business.

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 2022 data).

	Mean Pay Gap	
Entity	**2022**	**2021**
HomeServe Membership	21.6%	19.0%
Checkatrade	35.8%	32.6%

We have taken steps to accelerate our overall DE&I efforts, with a Board agreed DE&I global strategy. We have a Group-wide DE&I Council responsible for ensuring focus on and progress against our DE&I plan. The Council is chaired by our CEO for EMEA. All of these steps are aligned with our Group DE&I Policy.

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 commenced a best-in-class executive level DE&I programme to support our most senior leaders. The programme aims to build confidence and understanding around DE&I, which is crucial to delivering long lasting and significant cultural change. The programme was completed in June 2023.

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Corporate responsibility programmes

Each of our EMEA businesses has their own community programmes. In Spain, Llevando Sonrisas (Bringing Smiles) 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's CSR strategy, Empreinte 2030, focuses on three pillars: the customer, our social footprint, and the environment and in the UK business their Charity and Community Strategy 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.

In addition, 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 eighth year and the UK team continues to be a Cornerstone Employer.

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HomeServe recognise the climate-related risks and opportunities associated with climate change. We already see a strong policy focus in the territories in which we operate, as well as growing demand and adoption of 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 green 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.

Management of environmental issues

The below summarises HomeServe's maturity to date in managing climate-related risks and opportunities. This is a voluntary disclosure. Following our acquisition by Brookfield, and separation from HomeServe North America, HomeServe EMEA will modify this activity to comply with new private company reporting requirements and to align with our new EMEA structures moving forward.

Governance

The Board has ultimate responsibility for oversight of climate-related risks and opportunities. The CFO is the nominated Director for activity on an operational basis. During the year he was supported by the Group Corporate Responsibility Committee, which transitioned to the ESG Forum – a more collaborative group used to facilitate the sharing of experience and best practice across the Group.

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.

Strategy

HomeServe has developed a list of its top three climate related risks and opportunities. With support from the Carbon Trust, 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 impacts from physical risks under high emissions scenarios.

The review assessed based on:

- **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
- **Impact** – the annual financial impact of each identified climate-related risk and opportunity was estimated. To assess financial impact, the relationship between the driver of each climate-

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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 impact and use of climate projections in the prioritisation of risk.

The top three risks and opportunities, detailed below, are the outcomes of the scenario analysis:

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 increase 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.

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Risk Management

An overview of our risk management framework is set out on page 16 including our processes for identifying, assessing, and managing risks. Climate was a Group Enterprise Risks (GER) this year, and as such has been managed in the same way as other significant risks. As the business transitions under Brookfield's ownership, all risks will be considered by the Board.

Metrics and Targets

To support our carbon reduction ambitions our Board approved 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. These targets are to reduce absolute scope 1 and 2 GHG emissions 38% by FY31 from a FY22 base year and to reduce absolute scope 3 use of sold product GHG emissions 11.1% by FY31 from a FY22 base year. Our original Group science-based targets have been approved by the SBTi, however we will need to review the basis of the them given the separation of the US business.

To achieve these targets, we are focused on supporting our customers' transition to green-heating technologies, transitioning our fleet to electric and switching to green energies across our sites. This year we transitioned more of our sites to green tariffs and have made progress on developing green propositions for our customers. Our transition to an electric fleet has been slower than expected due to the availability of suitable vehicles and infrastructure.

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.

Greenhouse Gas Emissions

For our Scope 1 & 2 emissions "Group" refers to our business including data for the discontinued HomeServe North America business up to the point of separation on 28 February 2023. 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 3 data is for our EMEA business. We have included this data voluntarily as a point of comparison for future years. It does not include any data for HomeServe North America.

The reporting boundary approach used for collation of the data is consistent with that used for consolidation purposes in the financial statements. To calculate the disclosures, we have used the following sources; the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2014.

Scope 1 & 2*

	2023		2022	
Global tonnes of C02e	**Group**	**UK**	Group	UK
Scope 1 Combustion of fuel and operation of facilities	**20,985**	**5,808**	19,725	5,848
Scope 2 (location-based) Electricity, heat, steam, and cooling purchased for own use	**2,478**	**1,162**	1,701	541
Total Scope 1 & 2 (location-based)	**23,463**	**6,970**	21,426	6,389
Scope 2 (market-based) Electricity, heat, steam, and cooling purchased for own use	**3,960**	**2,267**	2,463	961
Tonnes of CO2e per employee	**2.70**	**2.33**	2.48	2.02

Strategic Report – Environment, energy & carbon reporting

	2023		2022	
KwH	**Group**	**UK**	Group	UK
Combustion of fuel and operation of facilities	**85,772,793**	**26,341,592**	80,877,971	22,554,989
Electricity, heat, steam, and cooling purchased for own use	**10,650,235**	**6,011,482**	6,442,998	2,243,377
Total	**96,423,028**	**32,353,074**	87,320,969	24,798,366

* During FY23 our scope 1 & 2 emissions data capture process was enhanced to encapsulate information from our HVAC businesses throughout the Group as well as our UK Claims business, CET. Therefore, comparisons with FY22 are not on a like for like basis. Going forward data for all periods will be presented on a HomeServe EMEA or HomeServe UK basis as applicable.

Scope 3

Category	**EMEA total emissions 2023 (t CO2e)**
1a: Purchased goods and services (product related)	11,750
1b: Purchased goods and services (non-product related)	51,642
2: Capital goods	4,543
3: Fuel and energy related activities	3,316
4: Upstream transportation and distribution	6,293
5: Waste generated in operations	12
6: Business travel	1,764
7: Employee commuting	2,531
11: Use of sold products	515,293
12: End-of-life treatment of sold products	50
Total	597,194

Category	**EMEA total out of scope emissions 2023 (t CO2e)**
Biogenic emissions	51,674

Strategic Report – Corporate governance

As a Board, we believe that good corporate governance underpins good business performance. We are accountable to our shareholder for ensuring that governance processes are in place and are effective and we are fully committed to meeting the required standards.

As a listed company we were required to comply with the UK Corporate Governance Code and our governance arrangements were, until we were taken over and were delisted in January 2023, designed to meet the principles and supporting provisions in that code. Following the takeover, the Board decided to adopt the Wates Corporate Governance Principles for Large Private Companies and this report will provide an insight into how those Principles are applied.

Purpose and leadership

Our purpose is to make home repairs and improvements easy, and this is underpinned by our values. We have a clearly defined strategy which has been communicated throughout the organisation.

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. The approach taken by the Board is intended to deliver performance and growth whilst maintaining high standards of business conduct. 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.

Our values and culture are articulated locally in each business through people and customer promises and the Board receives regular updates in respect of employee engagement. The Board gains valuable insight and feedback from the Executive Directors in respect of the culture and behaviour across the business and the internal audit function also considers culture as part of their reviews.

Board composition

As at 31 March 2023, the Board comprised three HomeServe Directors (including the Chair) and three Brookfield Directors. The Chair, Richard Harpin, is responsible for the effective operation of the Board and the Board is supported by the Company Secretary. The roles of Chair and Chief Executive are separated. Under the new ownership structure, there will be quarterly Board meetings with the agenda being balanced between strategic discussions, business performance and control matters.

The Board believes that its composition is appropriate given the new ownership structure and that it has an appropriate balance of skills, experience and knowledge with individual directors able to make a contribution to discussions.

Director responsibilities

The Board is responsible for the effective leadership and long-term success of the Company. Clear terms of reference and delegated authorities are in place with certain matters such as significant capital expenditure being referred up to the shareholder for approval.

The Board has responsibility for defining and executing the strategy, reviewing trading performance, assessing acquisitions and disposals and considering governance matters. The Board also approves the Annual Report and financial statements. The Board has overall responsibility for the Group's systems of internal control, including the financial controls designed to give reasonable assurance against material financial misstatement or loss.

The Board believes the financial controls in place allow it to meet its responsibility for the integrity and accuracy of the Group's accounting records and to provide timely and accurate financial information to enable it to discharge its duties.

Day to day management control of the business is delegated to the Executive Directors and they regularly meet together, with other senior managers and with representatives of the shareholder. In particular, monthly meetings are held with each business in the Group to review performance. Representatives of the shareholder attend these meetings. Executive Directors then report on business performance at each Board meeting.

Strategic Report – Corporate governance

Opportunity and risk
The Board's primary responsibility is to promote the long-term success of the Company by creating and delivering sustainable shareholder value. Three-year business plans, annual budgets and investment proposals for each business are formally prepared, reviewed and approved by the Board.

The Board has overall responsibility for the Group's system of risk management and internal control including the setting of risk appetite. 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 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 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 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.

Remuneration
It is recognised that appropriate and fair levels of remuneration help companies to attract and retain a high quality workforce. The Group's remuneration policy is based on the following principles:

- to align rewards with the Group's financial and operational performance
- to ensure that remuneration, in particular, variable pay, supports the Group's strategy as a customer focused operation
- to attract, retain and motivate high calibre executives.

The management bonus scheme is structured in a consistent way across the Group to reinforce a sense of shared purpose (in particular to ensure that customers and ESG measures are included) but other decisions in respect of pay and conditions are taken locally to ensure that businesses remain competitive in their respective markets.

The Board is responsible for the overall structure of remuneration arrangements, but individual Executive remuneration is approved by the shareholder.

Stakeholder relationships and engagement
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.

Executives have responsibility for managing key stakeholders including the workforce, customers, contractors, underwriters and suppliers. They ensure that insight from these groups is presented to the Board and considered as part of the decision-making process.

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)
- Succession plans
- Employee engagement survey results
- Corporate governance and regulatory development updates
- Presentations from external advisers and internal experts.

Strategic Report – Corporate governance

The Company is a wholly owned subsidiary of Hestia Bidco Limited, an indirect subsidiary of funds advised or managed by affiliates of Brookfield Infrastructure Partners L.P. Three of the Company's Directors represent Brookfield, and this allows the view of shareholders to be shared and considered at each Board meeting.

Our people are one of our most important stakeholders. A Group-wide employee engagement survey is completed annually, and the results are discussed both centrally and locally and used to form the basis of action plans. Questionnaires are completed by employees on an anonymous basis and the process is facilitated by an external provider. 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 during its reviews.

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.

A whistleblowing framework is also in place to ensure that the processes underpinning the policy are implemented consistently across the Group. This includes minimum standards in respect of communication and training.

All reports are formally investigated by the Assurance Director with support from relevant functions within the business. Incidents and their outcomes are reported to 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.

Going Concern and Future Outlook

The Directors have reviewed the Group budget, forecast and cash flows for 2023 and beyond, and concluded that they are in line with their expectations with regards to the Group strategy and future growth plans. In addition, the Directors have reviewed the Group 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 and at least twelve months from the approval of the accounts. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Directors are not aware, at the date of this report, of any likely major changes in Group activities in the next year.

Strategic Report - Risk management

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.

Risk framework

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. Our 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.

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:

- Our purpose, vision and values facilitate HomeServe's strategy and informs our 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.
- Risks are consistently identified, assessed, prioritised, mitigated, controlled, monitored, and reported through local Risk Committees and at a Group level to the Board on an annual basis.
- 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 a bi-annual review of its definition, content and criteria for assessment scores. The Board's assessment of risk appetite is guided by our vision to become the European leader in home energy efficiency, and by our purpose to make home repairs and improvements easy.

HomeServe's risk appetite is comparatively low. This recognises our regulated status in the UK and the requirement to comply with local laws and regulations in all territories.

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) 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.

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 crystalising. 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 boards and committees.

Risk management governance

Risk registers are reviewed at local committees across the Group with the Board having oversight of the risks that are outside of the Group Risk Appetite.

Strategic Report - Risk management

Oversight of the risk management process is provided by the Group Risk Manager, local risk and compliance teams, and, ultimately, the Board.

Group Enterprise Risks

The following tables set out what HomeServe 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, however additional focus and priority may be given to specific risks for a period of time in certain circumstances e.g. following a material acquisition or to implement plans to reduce any risk which exceeds the appetite threshold. 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.

Risk score movement from the prior year

No change

Increased

Reduced

Strategic risks

Competition

Overview	Mitigations	FY23 update
In all of HomeServe's business lines a successful new entrant or an existing competitor adapting more quickly to changing customer demands and needs could adversely impact our business and our financial results with 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 • Existing competitors moving into other geographies • New entrants (e.g. Amazon or Google) investing heavily to enter the home services space with new products or technologies • Incumbent competitors to Home Experts in the UK (e.g. Rated People, MyBuilder)	HomeServe demonstrates to utilities that they can benefit more by partnering with HomeServe due to our long-term investment horizon. We also undertake regular market reviews in each business to identify new entrants and increases in competitor activity (e.g. aggressive pricing initiatives). HomeServe also responds quickly to changing customer needs with agile product development and shared learning across our markets enabling the transfer of knowledge & product innovation. Together with our consumer trends, this enables us to continue delivering leading products and services that resonate with customers and consumers. Regarding Home Experts, we have developed a 'winning' model in Directory Extra. This has been implemented at Checkatrade, a fast growing market leader, and is now being rolled out at Habitissimo. Continued learning and idea-sharing also continues to be a key element of our ability to adapt our Home Experts businesses to changing circumstances, demonstrated by the roll out of a 'high value accounts' strategy.	The competitive landscape has not materially changed across any of our Membership, HVAC or Home Experts businesses during FY23. We continue to note a risk relating to activity by Google in the Home Experts space (mainly in North America) and this is fully documented within our risk registers of our Home Experts businesses. That being said, their activity still remains largely exploratory in nature and there has not been any material increase in the competitive risk profile faced by the Home Experts businesses.

Strategic Report - Risk management

Information security & cyber resilience

Overview	Mitigations	FY23 update
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.	HomeServe has defensive and proactive practices across the Group to mitigate this risk: • We have a detailed information security policy, which is communicated across the Group. • Training is provided as required. • Regular penetration testing is in place to assess defences. • Investment in IT security, continues to ensure, secure configurations and processes, access controls, appropriate security tooling and effective communication of policies and procedures to all employees.	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 our continued hybrid working arrangements. No cyber related attacks were reported against HomeServe's infrastructure have been reported across the Group during FY23.

Data privacy

Overview	Mitigations	FY23 update
HomeServe Group is a consumer facing organisation with several million customers. In the operation of its businesses HomeServe collects and processes very large amounts of customer and employee personal data as well as commercially sensitive data, all of which is crucial to its business operations and commercial success. The processing of personal data in particular is governed by stringent data privacy laws across Europe and latterly some American states. Without appropriate legal compliance encompassing mitigating controls and oversight across Group, there is a risk that such personal data could be inappropriately collated, processed, stored or disclosed, or indeed lost or compromised due to inadequate security controls.	• HomeServe utilises a Group wide Framework consisting of several mitigating controls to keep the data privacy and security risk within appetite. • Expertise within the local businesses is overseen and supported through a centralised Group function for existing Business lines as well as new acquisitions. • Oversight is provided through monitoring controls, key risk indicators, governance committees and the audit function.	Over the last year, the continued focus on the management of data privacy as a critical risk has resulted in all businesses currently operating within the Group's risk appetite.

Strategic Report - Risk management

Data privacy (continued)		
Overview The regulatory sanctions for breach of data privacy laws are high with financial penalties associated with breach of the GDPR in particular, based on worldwide Group turnover. In addition, data breach can often lead to loss of customers and partners, significant business disruption and remediation cost and reputational damage. Further, ineffective and incorrect use of personal data particularly of customers, also leads to poor customer outcomes in the provision of goods and services and a consequent loss of profit.		

Climate risk		
Overview Climate change is both a risk and opportunity for HomeServe. The expected increase in the frequency and severity of weather events could lead to a range of challenges for our operations and emerging regulation could impact us in several ways, including increased operating costs as a result of higher energy, fuel, parts and our HVAC businesses could face a skill shortage as low carbon technologies are deployed and replace conventional heating technologies.	**Mitigations** • We are understanding local impacts of extreme weather events and increasing the flexibility and capacity of our employed and sub-contractor network. • Business continuity plans are in place, maintained and regularly tested. • We have set emissions targets and are working on a decarbonisation strategy. • Our HVAC M&A strategy targets specific capabilities to address both market and local regulatory changes. • We are engaging with suppliers, installers, and partners to understand the projected market, including which technologies are most likely to be adopted.	**FY23 update** We have set Group wide targets for our emissions and are working on our plan to deliver the targets. We have identified our 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.

Strategic Report - Risk management

M&A strategy

Overview	Mitigations	FY23 update
HomeServe EMEA has an active M&A strategy focused on growing existing business lines in Membership, Claims and HVAC, as well as areas of new strategic interest such as energy efficiency. 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.	• Strict criteria when building a prospects pipeline. • Independent advisers engaged in due diligence processes. • Embedded transaction experience of acquiring businesses and assets in our core areas of Membership, Claims and HVAC. • Local management expertise with oversight from central EMEA management. • Clear investment hurdles and completion of post-investment reviews. • All investments require local and, where applicable, HomeServe Limited (Group) Board approval.	There has been no change to the underlying M&A risk, with all acquisitions continuing to be appraised by dedicated M&A teams, and transactions approved by local and/or Group Boards. The addition of Brookfield as the owner of the business brings further senior transactional experience and oversight for material deals.

Operational risks

Digital transformation

Overview	Mitigations	FY23 update
As distinct from technology investment (below) digital transformation relates principally to interactions with customers (be they homeowners or trades), ensuring we offer a multi-channel, multi-media approach to interact with them and that we do 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.	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.	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 the UK.

Strategic Report - Risk management

Regulation		
Overview In its Membership businesses, HomeServe is subject to regulatory requirements relating to e.g. 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 e.g. anti-corruption, anti-fraud and bribery, modern slavery etc. Specific policies can be found at: www.homeserveplc. com/who-we-are/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 for 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 regulators in all countries in which it operates as appropriate, and its compliance teams regularly monitors each business and its compliance with relevant regulatory requirements and laws.	**FY23 update** Each of the Group's Membership businesses continue to have the relevant and appropriate governances' processes in place to ensure compliance with local laws and regulations. Across its Membership businesses the Group continues to maintain independent Board oversight of operations, including its requirement of each business to self-certify compliance with all relevant regulatory guidance and best practice. In France, the Membership business has continued to focus 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 and which continue to evolve. Subsequent to the Group's acquisition by Brookfield, the Group is undertaking a comprehensive review of its governance and compliance policies and processes.

Strategic Report - Risk management

Underwriting capacity & concentration		
Overview	**Mitigations**	**FY23 update**
HomeServe's Membership businesses market and administer 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 (e.g. 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.	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 6 months) reviews with all underwriters to ensure that current product performance and trends are understood.	All our underwriting relationships remain strong, with regular engagement during FY23, and the financial position of each of our underwriting partners continuing 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 despite higher average job costs (due to an inflationary macro-economic environment).

Strategic Report - Risk management

Technological investment

Overview	Mitigations	FY23 update
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.	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.	The UK business have transferred sales activity back to the existing system, and virtually all policies have been migrated. 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	Mitigations	FY23 update
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. HomeServe has also benefitted from government policy changes in certain regions to form new partnerships (e.g. liberalisation of energy markets in Spain). Any reversal of these, (e.g. the re-nationalisation of utilities) could have an adverse impact on future growth plans, albeit HomeServe does have a strong track record of working with public sector municipals.	A portfolio of partners in each business diversifies risk. Partners are also signed on long-term contracts with beneficial financial terms for each party; the mutual economic benefit of the partnership, together with our very strong customer service metrics, means that partner losses are rare events. It is also noted that HomeServe seeks to renew contracts early, ahead of any expiration date and this enables us to: a) Maintain strong relationships with our key partners, and b) Get sight of any potential partner loss early, enabling us to implement mitigating strategies to 'lock in' future economic value.	In the UK, the business renewed relationships with three water partners accounting for 6.4m households during the year. The business also renewed the energy partnership with E.ON for a further three years, accounting for an additional 5.0m households. In Spain, the partnership with Iberdrola to deliver the Service Customer product was a significant step forward for the business and demonstrates the continued attractiveness of our product set to utilities. In France, the partnership with Papernest was renewed for an additional two years and we continue to have positive and proactive relationships with our largest water utility partnerships.

Strategic Report - Risk management

Partner loss (continued)

Overview	Mitigations	
It is noted that the risk of partner loss would have the biggest impact in the territories that have fewer partners. For example, it would be likely that losing Veolia in France would have a bigger impact than the loss of a water partner in the UK. That said, our experience of losing Endesa in Spain has shown that there is a long 'tail' on the well developed back books and that retention is generally not impacted by the end of a front book agreement.	Finally, regular dialogue and the development of strong relationships with all partners, particularly in markets with more concentrated partner relationships (e.g. France), has been a key element of our strategy to ensure continuation of our long standing relationships.	

People

Overview	Mitigations	FY23 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 e.g. 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 engaging with external specialists to support with the development of a D&I play an increasing role in informing HomeServe's People agenda and ensuring we 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 sufficient development opportunities to improve internal promotions over external hires.	HomeServe embed an employee focused culture and focus on 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 senior management team. Recruitment processes continue to evolve to ensure that we attract and retain the best talent and have recently appointed a new psychometric profiling provider to improve the vigour of the assessment process and better match candidates to positions. Steps have been taken to accelerate DE&I efforts, with a Group-wide DE&I Council responsible for ensuring focus on and progress against our DE&I plan which is chaired by our EMEA CEO. At a senior level, a best-in-class executive level DE&I programme commenced which aims to build confidence and understanding around DE&I amongst the senior leaders within the business, which is crucial to delivering long lasting and significant cultural change. The programme was completed in June 2023.

Strategic Report - Risk management

Failure to deliver strategic growth

Overview	Mitigations	FY23 update
HomeServe has various opportunities to develop and grow 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.	HomeServe leadership has developed a combination of assets and competencies that leads to repeatable strong operational and financial performance. 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 assessed against this framework, and immediately de-selected if they are not instrumental to delivering against the strategic growth objectives. In the Home Experts division in particular, the key value drivers across the three different platforms (Checkatrade, Habitissimo and eLocal) have been distilled, thereby acting as a guide in the assessment of both strategic opportunities and operational priorities.	Strategic growth continues to be predicated on: 1) Securing strong long term affinity partnerships, 2) Maintaining these relationships via excellent service levels and mutually beneficial economic arrangements and 3) Innovating our product set to continue driving revenue growth. The business has continued to deliver on each of these three areas during the course of the year. For example, we have: • Secured a significant new AP relationship in Spain (Iberdrola), • Delivered on the renewal of existing partnerships, with key agreements signed across the UK and France, in particular, and • Continued to demonstrate product innovation via delivery of the Service Customer model and the testing of our HaaS proposition in the UK. At Home Experts, the evolution of our product has been key and we have seen significant growth across both Checkatrade and eLocal, with revenues up 22% and 21%, respectively. We are rolling out this 'winning' Directory Extra model at Habitissimo and, together with our 'high value accounts' strategy, this positions us well to meet our strategic growth ambitions over the medium term.

Strategic Report - Risk management

HVAC integration

Overview	Mitigations	FY23 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 (e.g. with 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. HVAC managed locally but under the guidance of a central EMEA structure to coordinate and ensure consistent application of best practice.	A total of 22 HVAC acquisitions were made in FY23 across France, Spain, the UK, Belgium and Germany. In both France and Spain, a number of portfolio businesses have begun operating on a standardised ERP platform, with expected rollout to all portfolio businesses in time. France also completed the strategic acquisition of EnergyGo which positions us well to be competitive in the 'green' home energy space.

Health and safety

Overview	Mitigations	FY23 update
HomeServe has an obligation to provide a safe working environment for its colleagues, customers and stakeholders. 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.	Governance structure in place with health and safety matters being subject to oversight of the Board. Local strategic Safety & Health Improvement Plans. H&S Principles at the Group level with robust health and safety policies and standards that are set at the entity level and are complied with by individual businesses. H&S 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.	The facilitation of sharing best practice, 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 businesses.

Strategic Report - Risk management

Financial risks

Finance		
Overview	**Mitigations**	**FY23 update**
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. This would also expose HomeServe to possible reputational damage.	**Interest rate risk** HomeServe's policy is to manage interest cost using a mix of fixed and variable rate borrowings. Where necessary, this can be 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. **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 our 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 leadership teams of both EMEA and Home Experts.	As part of the Brookfield transaction, all pre-existing debt was repaid and replaced by an interim, transactional bridge facility. We are in the process of refinancing the business, with a view to repaying the bridge facility and replacing this with term and revolving debt arrangements, across a mix of variable and fixed rates.

Strategic Report - Section 172 Statement

The Directors are aware of their various duties including those under section 172 of the Companies Act.

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole and in doing so, have regard to particular matters. The Directors understand that how they behave matters to the stakeholders that have an interest in our business and that having productive relationships with our stakeholders is key to our ongoing success.

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.

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.

The sections below set out our approach to stakeholder engagement.

Long-term results – the likely consequences of any decision in the long term

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.

Our workforce – the interests of our employees

Our people are critical to the success of our business, and we want them to be successful individually, and as a team. We aim to support an inclusive environment where everyone is treated with respect. We work hard to engage with and listen to our colleagues in a variety of ways. Our Group-wide engagement survey provides detailed insight into the views of our people and is used to develop local engagement plans.
The aftermath of the Covid-19 pandemic has brought challenges to many businesses in respect of resourcing, retention, and engagement. All of our businesses have been encouraged to ensure that appropriate working arrangements have been implemented to support a flexible and engaged workforce for the long-term.

Our business relationships – the importance of developing the Group's business relationships with suppliers, customers and others

Managing these relationships is critical to ensuring the Group delivers on its strategy. In respect of customers, we need to understand and meet their needs and it is recognised that our different businesses need to develop and deploy a range of services beyond our traditional membership model, particularly in helping our customers seek greener alternatives for their homes.

We actively seek the views of our customers through reviews and research with customer satisfaction being a key metric in the annual bonus scheme.

We aim to build strong supplier relationships and develop mutually beneficial partnerships. Engagement with suppliers is primarily through a series of interactions and formal reviews.

The community and our environment – the impact of the Group's operations on the community and the environment

The Group seeks to have a positive impact on the communities in which it operates and reduce its impact on the environment. Key areas of focus include how we can support local causes and issues and create opportunities to recruit and develop local people. We continue to offer apprenticeships in our UK Membership business to invest in the workforce of the future.

In terms of the environment, we have set targets in respect of our Scope 1, 2 and 3 carbon emissions and are working on improving our data collection and monitoring to accurately track our progress against these targets.

Our reputation – our desire to maintain high standards of business conduct

We expect all of our people to demonstrate the highest standards of integrity. Regardless of role, seniority, or location, they are required to comply with our Code of Business Conduct, our policies, and standards, and with all applicable laws and regulations that relate to their

Strategic Report - Section 172 Statement

work. Training is provided on the Code, and we have an external whistle blowing hotline through which concerns can be raised on an anonymous basis.

Our shareholder, investors in the funds held by the ultimate parent and debt holders

It is important that our shareholder and their representatives have a good understanding of our strategy, business model and culture. Since the takeover in January 2023, considerable time has been spent with our new owner and its representatives with a view to them gaining a deeper understanding of HomeServe. On an ongoing basis, the Board will have quarterly meetings with the shareholder to update on financial targets and strategic developments. In addition, monthly business review meetings are held to discuss business performance.

Outside of those formal meetings, the Executive Directors are the primary communication route with the shareholder.

Shareholder approval is required for significant capital expenditure and strategic investments.

Strategic Report - 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/policies.

Requirement	Our policies	Where you can find out more
Anti-bribery and anti-corruption	Financial Crimes and Sanctions Whistleblowing	Strategic Report – Risk Management, Regulation (page 21).
Employees	Code of Business Conduct	Strategic Report – People (pages 6-7).
Environment	Group Environmental Policy	Strategic Report – Environment, Energy & Carbon Reporting (pages 9-12).
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.	Strategic Report – People (pages 6-7).
Social activities	Responsible Business Policy	Strategic Report - Corporate responsibility programmes (page 8)
Description of the principal risks and impact of business activity	N/A	Strategic Report – Risk Management (pages 16 – 27).
Description of the business model	N/A	Strategic Report – Principal Activities (page 3).
Non-financial Key performance indications	N/A	Strategic Report – Key Performance Indicators (page 4).

Strategic Report 2023
for and on behalf of the Board

Ross Clemmow
Chief Executive Officer
14 November 2023

Directors' Report

The Directors have pleasure in presenting their Annual Report for the year ended 31 March 2023.

Change of company name

Following its de-listing from the London Stock Exchange, on 12 January 2023, HomeServe plc changed its name to HomeServe Limited.

Statutory information contained elsewhere

Information required to be part of this Directors' Report can be found elsewhere in the Annual Report as indicated below and is incorporated here by reference:

Information	Location
Employees (engagement, policies and employment of disabled persons)	Page 6-7
Diversity	Page 7
Greenhouse gas emissions	Pages 11 - 12
Corporate Governance Statement	Pages 13 - 15
Going Concern and future outlook	Page 15
Stakeholder engagement	Pages 28 - 29
Statements of responsibilities	Page 32
Financial instruments, risk management objectives and policies	Pages 27 & 84 - 87
Related party transactions	Page 95 & 104

Directors

The Directors who served during the year and up to the date of this report were as follows:

Richard Harpin
Ross Clemmow
Taylor Hall (appointed 31 March 2023)
Paul Sim (appointed 17 March 2023)
Gabriele Montesi (appointed 4 January 2023)
Sikander Rashid (appointed 4 January 2023)
David Bower (resigned 31 March 2023)
Thomas Rusin (resigned 15 February 2023)
Tommy Breen (resigned 4 January 2023)
Katrina Cliffe (resigned 4 January 2023)
Roisin Donnelly (resigned 4 January 2023)
Ron McMillan (resigned 4 January 2023)
Olivier Grémillon (resigned 4 January 2023)
Edward Fitzmaurice (resigned 4 January 2023)
Stella David (resigned 23 November 2022)

Dividends

No dividends were paid during the year ended 31 March 2023 (FY22: £89.3m) and the Directors are not recommending the payment of a dividend.

Auditor

Pursuant to Section 487 of the Companies Act 2006, Deloitte LLP as existing auditor will be deemed to be reappointed and will continue in office.

Political donations

No political donations were made during FY23 or FY22.

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.

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.

Fixed Assets

Capital expenditure on tangible fixed assets relating to continuing operations was £4.3m in FY23 (FY22: £4.0m).

Taxation status

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Disclosure of information to Auditor

Each of the Directors confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the board

Anna Maughan
Company Secretary
14 November 2023

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 the parent company financial statements, the directors are required to:

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

In preparing the group 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.

Independent Auditor's Report

To the members of HomeServe Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of HomeServe Ltd (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 2023 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 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; 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 statements of comprehensive income;
- the group and parent company balance sheets;
- the group and parent company statements of changes in equity;
- the group cash flow statements; and
- the related notes 1 to 47.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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:

- 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.

Independent Auditor's Report

To the members of HomeServe Limited

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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

Independent Auditor's Report

To the members of HomeServe Limited

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key 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; and
- 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.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations, pensions, IT, FIS, regulatory, and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

- carrying value of goodwill and revenue deferrals as potential risk of fraud:
    - 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, 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;
    - 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.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with the HMRC and Financial Conduct Authority.

Independent Auditor's Report

To the members of HomeServe Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by 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 of 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.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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.

Andrew Halls FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, UK
14 November 2023

Group income statement

Year ended 31 March 2023

	Notes	2023 £m	Restated[1] 2022 £m
Continuing operations			
Revenue	4	**976.3**	846.3
Operating costs	5	**(958.4)**	(747.9)
Share of results of equity accounted investments	18	**(2.4)**	(3.4)
Operating profit		**15.5**	95.0
Investment income	8	**16.0**	0.3
Finance costs	9	**(81.9)**	(26.2)
Adjusted profit before tax		**61.0**	96.4
Amortisation of acquisition intangibles	14	**(28.8)**	(25.7)
Certain transaction related costs	7	**(2.0)**	(1.6)
Exceptional items	7	**(80.6)**	–
(Loss)/profit before tax		**(50.4)**	69.1
Tax	10	**(11.9)**	(18.9)
(Loss)/profit for the year from continuing operations		**(62.3)**	50.2
Discontinued operations			
Profit for the year from discontinued operations	11	**2,177.3**	83.2
Profit for the year		**2,115.0**	133.4
Attributable to:			
Equity holders of the parent		**2,114.6**	132.8
Non-controlling interests		**0.4**	0.6
		2,115.0	133.4

1 The prior period income statement has been restated to reflect the impact of treating North America as a discontinued operation (see note 11)

The notes on pages 42 to 96 are an integral part of these financial statements.

Group statement of comprehensive income

Year ended 31 March 2023

	Notes	2023 £m	2022 £m
Profit for the year		**2,115.0**	133.4
Items that will not be reclassified subsequently to profit and loss:			
Re-measurement (loss)/ gain on defined benefit pension schemes	33	**(8.5)**	3.7
Deferred tax credit/(charge) relating to re-measurements	10	**2.1**	(0.9)
Fair value gain /(loss) on 'fair value through other comprehensive income' (FVTOCI) investments in equity instruments	17	**2.0**	(0.1)
Deferred tax charge relating to fair value movements on FVTOCI investments in equity instruments	10	**(0.7)**	–
		(5.1)	2.7
Items that may be reclassified subsequently to profit and loss:			
Exchange movements on translation of foreign operations		**10.2**	7.1
Exchange movements on non-controlling interests		**0.5**	0.3
		10.7	7.4
Total other comprehensive income		**5.6**	10.1
Total comprehensive income for the year		**2,120.6**	143.5
Attributable to:			
Equity holders of the parent		**2,119.7**	142.6
Non-controlling interests		**0.9**	0.9
		2,120.6	143.5

Group balance sheet

Year ended 31 March 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Goodwill	13	**623.7**	667.9
Other intangible assets and prepaid software	14	**276.3**	424.1
Contract costs	4	**3.0**	4.1
Right of use assets	26	**35.8**	48.3
Property, plant and equipment	15	**29.7**	40.4
Equity accounted investments	18	**3.5**	1.3
Other investments	17	**16.9**	14.3
Other financial assets	27	**–**	1.5
Deferred tax assets	10	**–**	2.3
Retirement benefit assets	33	**6.9**	14.3
		995.8	1,218.5
Current assets			
Inventories	19	**23.1**	20.4
Trade and other receivables	20	**2,559.3**	549.6
Other financial assets	27	**–**	0.9
Current tax assets		**11.9**	0.7
Cash and cash equivalents	21	**120.4**	174.5
		2,714.7	746.1
Total assets		**3,710.5**	1,964.6
Current liabilities			
Trade and other payables	22	**(313.3)**	(447.4)
Bank and other loans	25	**(13.7)**	(100.9)
Current tax liabilities		**(4.0)**	(5.7)
Lease liabilities	25	**(10.3)**	(15.2)
Provisions	24	**(6.1)**	(5.2)
		(347.4)	(574.4)
Net current assets		**2,367.3**	171.7
Non-current liabilities			
Bank and other loans	25	**(193.7)**	(664.9)
Trade and other payables	23	**(11.9)**	(36.8)
Deferred tax liabilities	10	**(21.8)**	(18.6)
Lease liabilities	25	**(27.2)**	(36.3)
Retirement benefit obligations	33	**(0.7)**	(0.8)
		(255.3)	(757.4)
Total liabilities		**(602.7)**	(1,331.8)
Net assets		**3,107.8**	632.8
Equity			
Share capital	28	**9.1**	9.1
Share premium account	29	**214.9**	199.3
Share incentive reserve	29	**–**	20.5
Currency translation reserve	29	**27.9**	17.7
Investments revaluation reserve	29	**3.9**	2.6
Other reserves	29	**82.2**	79.2
Retained earnings		**2,760.3**	299.2
Attributable to equity holders of the parent		**3,098.3**	627.6
Non-controlling interests	30	**9.5**	5.2
Total equity		**3,107.8**	632.8

The financial statements of HomeServe Limited, registered number 02648297, were approved by the board of Directors and authorised for issue on 14 November 2023. They were signed on its behalf by:

Taylor Hall

Taylor Hall, Chief Financial Officer
14 November 2023

Group statement of changes in equity

Year ended 31 March 2023

	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 holder of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2022	9.1	199.3	20.5	17.7	2.6	79.2	299.2	**627.6**	5.2	**632.8**
Profit for the year	–	–	–	–	–	–	2,114.6	**2,114.6**	0.4	**2,115.0**
Other comprehensive expense for the year	–	–	–	10.2	1.3	–	(6.4)	**5.1**	0.5	**5.6**
Total comprehensive income	**–**	**–**	**–**	**10.2**	**1.3**	**–**	**2,108.2**	**2,119.7**	**0.9**	**2,120.6**
Issue of share capital	–	15.6	–	–	–	–	–	**15.6**	–	**15.6**
Share-based payments	–	–	18.6	–	–	–	–	**18.6**	–	**18.6**
Share options exercised	–	–	(23.8)	–	–	–	1.1	**(22.7)**	–	**(22.7)**
Issue of trust shares (note 29)	–	–	–	–	–	3.0	(3.0)	**–**	–	**–**
Tax on exercised share options (note 10)	–	–	–	–	–	–	1.5	**1.5**	–	**1.5**
Deferred tax on share options (note 10)	–	–	–	–	–	–	(0.7)	**(0.7)**	–	**(0.7)**
Transfer of share incentive reserve	–	–	(15.3)	–	–	–	15.3	**–**	–	**–**
Capital contribution (note 29)	–	–	–	–	–	–	344.0	**344.0**	–	**344.0**
Obligations under put options (note 16)	–	–	–	–	–	–	(3.2)	**(3.2)**	–	**(3.2)**
Distribution to non-controlling interests	–	–	–	–	–	–	(2.1)	**(2.1)**	–	**(2.1)**
Changes in non-controlling interests (note 16)	–	–	–	–	–	–	–	**–**	3.4	**3.4**
Balance at 31 March 2023	**9.1**	**214.9**	**–**	**27.9**	**3.9**	**82.2**	**2,760.3**	**3,098.3**	**9.5**	**3,107.8**

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 holder 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 12)	–	–	–	–	–	–	(89.3)	(89.3)	–	(89.3)
Issue of share capital	–	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

[1] Other reserves comprise the Merger, Capital redemption and Own share reserves. Full details of these reserves are included in note 29.

Group cashflow statement

Year ended 31 March 2023

	Notes	2023 £m	2022 £m
Net cash inflow from operating activities	31	**154.1**	207.6
Investing activities			
Interest received		**1.5**	0.1
Proceeds on disposal of fixed assets		**10.6**	8.8
Purchases of intangible assets	14	**(72.3)**	(63.0)
Contract costs		**(2.0)**	(1.3)
Purchases of property, plant and equipment	15	**(5.3)**	(6.2)
Contribution to equity accounted investee	18	**(3.1)**	(3.6)
Loan to investee	17	**(6.8)**	(1.3)
Loan to related party		**(25.0)**	–
Business disposals	11	**(77.3)**	3.0
Business acquisitions	16	**(101.6)**	(127.0)
Net cash used in investing activities		**(281.3)**	(190.5)
Financing activities			
Dividends paid	12	**–**	(89.3)
Distribution to non-controlling interests		**(2.1)**	–
Repayment of lease principal	25	**(17.8)**	(14.7)
Acquisition of non-controlling interests		**–**	(18.2)
New bank and other loans raised	25	**885.3**	30.0
Costs associated with new bank and other loans raised	25	**(0.1)**	(0.3)
Proceeds from loans and borrowings	25	**236.0**	123.2
Repayment of loans and borrowings	25	**(1,015.3)**	(39.9)
Payment of deferred consideration	16	**(7.5)**	(3.8)
Net cash generate from/(used in) financing activities		**78.5**	(13.0)
Net (decrease)/increase in cash and cash equivalents, net of overdrafts		**(48.7)**	4.1
Cash and cash equivalents, net of bank overdrafts, at the beginning of the year		**157.5**	149.4
Impact of foreign exchange rate changes		**2.3**	4.0
Cash and cash equivalents, net of bank overdrafts, at the end of the year	21	**111.1**	157.5

The cash flow statement above includes the entire Group, including the cash flows relating to the North America business. Disaggregated information relating to the North America business and its disposal, which represented a material non-cash transaction for the Group, is provided in note 11.

Notes to the financial statements

Year ended 31 March 2023

1. General information

HomeServe Limited (the 'Company') is a private company, limited by shares incorporated and registered in England and Wales under the Companies Act. The address of the Company's registered office is Cable Drive, Walsall, WS2 7BN.

The ultimate parent company is Brookfield Corporation, a company incorporated in Canada. The largest group in which the results of the Company are consolidated is that headed by Brookfield Corporation. The consolidated financial statements of Brookfield Corporation are available to the public and may be obtained from Brookfield Place, Suite 300, 181 Bay Street, Toronto, ON M5J 2T3 (the registered office).

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. The financial statements also comply with International Financial Reporting Standards as issued by the IASB.

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 and accounting policies

The following accounting standards, interpretations and amendments have been adopted in the year:

Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRSs	Standards 2019-2020 Cycle

None of the items listed above have had any material impact on the amounts reported in this set of financial statements.

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 IAS28	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
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 other Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future years.

Going concern

The immediate parent company of HomeServe Limited, Hestia Bidco Limited, has provided the Directors with a legally binding written obligation that it will continue to provide the Company with financial support for a period of at least 12 months from the date of approval of the financial statements. The Directors are satisfied that the immediate parent company has the ability to provide financial support when necessary, and that HomeServe Limited and its subsidiaries form the key component of the overall operational activities of the investments owned by Hestia Bidco Limited.

Notes to the financial statements

Year ended 31 March 2023

2. Significant accounting policies (continued)
Going concern (continued)

The Directors confirm that, after reviewing the Group's business model, budget and projected cash flows, and considering the written obligation received from the immediate parent company as well as other factors likely to affect the Group's future development, including the potential impacts of climate change, they have reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. For this reason the Directors have adopted and will continue to adopt the going concern basis in preparing the financial statements. 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.

The Directors have reviewed the Group's budget, forecast and cash flows for 2023 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.

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.

Discontinued operations

In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the net results of HomeServe USA Holdings Corp and related subsidiaries (collectively referred to as 'North America') are presented within discontinued operations in the Group Income Statement (for which the comparatives and related notes have been restated). The disposal completed on 28 February 2023. The balance sheet as at 31 March 2023 shows the financial position of the continuing group only, with comparatives being for the full group as it was at 31 March 2022. Refer to note 11 for further details.

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.

Notes to the financial statements

Year ended 31 March 2023

2. Significant accounting policies (continued)
Foreign currencies (continued)

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.

Notes to the financial statements
Year ended 31 March 2023

2. Significant accounting policies (continued)
Revenue recognition (continued)

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).

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.	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.

Notes to the financial statements

Year ended 31 March 2023

2. Significant accounting policies (continued)
Revenue recognition (continued)

Revenue Stream	Nature and timing of satisfaction of performance obligations	Significant payment terms
Membership: **Net policy income –** Intermediary commissions	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.	
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.
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 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.

Notes to the financial statements

Year ended 31 March 2023

2. Significant accounting policies (continued)

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.

Alternative performance measures

The Group uses the following adjusted profitability and cash flow performance measures:

- adjusted profit before tax
- adjusted operating profit
- free cash flow

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.

Reconciliations of free cash flow and adjusted operating profit to statutory measures are provided below. A reconciliation of adjusted profit before tax to statutory profit before tax is included on the face of the income statement.

Free cash flow is defined as net cash from operating activities less interest received, lease payments, borrowing costs paid and capital expenditure/proceeds received:

	2023	2022
	£m	£m
Cash generated by operations	**229.8**	272.5
Net interest and associated borrowing costs	**(34.8)**	(24.5)
Income taxes paid	**(39.5)**	(40.6)
Proceeds on disposal of fixed assets	**10.6**	8.8
Purchases of intangible assets	**(72.3)**	(63.0)
Contract costs	**(2.0)**	(1.3)
Purchases of property, plant and equipment	**(5.3)**	(6.2)
Repayment of lease principal	**(17.8)**	(14.7)
Free cash flow	**68.7**	131.0

Notes to the financial statements

Year ended 31 March 2023

2. Significant accounting policies (continued)
Alternative performance measures (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:

	2023 **£m**	Restated 2022 £m
Continuing operations		
Operating profit (statutory)	**15.5**	95.0
Amortisation of acquisition intangibles	**28.8**	25.7
Certain transaction costs	**2.0**	1.6
Exceptional items	**80.6**	–
Adjusted operating profit	**126.9**	122.3

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 16, 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.

Notes to the financial statements

Year ended 31 March 2023

2. Significant accounting policies (continued)
Alternative performance measures (continued)

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. For every share purchased, employees receive 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.

Following the acquisition of the Group by Brookfield Corporation, all share schemes were closed.

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.

Notes to the financial statements

Year ended 31 March 2023

2. Significant accounting policies (continued)
Taxation (continued)

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.

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.

Notes to the financial statements

Year ended 31 March 2023

2. Significant accounting policies (continued)
Goodwill (continued)

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.

Notes to the financial statements

Year ended 31 March 2023

2. Significant accounting policies (continued)
Intangible assets (continued)

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
Acquired customer databases	3 – 15 years
Other acquired intangibles	8 – 11 years
Access rights and trademarks	up to a maximum of 20 years
Customer databases	3 – 10 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.

Notes to the financial statements

Year ended 31 March 2023

2. Significant accounting policies (continued)

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;
- 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.

Notes to the financial statements

Year ended 31 March 2023

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.

Notes to the financial statements

Year ended 31 March 2023

2. Significant accounting policies (continued)
Financial instruments (continued)

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.

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 earning.

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 the financial statements

Year ended 31 March 2023

3. Critical 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 'cost of living' environment.

As set out in the Strategic report - Environment, energy & climate reporting on page 9, 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. Accordingly, there is no significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year as a result of climate change.

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.

No critical accounting judgements or key sources of estimation uncertainty have been identified in the application of the Group's accounting policies.

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.

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 £623.7m (FY22: £667.9m). The carrying value of acquisition intangibles is £135.6m (FY22: £264.9m). Following the FY23 annual impairment review, no impairment charges were recorded (FY22: £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 2023 all CGUs, have recoverable amounts that exceed the carrying value of goodwill by more than 58% (FY22: all CGUs by more than 65%). 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 four-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 2023 by 178%. Using the three-year cash flow forecast for Habitissimo, which includes the investment but excludes all of the associated returns, the recoverable value is £3m below the value of the associated net assets.

Notes to the financial statements

Year ended 31 March 2023

3. Critical accounting judgements and key sources of estimation uncertainty (continued)
Other areas of focus (continued)

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 FY23 the Group identified intangible assets associated with business combinations totalling £28.1m (FY22: £45.0m). If the various judgements the Group takes in valuing these assets deviated such that the total acquired fair value of FY23 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 7.4 years for in-year acquired intangibles, this would cause a per annum impact of +/- £0.6m to the income statement (FY22: average useful economic life of 7.5 years, +/- £0.9m).

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 2023 in respect of the Group's future claims handing obligations is £29.1m (FY22: £41.7m). 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 £4.4m (FY22: £6.3m).

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 2023 in respect of potential future cancellations is £8.8m (FY22: £26.5m).

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 consistently remained between 82% and 84%, with FY23 at 82% (FY22: 84%, or 82% excluding North America), 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 £1.3m (FY22: £4.0m).

Notes to the financial statements

Year ended 31 March 2023

4. Revenue

An analysis of the Group's revenue is as follows:

	2023 £m	Restated 2022 £m
Revenue		
Net policy income	**381.1**	372.5
Repair income	**267.1**	241.0
HVAC installations	**114.5**	56.3
Home experts	**183.8**	155.2
Other	**36.1**	28.7
Total revenue	**982.6**	853.7
Inter-group revenue	**(6.3)**	(7.4)
External revenue	**976.3**	846.3

Net policy income includes £50.0m of home assistance revenue (FY22: restated £45.5m) where the Group contracts directly with the end user and not though an underwriter.

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 £48.3m (FY22: £66.6m). 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 Company's contract balances is as follows:

	2023 £m	2022 £m
Current assets		
Amounts receivables for the provision of services (see note 20)	**252.1**	458.0
Accrued income	**23.9**	19.5
Current liabilities		
Deferred income	**48.3**	66.6

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.

Notes to the financial statements

Year ended 31 March 2023

4. Revenue (continued)

Significant changes in accrued and deferred income balances during the period were as follows:

	Accrued income £m	Deferred income £m
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 1 April 2022	19.5	66.6
Transfers to receivables	(19.5)	–
Revenue recognised from the opening balance	–	(66.6)
Revenue deferred not yet earned	–	72.2
Revenue earned not yet due	21.8	–
Business combinations	2.3	1.3
Business disposal	–	(25.1)
Foreign exchange	(0.2)	(0.1)
At 31 March 2023	**23.9**	**48.3**

Revenue deferred not yet earned is presented net of amounts created and released within the same reporting period. Revenue recognised in 2023 and 2022 in relation to performance obligations satisfied (or partially satisfied) in previous periods was immaterial.

Contract costs

	£m
At 1 April 2021	8.2
Additions	1.5
Amortisation	(5.6)
At 1 April 2022	4.1
Additions	1.7
Amortisation	(2.9)
Foreign exchange	0.1
At 31 March 2023	**3.0**

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.

Notes to the financial statements

Year ended 31 March 2023

5. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

		2023 £m	Restated 2022 £m
Included in operating costs:			
Staff remuneration	6	**301.5**	246.7
Cost of inventories recognised as an expense		**69.4**	32.9
Depreciation of right-of-use assets		**12.4**	10.4
Depreciation of property, plant and equipment		**6.3**	6.0
Amortisation of acquisition intangible assets		**28.8**	25.7
Amortisation of other intangible assets		**29.8**	24.5
Amortisation of contract costs	4	**2.9**	5.6
Loss on disposal of property, plant and equipment		**1.0**	0.4
Gain on disposal of businesses		**–**	(4.3)
Net amounts written off on trade receivables and contract assets		**2.7**	3.0
Impairment of other financial assets	27	**1.5**	–
Exceptional items	7	**80.6**	–
Expenses relating to variable lease payments not included in the measurement of lease liabilities		**0.4**	1.4
Expenses relating to leases of low value assets, excluding short-term leases of low value assets		**0.8**	0.4
Expenses relating to short-term lease		**0.9**	1.8

Analysis of auditor's remuneration is as follows:	2023 £000	2022 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**473**	312
The audit of the Company's subsidiaries pursuant to legislation	**1,574**	1,378
Total audit fees	**2,047**	1,690
Audit-related assurance services	**117**	103
Total non-audit fees	**117**	103
Total auditor's remuneration	**2,164**	1,793

The analysis of audit and non-audit fees includes both the continuing and discontinued business. Comparatives in this table have not been restated.

Audit related assurance services are in respect of the review of the interim financial information and regulatory legal dividend reporting requirements in France. In FY22 there were audit related assurance services for the review of the iXBRL electronically tagged Group accounts.

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.

Notes to the financial statements

Year ended 31 March 2023

6. Staff remuneration

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

Continuing business	2023 number	Restated 2022 number
UK (including Head Office)	**3,254**	3,165
Continental Europe	**3,198**	2,879
North America	**145**	129
	6,597	6,173

	2023 £m	Restated 2022 £m
Their aggregate remuneration comprised:		
Wages and salaries	**240.4**	205.2
Social security costs	**38.8**	34.5
Other pensions costs (note 33)	**5.0**	4.3
Other long-term benefits	**2.4**	2.7
Exceptional wages and salaries inc. social security costs (note 7)	**14.9**	–
	301.5	246.7

Other long-term benefits relate to costs accrued in association with options held by employees of eLocal Holdings LLC and Energy Go SAS (see note 16) to put their non-controlling interest equity to the Group.

The Company only staff numbers and remuneration amounts for HomeServe Limited are disclosed in note 37 to the immediate parent company financial statements.

Directors' Remuneration

Directors' remuneration in respect of services of the Group were as follows:

	2023		2022	
	Total £m	**Highest paid director £m**	Total £m	Highest paid director £m
Aggregate remuneration	**4.7**	**1.3**	4.9	1.1
Exercise of share options	**7.9**	**3.6**	0.7	0.4
Other pensions costs	**0.2**	**0.1**	0.2	0.1
	12.8	**5.0**	5.8	1.6

There were no loans made to a Director in the year ended 31 March 2023 (2022: £nil).

Notes to the financial statements

Year ended 31 March 2023

6. Staff remuneration (continued)

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.

	2023 £m	Restated 2022 £m
Short-term employee benefits	**9.1**	8.3
Post-employment benefits	**0.5**	0.3
Other long-term employee benefits	**–**	1.2
Share-based payments expense	**7.8**	2.0
Termination benefits	**0.9**	–

Except as noted above, there were no other transactions with Directors requiring disclosure.

7. Adjusting and exceptional items

Adjusting items, in addition to amortisation of acquired intangibles of £28.8m (FY22: restated £25.7m), comprised the following:

	2023 £m	Restated 2022 £m
Cost of put options on non-controlling interests accrued over time	**2.4**	2.7
Fair value gains on option obligations and contingent consideration	**(1.5)**	(2.0)
Certain transaction related costs included with operating costs	**0.9**	0.7
Unwinding of discount on option obligations and contingent consideration	**1.1**	0.9
Certain transaction related costs included within finance costs	**1.1**	0.9
Total certain transaction related costs included in profit before tax	**2.0**	1.6
Net taxation on certain transaction related costs	**(0.5)**	(0.4)
Total certain transaction related costs after tax	**1.5**	1.2

Exceptional items, booked to operating costs comprised the following:

	2023 £m	Restated 2022 £m
Transaction related costs	**65.7**	–
Wages and salaries inc. social security costs	**14.9**	–
Exceptional items included within operating profit before tax	**80.6**	–
Net taxation on exceptional items	**(2.7)**	–
Net exceptional items after tax	**77.9**	–

Exceptional items relate to the acquisition of the HomeServe Group by Brookfield Infrastructure. Transaction related costs principally include professional fees incurred in the completion of the acquisition. Wages and salaries predominantly relate to IFRS2 charges and social security costs due to the acceleration and closure of the HomeServe Group share scheme during the year as a result of the acquisition.

Notes to the financial statements

Year ended 31 March 2023

8. Investment income

	2023 £m	Restated 2022 £m
Interest on bank deposits	**1.2**	0.1
Other interest	**1.1**	0.2
Interest on loans receivable	**13.7**	–
	16.0	0.3

9. Finance costs

	2023 £m	Restated 2022 £m
Interest on bank and other loans	**32.2**	24.2
Interest on lease liabilities	**0.9**	0.7
Unwinding of discount on contingent consideration	**0.2**	0.2
Unwinding of discount on obligations under put options	**0.9**	0.7
Other interest	**0.5**	0.6
Exchange movements	**47.2**	(0.2)
	81.9	26.2

Exchange movements represents foreign exchange charges primarily incurred on borrowings and loan receivable balances held with parent companies (see note 47).

10. Taxation

	2023 £m	Restated 2022 £m
Current tax		
Current year charge	**14.0**	20.5
Adjustments in respect of prior years	**(0.8)**	(1.0)
Total current tax charge	**13.2**	19.5
Deferred tax credit	**(1.3)**	(0.6)
Total tax charge	**11.9**	18.9

The pre-exceptional effective tax rate for the year ended 31 March 2023 was 48% (FY22: 27% restated). The post-exceptional effective tax rate for the same period was (24%) (FY22: 27% restated). UK corporation tax is calculated at 19% (FY22: 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.

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 (FY22: 26%), 25% in France (FY22: 27%), 25% in Spain (FY22: 25%), a blended rate of 30% in Germany (FY22: 30%) and a blended rate of 28% in Italy (FY22: 28%), which explains the 'Overseas tax rate differences' below.

Notes to the financial statements

Year ended 31 March 2023

10. Taxation (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2023 £m	Restated 2022 £m
(Loss)/profit before tax on continuing operations	**(50.4)**	69.1
Tax at the UK corporation tax rate of 19% (FY22: 19%)	**(9.6)**	13.1
Tax effect of items that are not deductible in determining taxable profit	**19.8**	3.9
Adjustments in respect of prior years – current tax	**(0.8)**	(1.0)
Deferred tax rate adjustment	**–**	(0.3)
Adjustments in respect of prior years – deferred tax	**(0.5)**	0.2
Overseas tax rate differences	**3.0**	3.0
Tax expense for the year	**11.9**	18.9

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.

We recently signed a Contract Settlement with HM Revenue & Customs (HMRC) which satisfactorily concludes both the UK CFC EU State Aid issue, and associated HMRC enquiries. The Group paid the relevant EU State Aid charging notice and utilised the corresponding uncertain tax provision in the financial year-ended 31 March 2021. Under the terms of the Contract Settlement this previous EU State Aid tax payment (and associated interest) has been credited against the tax arising under the HMRC enquiries, whereby the remaining tax payable and interest due to HMRC is not material. As a result of signing the Contract Settlement HMRC have closed their enquiries and removed the previously issued EU State Aid charging notices, bringing both issues to an end.

A retirement benefit tax credit of £2.1m (FY22: charge £0.9m) and investment in equity instrument tax charge of £0.7m (FY22: Nil) 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:

	2023 £m	2022 £m
Current tax		
Excess tax deductions related to share-based payments on exercised options	**1.5**	0.2
Deferred tax		
Change in estimated excess tax deductions related to share-based payments	**(0.7)**	0.1
Total tax recognised directly in equity	**0.8**	0.3

Notes to the financial statements

Year ended 31 March 2023

10. Taxation (continued)

Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Group and the movements during the current and prior year:

	Timing differences £m	Elected goodwill deductions £m	Retirement benefit obligations £m	Share schemes £m	Acquired intangibles assets £m	Unutilised losses £m	Investment revaluation reserve £m	Total £m
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**
Charges 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 1 April 2022	(0.9)	0.1	(3.5)	2.4	(16.1)	3.0	(1.3)	**(16.3)**
Credit/(charge) to income	(2.5)	0.1	(0.3)	(0.9)	4.5	0.4	–	**1.3**
(Charge)/credit to income – discontinued operations	(0.8)	(1.8)	–	(0.8)	0.8	(0.4)	–	**(3.0)**
Credit to equity	–	–	–	(0.7)	–	–	–	**(0.7)**
Charges to comprehensive income	–	–	2.1	–	–	–	(0.7)	**1.4**
Business acquisitions	(0.1)	–	–	–	(4.9)	–	–	**(5.0)**
Business disposal	5.7	2.0	–	–	(4.8)	(1.9)	–	**1.0**
Exchange movements	(0.4)	–	–	–	(0.3)	0.2	–	**(0.5)**
Balance at 31 March 2023	**1.0**	**0.4**	**(1.7)**	–	**(20.8)**	**1.3**	**(2.0)**	**(21.8)**

Due to the acquisitive nature of the Group, we have recognised deferred tax liabilities in respect of our business acquisitions as some of this capital expenditure will not be tax deductible.

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:

2023	**UK £m**	**France £m**	**Spain £m**	**Germany £m**	**North America £m**	**Total £m**
Deferred tax assets	—	—	—	—	—	**—**
Deferred tax liabilities	(2.9)	(13.8)	(1.3)	(3.8)	—	**(21.8)**
Net deferred tax liabilities	**(2.9)**	**(13.8)**	**(1.3)**	**(3.8)**	**—**	**(21.8)**

2022	UK £m	France £m	Spain £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)

Deferred tax has not been recognised on £18.8m (FY22: £13.2m) of unused losses in Help-Link UK Limited, Ansa UK Limited, and HomeServe Germany 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.

Notes to the financial statements
Year ended 31 March 2023

11. Discontinued operations

The Group entered into a sale agreement to dispose of HomeServe USA Holdings Corp and its subsidiaries, which carried out all of the HomeServe Group's North America Membership & HVAC operations. The disposal was completed on 28 February 2023 and the results of the discontinued operation and the effect of the disposal on the financial position of the Group are disclosed below.

Prior to the disposal, HomeServe USA Holdings Corp disposed of a subsidiary eLocal Holdings LLC to Step 11 Co Inc, another Group company. There was no impact to the Group results, as this was a transaction under common control.

Results of the discontinued operation for the period to disposal

Discontinued operations	**Period ended 28 February 2023 £m**	Year ended 31 March 2022 £m
Revenue	**640.2**	583.0
Operating costs	**(534.1)**	(475.4)
Operating profit	**106.1**	107.6
Net finance costs	**(2.0)**	(1.6)
Adjusted profit before tax	**120.8**	123.9
Amortisation of acquisition intangibles	**(19.6)**	(19.2)
Certain transaction costs	**5.0**	1.3
Exceptional items	**(2.1)**	–
Profit before tax from discontinued operations	**104.1**	106.0
Tax expense	**(16.3)**	(22.8)
Profit from discontinued operations, net of tax	**87.8**	83.2
Gain on sale of discontinued operation	**2,089.5**	–
Income tax on gain on sale of discontinued operation	**–**	–
Profit from discontinued operations, net of tax	**2,177.3**	83.2
Attributable to:		
Equity holders of the parent	**2,177.3**	83.2
Non-controlling interests	**–**	–
Total	**2,177.3**	83.2

Cash flows from/(used in) discontinued operations	**Period ended 28 February 2023 £m**	Year ended 31 March 2022 £m
Net cash flows from operating activities	**111.4**	87.4
Net cash flows used in investing activities	**(44.0)**	(43.6)
Net cash flows used in financing activities	**(9.8)**	(8.1)
Net cash flows for the year	**57.6**	35.7
Intragroup funding and transactions	**(24.2)**	(55.4)
Net cash flows from/(used in) discontinued operations, net of intercompany	**33.4**	(19.7)

Notes to the financial statements

Year ended 31 March 2023

11. Discontinued operations (continued)

The net assets of HomeServe USA Holdings Corp Group at the date of disposal were as follows:

	£m
Goodwill	**148.9**
Other intangible asset and prepaid software	**180.1**
Property, plant and equipment	**10.8**
Right-of-use assets	**20.4**
Cash and cash equivalents	**77.3**
Inventories	**10.5**
Trade and other receivables	**323.9**
Deferred tax assets	**1.0**
Trade, other payables and provisions	**(191.1)**
Deferred income	**(25.1)**
Lease liabilities	**(21.7)**
Bank and other loans	**(461.7)**
Net assets disposed of	**73.3**
Consideration received in loan receivables	**2,131.6**
Gain on sale before income tax and reclassification of foreign translation reserve	**2,058.3**
Exchange differences recycled to the income statement	**31.2**
Gain on sale of discontinued operation	**2,089.5**
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	**–**
Less: cash and cash equivalent balances disposed	**(77.3)**
Total	**(77.3)**

Taxation of discontinued operations

The gain on sale of discontinued operations qualified for the Substantial Shareholding Exemption and consequently was not subject to corporation tax.

12. Dividends

	2023	2022
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2022 of nil (2021: 19.8p) per share	**–**	66.5
Interim dividend for the year ended 31 March 2023 of nil (2022: 6.8p) per share	**–**	22.8
	–	89.3

In light of the offer for the Group and subsequent acquisition, the Board did not recommend payment of a dividend.

Notes to the financial statements

Year ended 31 March 2023

13. Goodwill

	Note	£m
Cost		
At 1 April 2021		564.8
Recognised on business acquisitions		96.3
Adjustments related to prior year acquisitions		(0.1)
Exchange movements		7.4
At 1 April 2022		668.4
Recognised on business acquisitions	16	81.9
Derecognised on business disposals	11	(148.9)
Adjustments related to prior year acquisitions		0.6
Exchange movements		22.2
At 31 March 2023		**624.2**
Accumulated impairment losses		
At 31 March 2023 and 1 April 2022		**0.5**
Carrying amount		
At 31 March 2023		**623.7**
At 31 March 2022		667.9

Adjustments to provisional balances

During FY23 the provisional fair values for the acquisitions completed in FY22 and disclosed as part of the Group's FY22 Annual Report were updated leading to a total net £0.6m increase to goodwill at 31 March 2023. This increase in goodwill arose due to additional cash payments of £0.5m and changes in net working capital of £0.1m. The fair value adjustments arose across five 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% (FY22: 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.

Notes to the financial statements

Year ended 31 March 2023

13. Goodwill (continued)

Impairment testing methodology and goodwill allocation (continued)

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	CGU	2023 £m	2022 £m
Membership & HVAC – North America	North America	**N/A**	10.7%
Membership & HVAC – EMEA UK	UK	**11.5%**	10.8%
Membership & HVAC – EMEA France	France	**11.0%**	10.1%
Membership & HVAC – EMEA Spain	Spain	**12.8%**	10.7%
Membership & HVAC – EMEA New Markets	Germany	**9.7%**	11.1%
Home Experts - UK	Checkatrade	**14.7%**	12.8%
Home Experts – North America	eLocal	**13.8%**	12.6%
Home Experts – Other	Habitissimo	**16.7%**	12.6%
Home Experts – Other	Consumer Finance	**14.7%**	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 FY22 reflects the impact of higher cost of debt as central bank interest rates rise.

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 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.

The carrying amount of goodwill has been allocated, by CGU, as follows:

	2023 £m	2022 £m
North America	**–**	119.4
UK	**234.1**	227.9
France	**159.6**	110.2
Spain	**81.8**	73.1
Germany	**10.5**	3.9
Checkatrade	**58.6**	58.6
eLocal	**64.7**	60.9
Habitissimo	**12.9**	12.4
Consumer Finance	**1.5**	1.5
	623.7	667.9

The Group's CGUs do not contain any intangible assets with indefinite useful economic lives.

Notes to the financial statements

Year ended 31 March 2023

14. Other intangible assets and prepaid software

Other intangible assets and prepaid software on the balance sheet include £270.0m (FY22: £421.4m) of intangible assets and £6.3m (FY22: £2.7m) of prepaid software assets related to 'Software as a Service' arrangements. Other intangible assets are categorised as follows:

	Acquisition intangibles £m	Trademark & access rights £m	Customer databases £m	Software £m	**Total intangibles £m**
Cost					
At 1 April 2021	462.0	41.6	44.2	342.4	**890.2**
Additions	2.9	–	14.2	42.0	**59.1**
Business acquisitions	45.0	–	–	–	**45.0**
Disposals	(0.6)	(0.3)	(0.6)	(13.7)	**(15.2)**
Business disposal	–	–	–	(14.1)	**(14.1)**
Adjustments to prior year acquisitions[1]	1.1	–	–	–	**1.1**
Exchange movements	13.1	0.8	0.2	3.2	**17.3**
At 1 April 2022	523.5	42.1	58.0	359.8	**983.4**
Additions	1.2	1.6	12.6	56.5	**71.9**
Business acquisitions	28.1	–	–	0.4	**28.5**
Disposals	(0.1)	–	(0.6)	(95.0)	**(95.7)**
Business disposal	(275.4)	(20.7)	(15.3)	(102.8)	**(414.2)**
Transfers	–	–	–	(0.4)	**(0.4)**
Exchange movements	30.8	1.4	2.9	9.2	**44.3**
At 31 March 2023	**308.1**	**24.4**	**57.6**	**227.7**	**617.8**
Accumulated amortisation					
At 1 April 2021	208.8	36.0	15.4	238.7	**498.9**
Charge for the year	44.9	2.0	8.5	27.7	**83.1**
Disposals	(0.6)	(0.1)	(0.2)	(13.3)	**(14.2)**
Business disposal	–	–	–	(13.9)	**(13.9)**
Exchange movements	5.5	0.6	0.1	1.9	**8.1**
At 1 April 2022	258.6	38.5	23.8	241.1	**562.0**
Charge for the year	48.4	1.8	10.4	33.4	**94.0**
Disposals	–	–	(0.2)	(94.4)	**(94.6)**
Business disposal	(149.5)	(18.6)	(6.9)	(60.8)	**(235.8)**
Exchange movements	15.0	1.3	1.2	4.7	**22.2**
At 31 March 2023	**172.5**	**23.0**	**28.3**	**124.0**	**347.8**
Carrying amount					
At 31 March 2023	**135.6**	**1.4**	**29.3**	**103.7**	**270.0**
At 31 March 2022	264.9	3.6	34.2	118.7	421.4

[1] In FY22 the carrying value of acquired intangible assets relating to prior year acquisitions were adjusted during the associated re-measurement periods increasing acquired access rights by £1.1m and goodwill by £1.1m.

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 (FY22: £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 £43.3m (FY22: £46.8m), 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 6 to 7 years useful economic life remaining.

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Year ended 31 March 2023

14. Other intangible assets and prepaid software (continued)

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 FY23 for tranche two of the transaction, the Group received \$11.6m/£8.9m of cash consideration, derecognised intangible assets of \$0.5m/£0.4m, receivables of \$5.0m/£3.8m and payables of \$1.7m/£1.3m relating to commissions and underwriter payables. This resulted in a gain on disposal of \$7.8m/£6.0m being recorded in the income statement.

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.

15. Property, plant and equipment

	Land & building £m	Furniture, fixtures & equipment £m	Computer equipment £m	Motor vehicles £m	Total **£m**
Cost					
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**
Business acquisitions	0.1	0.5	–	1.4	**2.0**
Disposals	(0.3)	(0.4)	(0.9)	(0.8)	**(2.4)**
Exchange movements	0.1	0.1	0.7	0.5	**1.4**
At 1 April 2022	42.4	17.1	40.5	9.6	**109.6**
Additions	0.9	1.5	1.8	1.1	**5.3**
Business acquisitions	0.8	1.2	0.2	2.8	**5.0**
Disposals	(1.6)	(0.5)	(0.5)	(2.2)	**(4.8)**
Business disposal	(4.7)	(4.9)	(15.8)	(9.4)	**(34.8)**
Transfer	–	–	0.4	–	**0.4**
Exchange movements	0.4	0.6	1.4	1.0	**3.4**
Balance at 31 March 2023	**38.2**	**15.0**	**28.0**	**2.9**	**84.1**
Accumulated depreciation					
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 1 April 2022	20.6	13.6	31.4	3.6	**69.2**
Charge for the year	2.0	1.7	4.4	2.6	**10.7**
Disposals	(0.7)	(0.3)	(0.5)	(2.2)	**(3.7)**
Business disposal	(3.2)	(4.2)	(13.2)	(3.4)	**(24.0)**
Exchange movements	0.2	0.4	0.8	0.8	**2.2**
Balance at 31 March 2023	**18.9**	**11.2**	**22.9**	**1.4**	**54.4**
Carrying amount					
At 31 March 2023	**19.3**	**3.8**	**5.1**	**1.5**	**29.7**
At 31 March 2022	21.8	3.5	9.1	6.0	40.4

At the balance sheet date, there are no contractual commitments for the purchase of property, plant and equipment (FY22: £nil).

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Year ended 31 March 2023

16. Acquisitions

The Group has incurred a net cash outflow in respect of business combinations of £101.6m in the year (FY22: £127.0m) consisting of a net cash outflow of £92.4m (FY22: £112.4m) on acquisitions completed during FY23 and contingent payments relating to previous business combinations of £9.2m (FY22: £14.6m). In addition, payment of deferred consideration, recognised through cash flows from financing activities, totalled £7.5m (FY22: £3.8m).

There was one material acquisition in the year ended 31 March 2023:

- On 28 October 2022, HomeServe Energies Services SAS, a Group company, acquired 75% of the issued share capital and obtained control of EnergyGo SAS and its subsidiaries (Efficiencies SAS, EnergyPose SAS and EnergyStart SAS), (hereafter 'EnergyGo'), for total consideration of £41.8m. EnergyGo operates within the HVAC business line of the Group. The acquisition of EnergyGo expands the scope and scale of the HVAC capabilities in France, specifically in relation to energy efficient solutions.

Additionally, the following immaterial acquisition, which have been combined and presented as 'Other' for the purpose of provisional fair value disclosures, were made during the year ended 31 March 2023:

Membership

- On 9 June 2022, CET Structures Limited, a Group company, acquired 100% of the issued share capital and obtained control of ANSA UK Limited (hereafter 'ANSA'). ANSA is a claims business and enhances the scale of the drainage service business in the UK.
- On 26 January 2023, HomeServe Asistencia Spain S.A.U, a Group company, acquired 100% of the issued share capital and obtained control of We Repair Asistencia Técnica, LDA (hereafter 'We Repair'). We Repair is a claims business and enhances the scale of home assistance capabilities in Portugal.

HVAC

Date	Acquiree	Acquirer	Acquired
6 April 2022	Ken Griffin Plumbing Services, Inc.	Environmental Systems Associates Inc.	100% share capital
31 May 2022	HCD SAS & CFP SAS	HomeServe Energies Services SAS	100% share capital
31 May 2022	Hereford Heating Limited	HomeServe Membership Limited	100% share capital
31 May 2022	Logic Plumbing Heating and Electrical (Maintenance) Limited	HomeServe Membership Limited	100% share capital
1 June 2022	Taylor Heating Inc.	HomeServe Skilled Trades LLC	100% share capital
2 June 2022	Aracor 2000 S.L	HomeServe Iberia S.L.U	100% share capital
30 June 2022	Concept Habitat Normandie SAS	HomeServe Energies Services SAS	100% share capital
6 July 2022	DL'Gaz SARL	Roussin Energies SAS	Group of assets constituting a business under IFRS3
20 July 2022	S.A.T Lluis S.L.	HomeServe Iberia S.L.U	100% share capital
20 July 2022	Alme Calefacción S.L.	HomeServe Iberia S.L.U	100% share capital
15 July 2022	Wyant Heating & Air Inc.	HomeServe Skilled Trades LLC	100% share capital
5 August 2022	Motta Heating & Air Conditioning Inc.	HomeServe Skilled Trades LLC	100% share capital
14 September 2022	Phoenix Plumbing & Drain Service Inc.	Hays Cooling & Heating Inc.	100% share capital
20 September 2022	Instalaciones y Montajes Baladon S.L & Fulldirect BCN S.L	HomeServe Iberia S.L.U	100% share capital
29 September 2022	Egly Kälte-Klimatechnik GmbH	HomeServe Deutschland Handwerksdienstleistung GmbH	100% share capital
30 September 2022	Barella Gebäude-und Energietechnik GmbH	HomeServe Deutschland Handwerksdienstleistung GmbH	99% share capital
30 September 2022	Koziwarm Plumbing & Heating Limited	HomeServe Membership Limited	100% share capital
3 October 2022	Société de Maintenance et d'exploitation Climatique SAS	HomeServe Energies Services SAS	100% share capital
3 October 2022	Van Der Vurst BV	HomeServe Energy Services Belgium SRL	100% share capital
19 October 2022	Mantenimientos integrales Servicor S.L	HomeServe Iberia S.L.U	100% share capital
28 October 2022	FPL Home Services, Inc	HomeServe Skilled Trade LLC	100% share capital

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Year ended 31 March 2023

16. Acquisitions (continued)

HVAC (continued)

Date	Acquiree	Acquirer	Acquired
7 November 2022	Moon Valley Plumbing & Rooter, LLC	HomeServe Skilled Trades LLC	100% share capital
3 November 2022	H2 Property Services (London) Limited	HomeServe Membership Limited	100% share capital
29 November 2022	Arundel Cooling & Heating Co, Inc	HomeServe Skilled Trades LLC	100% share capital
30 November 2022	Géo-dis SAS	HomeServe Energies SAS	100% share capital
30 November 2022	Sturm Sanitär-und Heizungstechnik GmbH, Sturm Neue Energie GmbH & Schulz GmbH	HomeServe Deutschland Handwerksdienstleistung GmbH	100% share capital
12 January 2023	Sorensol Acciones Energéticas S.L.	HomeServe Iberia S.L.U	100% share capital
1 February 2023	Altor Becla S.L & Claren Belos S.L	HomeServe Iberia S.L.U	100% share capital
14 March 2023	Symec	HomeServe Iberia S.L.U	Group of asset constituting a business under IFRS 3

All HVAC acquisitions made during FY23 enhance the scale and scope of the Group's HVAC capabilities and increase the opportunity for future growth related to new HVAC system installations.

The provisional fair values of identifiable assets acquired, and liabilities assumed are set out in the table below:

At fair value	EnergyGo £m	Other £m	**Total £m**
Software	0.4	–	**0.4**
Property, plant and equipment	0.3	4.7	**5.0**
Right-of-use assets	1.7	3.9	**5.6**
Cash and cash equivalents	4.6	7.9	**12.5**
Inventories	0.7	3.5	**4.2**
Trade and other receivables	17.0	10.0	**27.0**
Trade and other payables, provisions & retirement benefit obligation	(8.6)	(13.5)	**(22.1)**
Deferred income	–	(1.3)	**(1.3)**
Lease liabilities	(1.7)	(3.9)	**(5.6)**
Bank and other loans	(4.3)	(2.3)	**(6.6)**
Intangible assets identified on acquisition	4.7	23.4	**28.1**
Deferred tax liabilities	(1.2)	(3.8)	**(5.0)**
Net assets acquired	13.6	28.6	**42.2**
Less non-controlling interest	(3.4)	–	**(3.4)**
Goodwill	31.6	50.3	**81.9**
Total	**41.8**	**78.9**	**120.7**
Satisfied by:			
Cash	41.8	63.1	**104.9**
Deferred consideration	–	5.4	**5.4**
Contingent consideration at fair value	–	10.4	**10.4**
Total	**41.8**	**78.9**	**120.7**
Net cash outflow arising on acquisition:			
Cash consideration	41.8	63.1	**104.9**
Less: cash acquired	(4.6)	(7.9)	**(12.5)**
Total	**37.2**	**55.2**	**92.4**

Notes to the financial statements
Year ended 31 March 2023

16. Acquisitions (continued)

The information above is provisional with fair value assessment activities ongoing. The 'Other' column relates to 31 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 acquisitions in the year ended 31 March 2023, included in continuing operations and not part of the North America disposal (see note 11) were as follows:

	EnergyGo £m	Other £m	**Total £m**
Revenue	13.5	34.0	**47.5**
Adjusted operating profit/(loss)	(0.3)	3.1	**2.8**
Acquisition related costs	0.3	1.9	**2.2**

If all of the acquisitions had been completed on the first day of the financial year, Group revenues from continuing operations for the year would have been £1,044.3m and Group adjusted profit before tax from continuing operations would have been £65.5m.

Options in relation to the future acquisition of the non-controlling interests in EnergyGo

The non-controlling shareholder of EnergyGo holds a series of options exercisable between 1 April and 30 June during each year from 2027 to 2030 which give the holder the ability to put the remaining 25% stake of EnergyGo not already owned by the Group to HomeServe Energy Services SAS (‘HES’). HES also hold a series of call options exercisable between 1 July and 30 September during the same years permitting it to purchase the outstanding 25% interest. Option pricing for all these instruments is based on certain future non-market performance metrics.

Given the ‘cross’ nature of these puts and calls the likelihood of HES not acquiring the NCI equity is considered remote as throughout the exercise periods, execution is likely to be a rational act to at least one party. Therefore, to the extent that the potential cash payments relating to the put options issued by the Group over the equity of EnergyGo do not relate to post-acquisition employment services of the option holder, they have been accounted for as financial liabilities. These liabilities have been recognised at the present value of the expected gross obligation with the corresponding entry being recognised in retained earnings. A finance charge will be recorded in order to accrete the liability up to the expected amount payable under the options. All subsequent changes in the carrying amount of the financial liability that result from the re-measurement of the present value of the amount payable upon exercise of the NCI puts will be recognised in the income statement as part of the profit or loss attributable to the parent, and not impact the NCIs’ share of the profit or loss of the subsidiary. The carrying values of the put options are provisional with measurement period assessment activities ongoing.

The proportion of the potential cash payments relating to the put options which relate to post-acquisition employment services of the option holder are accounted for as post combination employee benefit expenses in accordance with IAS 19. The expenses are not considered within the scope of IFRS 2 as the associated liabilities are determined based on a fixed multiple which does not reflect the market price of the equity on an ongoing basis.

Notes to the financial statements

Year ended 31 March 2023

16. Acquisitions (continued)

Options in relation to the future acquisition of the non-controlling interests in EnergyGo (continued)

Additionally, HES holds call options for good and bad leaver scenarios requiring the non-controlling shareholder to sell their remaining 25% equity stake. These options are exercisable up until 30 September 2030 should the NCI shareholder leave the company prior to 30 September 2030, depending upon whether the shareholder meets the definition of a good or bad leaver upon departure. At the reporting date HomeServe currently assessed the likelihood that the NCI shareholder would leave the company prior to 30 September 2030 as remote, principally due to the economic incentive to the NCI shareholder given that HES' bad leaver call permits HES to exercise at up to a 40% reduction should the option holder resign within the first 60 months after signing. Consequently, HomeServe have determined that the fair value of these call options is £nil.

17. Other investments

Equity investments carried at fair value through other comprehensive income	£m
At 1 April 2021	12.9
Additions	1.6
Fair value loss on FVTOCI investments	(0.1)
Exchange movements	(0.1)
At 1 April 2022	14.3
Fair value gain on FVTOCI investments	2.0
Exchange movements	0.6
At 31 March 2023	**16.9**

HomeServe Assistance Limited ('HAL'), a Group company, retained a 19.99% in Ondo InsurTech Plc ('Ondo') in March 2022. The fair value of the equity investment has been assessed at 31 March 2023 based on the quoted bid price in an active market. The result of this assessment decreased the fair value of the investment by £0.4m. (FY22: £0.2m)

HomeServe France Holding SAS ('HFH'), a Group company retained a 20% holding in Groupe Maison.fr SAS in May 2020. The Group provides additional funding on an arm's length basis in the form of €10.2m loan facilities (FY22: €3.7m) of which €10.2m/£8.9m (FY22: €1.5m/£1.3m) had been drawn down at 31 March 2023. The fair value of the equity investment has been assessed at 31 March 2023 by analysing the future outlook for the business. This reassessment resulted in no change in the fair value of the investment. (FY22: £0.1m increase)

At 31 March 2023 the fair value of the Group's investment held in a manufacturer of smart thermostat connected home technology was reassessed in light of the valuation indicated by the investee's latest equity funding round. The result of this reassessment increased the fair value of the Group's investment by £2.4m. This movement, net of the recognition of a £0.7m associated deferred tax liability, (see note 10) was recorded in the investment revaluation reserve.

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 47 to the Company's separate financial statements.

Joint venture – HomeServe Japan Corporation

The following amounts relate to the combined results of the Group's joint venture interest in HomeServe Japan Corporation:

	2023	2022
	£m	£m
Loss after tax	**(4.6)**	(6.8)
Total comprehensive expense	**(4.6)**	(6.8)
Amounts recognisable	**(2.3)**	(3.4)

The Group made additional contributions to its joint venture investment in HomeServe Japan Corporation during the year of £3.1m (FY22: £3.6m).

Notes to the financial statements

Year ended 31 March 2023

18. Equity accounted investments (continued)

Acquisition of interest in associate

On 16 November 2022, HomeServe Asistencia S.L.U, a Group company, acquired a 30% holding in Servihogar 24 Horas S.L.U for €1.5m/£1.2m. The Group recognised a loss of £0.1m for its share of results in the year.

19. Inventories

	2023	2022
	£m	£m
Consumables	**23.1**	20.4

20. Trade and other receivables

	2023	2022
	£m	£m
Amounts receivable for the provision of services	**252.1**	458.0
Other receivables	**24.2**	47.2
Accrued income	**23.9**	19.5
Prepayments	**18.1**	23.6
Loans receivable	**2,241.0**	1.3
	2,559.3	549.6

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.

Notes to the financial statements

Year ended 31 March 2023

20. Trade and other receivables (continued)

Included in the Group's exposure are balances with a carrying amount of £32.1m (FY22: £45.5m) 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.

Ageing of balances past due net of expected credit losses:

	2023 **£m**	2022 £m
1 – 30 days	**10.1**	21.6
31 – 60 days	**5.5**	14.9
61 – 90 days	**3.5**	3.7
91 days +	**13.0**	5.3
Balance at 31 March past due	**32.1**	45.5
Current/not yet due	**220.0**	412.5
At 31 March	**252.1**	458.0

Movement in expected credit losses:

	2023 **£m**	2022 £m
At 1 April	**7.1**	5.9
Impairment losses recognised	**2.9**	3.5
Amounts written off	**(1.2)**	(2.7)
Amounts recovered	**(0.2)**	(0.1)
Business disposals	**(0.7)**	(0.4)
Business acquisitions	**0.9**	0.7
Exchange movements	**0.2**	0.2
At 31 March	**9.0**	7.1

Of the provision total £nil relates to accrued income (FY22: £nil).

Ageing of impaired balances:

	2023 **£m**	2022 £m
1 – 30 days	**0.3**	0.4
31 – 60 days	**0.3**	0.8
61 – 90 days	**0.4**	0.6
91 days +	**7.9**	3.7
Current/not yet due	**0.1**	1.6
At 31 March	**9.0**	7.1

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 2023 or 31 March 2022 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.

Loans receivable

Loans receivable principally comprise of amounts receivable from Parent companies (see note 41) and amounts receivable from investee (see notes 17 & 34).

Notes to the financial statements

Year ended 31 March 2023

21. Cash and cash equivalents

	2023 £m	2022 £m
Cash and cash equivalents in the Group balance sheet	**120.4**	174.5
Bank and overdrafts	**(9.3)**	(17.0)
Cash and cash equivalents in the Group cash flow statement	**111.1**	157.5

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 £6.1m (FY22: £15.6m) 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

	2023 £m	2022 £m
Trade payables and accruals	**130.5**	172.6
Contingent consideration	**7.8**	11.0
Deferred consideration	**3.6**	5.9
Obligations under put options	**22.6**	4.7
Deferred income	**48.3**	66.6
Refund liabilities	**8.8**	26.5
Taxes and social security, excluding current tax	**15.7**	14.1
Amounts related to policyholders to be remitted to underwriters	**29.3**	83.7
Other payables	**46.7**	62.3
	313.3	447.4

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. Put options classified as current are exercisable by the holder from July 2023.

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.

Notes to the financial statements

Year ended 31 March 2023

23. Trade and other payables – non-current

	2023 £m	2022 £m
Contingent consideration	**6.1**	14.5
Deferred consideration	**0.7**	6.4
Obligations under put options	**3.6**	14.3
Other non-current payables	**1.5**	1.6
	11.9	36.8

Deferred and contingent consideration relate to future amounts payable, or potentially payable, on business combinations and asset purchases.

Obligations under put options in FY23 relate to the obligation to acquire the remaining 25% non-controlling interest of EnergyGo, following HomeServe Energy SAS's initial 75% acquisition. See note 16 for further details. Obligations under put options in FY22 relate to the obligation to acquire the remaining 10.5% non-controlling interest in eLocal Holdings LLC.

24. Provisions

Movements in provisions during the years ended 31 March 2023 and 31 March 2022 are disclosed below:

	2023 £m	2022 £m
At 1 April	**5.2**	6.0
Created	**7.8**	1.5
Acquired on business acquisitions	**0.6**	0.2
Utilised	**(4.4)**	(2.1)
Released	**(2.2)**	(0.4)
Release on business disposal	**(1.1)**	–
Foreign exchange	**0.2**	–
At 31 March	**6.1**	5.2

Provisions include amounts related to obligations to restore leased properties to agreed conditions at the end of the lease, legal and restructuring provisions, de-fleet costs on leased vehicles and other items. 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.

Notes to the financial statements

Year ended 31 March 2023

25. Borrowings

Bank and other loans

	2023 £m	2022 £m
Sterling denominated	**11.4**	86.9
Euro denominated	**2.3**	11.2
US dollar denominated	**–**	2.8
Due within one year	**13.7**	100.9
Sterling denominated	**3.2**	225.6
Euro denominated	**190.5**	94.5
US dollar denominated	**–**	344.8
Due more than one year	**193.7**	664.9
Total bank and other loans	**207.4**	765.8

Bank and other loans due within one year include US Private Placements, bank and other facilities due within one year of £4.4m (FY22: £78.5m), overdrafts in relation to our cash pooling arrangements of £9.3m (FY22: £17.0m) and interest due on borrowings of £nil (FY22: £5.4m).

The Euro denominated borrowings are used to provide debt funding to the 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 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:

	2023			2022		
	£ %	**€ %**	**$ %**	£ %	€ %	$ %
Fixed	**3.1**	**–**	**4.2**	3.1	–	4.0
Floating	**3.6**	**3.0**	**5.3**	2.1	1.6	1.6

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.

The principal features of the Group's outstanding borrowings and available facilities at 31 March 2023 are as follows:

- On 12 January the Group borrowed a total of £885.3m from Hestia Bidco Limited, the Group's immediate parent company consisting of the following denominations £344m GBP, £425m USD and £215m EUR. The loan is due for full repayment by 30 June 2024 with interest charged at floating rates with a margin of 2% above the relevant reference rate. The margin increases by 0.25% on 26 April 2023 and every 3 months thereafter until the termination of the loan. There are no financial covenants associated with the borrowings. The Group has €212m/£186m of the balance outstanding at 31 March 2023.

In addition the Group is party to £5.5m (FY22: £8.3m) in financing arrangements for asset purchases. The weighted average interest rate was 2.2% (FY22: 2.2%).

Notes to the financial statements

Year ended 31 March 2023

25. Borrowings (continued)
Bank and other loans (continued)

On 17 January 2023, following the acquisition of the Group by Brookfield, all existing borrowings and facilities detailed below were repaid.

- The Group had a £400m revolving credit facility with seven banks. This facility was taken out on 1 August 2017 and had 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' and 'interest cover greater than 4.0 times EBITDA'. Interest was charged at floating rates at margins of between 1.15% and 1.55% 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 of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

- The Group had 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 were the same as the £400m revolving credit facility. Interest was charged at a floating margin of 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 of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

- The Group had 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 were the same as the £400m revolving credit facility. Interest was charged at a floating margin of 1.55% 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 of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

- The Group had £480m of US Private Placements consisting of: a combined £245m USD and GBP denominated notes taken out on 21 August 2020 at a weighted average interest of 3.41%, a combined £175m 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%. These notes varied in maturity from 7, 10 and 12 years from date of issue and the financial covenants were the same as the £400m revolving credit facility.

In addition to the above, the following events associated with the Group's borrowings and available facilities occurred prior to the acquisition:

- The Group repaid £50m of US Private Placements taken out on 7 October 2015 with a fixed interest rate of 3.44% with a 7 year maturity from date of issue. The financial covenants were the same as the £400m revolving credit facility.

- The Group renewed a £25m short-term loan in FY22 through to July 2022. This was repaid in FY23. The financial covenants associated with the facility were the same as the £400m revolving credit facility. Interest was charged at floating rates at margins of 1.10% above the relevant reference rate.

- The Group had a $5m facility in the USA, of which $4.1m/£3.2m was drawn at 31 March 2022. The weighted average interest rate was 1.5%. Following the disposal of North America (see note 11), the facility is no longer held by the Group.

The Group has complied with all covenant requirements in the current and prior year. Information about liquidity risk is presented in note 27.

Notes to the financial statements

Year ended 31 March 2023

25. Borrowings (continued)

Reconciliation of movements in liabilities arising from financing

	Lease liabilities £m	Bank and other loans £m	**Total £m**
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)**
Cost 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 1 April 2022	51.5	765.8	**817.3**
Proceeds from new loans and borrowings	–	885.3	**885.3**
Proceeds from additional borrowings on existing facilities	–	236.0	**236.0**
Repayment of borrowings	–	(1,015.3)	**(1,015.3)**
Repayment of overdrafts	–	(7.7)	**(7.7)**
Repayment of lease principal	(17.8)	–	**(17.8)**
Interest paid	(1.5)	(34.7)	**(36.2)**
Cost associated with new bank and other loans raised	–	(0.1)	**(0.1)**
Total changes from cash flows	**(19.3)**	**63.5**	**44.2**
Non-cash movements			
Foreign exchange	2.0	31.8	**33.8**
Interest expense	1.5	32.0	**33.5**
Additions	21.4	–	**21.4**
Disposals	(3.5)	(230.6)	**(234.1)**
Business acquisition	5.6	6.6	**12.2**
Business disposals	(21.7)	(461.7)	**(483.4)**
Total changes from non-cash movements	**5.3**	**(621.9)**	**(616.6)**
At 31 March 2023	**37.5**	**207.4**	**244.9**
Analysed as:			
Non-current	27.2	193.7	**220.9**
Current	10.3	13.7	**24.0**
At 31 March 2023	**37.5**	**207.4**	**244.9**
Non-current	36.3	664.9	701.2
Current	15.2	100.9	116.1
At 31 March 2022	51.5	765.8	817.3

The reconciliation of movements in liabilities arising from financing includes both the continuing and discontinued business. Comparatives in this table have not been restated.

A maturity analysis of the contractual undiscounted cash flows associated with lease liabilities and bank and other loans is provided in note 27.

Notes to the financial statements

Year ended 31 March 2023

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 2021	55.3	22.6	0.3	**78.2**
Additions	3.4	8.3	–	**11.7**
Business acquisitions	3.2	0.4	–	**3.6**
Disposals	(1.5)	(2.7)	–	**(4.2)**
Exchange movements	0.9	0.3	–	**1.2**
At 1 April 2022	61.3	28.9	0.3	**90.5**
Additions	10.7	11.1	0.1	**21.9**
Business acquisitions	5.2	0.3	0.1	**5.6**
Disposals	(2.5)	(2.2)	–	**(4.7)**
Business disposals	(28.2)	(14.1)	(0.1)	**(42.4)**
Exchange movements	2.7	0.7	–	**3.4**
Balance at 31 March 2023	**49.2**	**24.7**	**0.4**	**74.3**
Accumulated depreciation				
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 1 April 2022	26.4	15.6	0.2	**42.2**
Charge for the year	11.2	6.7	0.1	**18.0**
Disposals	(1.9)	(1.8)	–	**(3.7)**
Business disposals	(15.4)	(6.6)	–	**(22.0)**
Impairment	2.3	–	–	**2.3**
Exchange movements	1.2	0.5	–	**1.7**
Balance at 31 March 2023	**23.8**	**14.4**	**0.3**	**38.5**
Carrying amount				
At 31 March 2023	**25.4**	**10.3**	**0.1**	**35.8**
At 31 March 2022	34.9	13.3	0.1	48.3

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 2023 was £19.3m (FY22: £15.9m), representing £17.8m (FY22: £14.7m) of principal repayments and £1.5m (£0.9m relate to continued operations) (FY22: £1.2m, £0.7m related to continued operations) of interest charges on outstanding lease liabilities (see note 25).

Notes to the financial statements

Year ended 31 March 2023

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:

	2023 **£m**	2022 £m
Level 1		
Assets classified as fair value through other comprehensive income		
Other investments (note 17)	**1.0**	1.4
Level 2		
Assets classified as fair value though other comprehensive income		
Other investments (note 17)	**15.9**	12.9
Level 3		
Assets classified as fair value though profit and loss		
Other financial assets	**–**	0.9
Contingent consideration at fair value through profit and loss		
Current liabilities	**7.8**	11.0
Non-current liabilities	**6.1**	14.5

The Group uses the following methods to estimate fair value of its financial instruments:

Financial instruments	**Level**	**Valuation method**
Other investments	1	Quoted bid price in an active market
Other investments	2	Discounted cash flows at current market rates
Other financial assets	3	Black Scholes model and discounted cash flows at current market rates
Contingent consideration	3	Discounted cash flows at current market rates

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Year ended 31 March 2023

27. Financial instruments (continued)
Financial instruments subsequently measured at fair value (continued)

The table below presents a reconciliation of recurring Level 3 fair value measurements:

	2023		Restated 2022	
	Other financial assets £m	**Contingent consideration £m**	Other financial assets £m	Contingent consideration £m
At 1 April	0.9	25.5	1.2	29.8
Additions (note 16)	–	10.4	–	11.0
Payments	–	(9.2)	–	(14.6)
Unwinding of discount rate through the income statement	–	0.6	–	0.6
Other movements	–	–	–	0.2
Expiry of option	(1.0)	–	–	–
Fair value re-measurements	–	(7.4)	(0.3)	(2.5)
Derecognised on business disposals	–	(7.6)	–	–
Foreign exchange	0.1	1.6	–	1.0
At 31 March	**–**	**13.9**	0.9	25.5

If discount rates on contingent consideration were higher/lower than the Group's historical experience by 10%, the change in carrying amount would be negligible. The undiscounted range of outcomes associated with the contingent consideration payments has a floor of £0.9m (FY22: £0.8m). 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. The option expired in February 2023 with a charge of £1.0m recognised. The option was fair valued using a Black-Scholes option pricing model.

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 2023 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.

Other financial assets – held at amortised cost
Ondo InsurTech Plc ("Ondo") loan notes
HomeServe Assistance Limited ('HAL'), a Group company, holds loan notes in Ondo as part of the total consideration received following disposal in FY22. They represent an originated credit impaired financial asset under IFRS 9 and have been measured at amortised cost less any provision for impairment using the effective interest method. The carrying value at 31 March 2023 was £nil (FY22: £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.

Notes to the financial statements

Year ended 31 March 2023

27. Financial instruments (continued)
Capital risk management (continued)

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

	2023 £m	2022 £m
Attributable to equity holders of the parent	**3,098.3**	627.6
Cash and cash equivalents	**120.4**	174.5
Bank and other loans	**207.4**	765.8

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).

	2023	2022
Increase in cost of borrowing	**100bps**	100bps
Reduction in profit before tax (£m)	**2.1**	1.8

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.

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Year ended 31 March 2023

27. Financial instruments (continued)
Liquidity risk (continued)

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.

2023	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**
Less than 12 months	14.7	130.5	100.5	11.4	11.3	23.0	**291.4**
Between 1 and 2 years	192.7	–	–	5.6	9.8	–	**208.1**
Between 2 and 5 years	4.1	–	0.1	1.5	15.5	6.7	**27.9**
After 5 years	0.5	–	1.4	–	5.5	–	**7.4**
Total	**212.0**	**130.5**	**102.0**	**18.5**	**42.1**	**29.7**	**534.8**

2022	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
Less than 12 months	117.9	172.6	186.7	18.0	15.7	4.8	515.7
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

The revolving credit facility in FY22 was drawn down and associated interest settled on a monthly basis. The principal was included in the above maturity profile table when the facility was due to expire. The revolving credit facility was repaid during FY23.

28. Share capital

	2023	2022
Issued and fully paid 338,434,441 ordinary shares of 2 9/13p each (FY22: 336,471,082)	**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 2022 to 31 March 2023 the Company issued 1,963,359 shares with a nominal value of 2 9/13p creating share capital and share premium with a combined value of £15.6m.

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.

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 (FY22: 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.

Notes to the financial statements

Year ended 31 March 2023

29. Reserves (continued)

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 share reserve £m	Total other reserves £m
At 1 April 2021 and 1 April 2022	1.2	81.0	(3.0)	79.2
Exercised during the year	–	–	3.0	3.0
At 31 March 2023	**1.2**	**81.0**	**–**	**82.2**

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 249,975 shares were transferred to individuals to satisfy awards (FY22: nil). No shares were repurchased in the current or prior year.

Retained earnings – Capital contribution

On 20 January 2023, HomeServe Limited executed a promissory note in favour of its parent company Hestia Bidco Limited for the amount of £885.3m. The promissory note was executed to enable HomeServe Limited to settle third party debts. On 14 February 2023, Hestia Bidco Limited agreed to a partial waiver of the promissory note for the amount of £344.0m. The £344.0m waiver from Hestia Bidco Limited absolutely, irrevocably and unconditionally waived, cancelled and extinguished HomeServe Limited in full from the £344.0m obligation.

30. Non-controlling interests

eLocal – 10.5% non-controlling interest

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 Holdings Corp. The transaction increased HomeServe USA Holdings 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 after July 2023.

Notes to the financial statements
Year ended 31 March 2023

30. Non-controlling interests (continued)

The ownership of eLocal was transferred to Step 11 Co Inc, a Group company in the year (see note 11).

Energy Go – 25% non-controlling interest
On 28 October 2022, HomeServe Energies Services SAS, a Group company, acquired 75% of the issued share capital and obtained control of EnergyGo SAS and its subsidiaries (see note 16). EnergyGo operates within the HVAC business line of the Group. The proportion of ownership interests held by the non-controlling interest is 25% and the instrument is exercisable from 2027.

Summarised financial information in respect of the Group's non-controlling interests is set out below. In FY23, this relates to the 10.5% (FY22: 10.5%) non-controlling interest in eLocal USA Holdings LLC and 25% (FY22: nil) non controlling interest in EnergyGo. The summarised financial information below represents amounts before intra-group eliminations.

	2023 **£m**	2022 £m
Current assets	**22.8**	18.9
Non-current assets	**53.8**	44.7
Current liabilities	**(9.8)**	(9.8)
Non-current liabilities	**(3.6)**	(3.9)
Equity attributable to owners at the Company	**63.2**	49.9
Non-controlling interest	**9.5**	5.2

31. Notes to the cash flow statement

	2023 **£m**	2022 £m
Operating profit	**121.6**	202.6
Adjustments for:		
Depreciation of property, plant and equipment	**10.7**	10.3
Depreciation of right-of-use assets	**18.0**	15.1
Amortisation of acquisition intangible assets	**48.4**	44.9
Amortisation of other intangible assets	**45.6**	38.2
Amortisation of contract costs	**2.9**	5.6
Share-based payments	**1.2**	5.2
Share of equity accounted investee results	**2.4**	3.4
Fair value movements on options and contingent consideration	**(7.0)**	(3.7)
Costs of put options on non-controlling interests accrued over time	**2.4**	2.7
Gain on disposal of associate	**–**	(0.8)
Gain on disposal of business	**–**	(4.3)
Gain on disposal of property, plant and equipment, intangible assets and contract costs	**(5.4)**	(6.0)
Exceptional share-based payments	**10.1**	–
Other non-cash movements	**–**	0.5
Operating cash flows before movements in working capital	**250.9**	313.7
Increase in inventories	**(8.5)**	(4.9)
Increase in receivables	**(25.9)**	(26.1)
Increase/(decrease) in payables and provisions	**13.3**	(10.2)
Net movement in working capital	**(21.1)**	(41.2)
Cash generated by operations	**229.8**	272.5
Income taxes paid	**(39.5)**	(40.6)
Interest paid (inclusive of payments on lease liabilities and non-bank interest)	**(36.2)**	(24.3)
Net cash inflow from operating activities	**154.1**	207.6

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Year ended 31 March 2023

32. Share-based payments

During the year ended 31 March 2023, the Group had three (FY22: three) share-based payment schemes, which are described below. Following the acquisition of the Group by Brookfield Corporation, all share schemes were closed.

i) Long-Term Incentive Plan ('LTIP')

The LTIP provided for the grant of performance, matching and restricted awards. The vesting period was normally three years. Restricted awards were 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 was 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 was subject to a Cumulative Profits Measure performance condition and the remaining 50% was subject to comparative Total Shareholder Return performance. For Executives who participated in the matching element of the LTIP, from July 2020, 100% of each performance award was subject to an Earnings Per Share performance condition and each matching award was subject to Total Shareholder Return performance.

ii) Special Value Creation Plan ('SVCP')

This Plan provided for the grant of performance awards with performance conditions related to particular business units. The performance conditions included metrics such as EBIT, EBITDA, EBITA or household and customer targets. The vesting periods ranged from three and five years from the date of grant.

iii) One Plan

One Plan was a share incentive scheme which was available to all employees. Since February 2021, for every partnership share purchased, participants received (or had 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 were held in trust for a period of up to three years.

2023 **Number**	LTIP	SVCP	One Plan
Outstanding at 1 April 2022	3,201,619	2,868,767	210,864
Granted	–	–	101,035
Lapsed	(937,243)	(1,956,134)	–
Forfeited	(102,672)	(391,644)	(19,807)
Exercised	(2,161,704)	(520,989)	(292,092)
Outstanding at 31 March 2023	–	–	–
Exercisable at 31 March 2023	–	–	–
Exercise price of options outstanding at 31 March 2023	£0.00	£0.00	£0.00
Weighted average remaining contractual life	–	–	–
Weighted average fair value of options granted	–	–	£11.36

Notes to the financial statements

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32. Share-based payments (continued)

2022 Number	LTIP	SVCP	One Plan
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

The weighted average share price at the date of exercise for share options exercised during the year was £11.97 (FY22: £9.87).

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 FY23 the Group recognised an IFRS 2 charge of £18.4m (including acceleration charges treated as exceptional) of which £4.2m relates to discontinued operations (FY22: £5.2m, £2.1m related to discontinued operations) related to equity-settled share-based payment transactions.

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 £9.0m (FY22: £8.1m) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes. At 31 March 2023, contributions of £0.7m (FY22: £0.9m) due in respect of the current reporting period had not been paid over to the schemes.

Notes to the financial statements

Year ended 31 March 2023

33. Retirement benefit schemes (continued)

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 15 years (FY22: 17 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	
	2023	2022
Key assumptions used:		
Discount rate at 31 March	**4.7%**	2.8%
Consumer price inflation	**3.1%**	3.5%
Retail price inflation	**3.6%**	3.9%
Expected rate of salary increases	**3.1%**	3.5%
Future pension increases	**3.1%**	3.5%
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**	27.2yrs

With effect from 31 March 2023 the Trustees of the Scheme, invested in an insurance policy (buy-in annuity policy) which is intended to largely match the Section's liabilities. The impact of the transaction in FY23 was a loss of £3.4m recognised outside of the income statement due to the difference between the premium paid and the value of the liabilities under IAS 19.

Prior to the buy-in policy, the majority of the assets were held within instruments with quoted market prices in an active market and the present value of the obligations were linked to yields on AA-rated corporate bonds.

The scheme exposes the Group to actuarial risks including interest rate risk, longevity 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 2023, all other things being equal:

	£m
Price inflation -1%	(3.1)
Price inflation +1%	3.8
Discount rate -1%	4.1
Discount rate +1%	(3.3)
Life expectancy -1 year	(0.7)
Life expectancy +1 year	0.7

Management believes that the above sensitivities represent a reasonable approximation of possible changes to key assumptions impacting the defined benefit obligation.

Notes to the financial statements
Year ended 31 March 2023

33. Retirement benefit schemes (continued)

Defined benefit schemes (continued)

Water Companies Pension Scheme (WCPS) (continued)

Amounts recognised in the income statement in respect of the WCPS defined benefit scheme are as follows:

	2023 **£m**	2022 £m
Current service cost and section expenses	**–**	0.2
Interest income	**(0.4)**	(0.3)
	(0.4)	(0.1)

The actual return on scheme assets was a loss of £18.0m (FY22: gain of £2.5m). 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:

	2023 **£m**	2022 £m
Present value of defined benefit obligations	**(25.2)**	(34.8)
Fair value of scheme assets	**32.1**	49.1
Surplus in scheme recognised in the balance sheet in non-current assets	**6.9**	14.3

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:

	2023 **£m**	2022 £m
At 1 April	**34.8**	35.7
Employer's part of the current service cost	**0.1**	0.1
Interest cost	**1.0**	0.7
Actuarial (gains)/losses due to:		
Changes in financial assumptions	**(11.2)**	(2.1)
Changes in demographic assumptions	**(0.1)**	(0.1)
Experience adjustments on benefit obligations	**2.0**	1.1
Benefits paid	**(1.4)**	(0.6)
At 31 March	**25.2**	34.8

Movements in the present value of WCPS scheme assets were as follows:

	2023 **£m**	2022 £m
At 1 April	**49.1**	44.0
Interest on Section assets	**1.4**	1.0
Section expenses	**(0.1)**	(0.1)
Actual return less interest on Section assets	**(18.0)**	2.5
Contribution from the employer	**1.1**	2.3
Benefits paid	**(1.4)**	(0.6)
At 31 March	**32.1**	49.1

The amount recognised outside the income statement in the statement of comprehensive income for FY23 is a loss of £8.7m (FY22: gain of £3.6m). The cumulative amount recognised outside the income statement at 31 March 2023 is a loss of £13.5m (FY22: loss of £4.8m).

Notes to the financial statements

Year ended 31 March 2023

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:

	2023	2022
	£m	£m
Buy-in policy	**24.9**	–
Liquidity funds	**6.8**	0.7
Amounts due from insurers	**0.4**	–
Cash	–	0.3
Equity instruments	–	19.7
Diversified growth funds	–	5.0
Liability driven investment funds	–	15.2
Buy and maintain credit funds	–	8.2
	32.1	49.1

The Trustees purchased an insurance policy which covers the vast majority of the Section's obligations. The value of the insurance policy has been set equal to the value of the obligations that it covers.

The estimated amounts of contributions expected to be paid to the scheme during the forthcoming financial year is £25,000 (FY23: actual £1.0m) 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	
	2023	2022
Key assumptions used:		
Discount rate at 31 March	**3.8%**	1.6%
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 2022**	INSEE 2021
Legal retirement age	**60 - 67yrs**	60 – 67yrs

Notes to the financial statements
Year ended 31 March 2023

33. Retirement benefit schemes (continued)
Defined benefit schemes (continued)
Indemnité de Fin de Carrière (IFC) (continued)

The following table illustrates the sensitivity of IFC obligations to reasonably possible changes in discount rates at 31 March 2023, all other things being equal:

	£m
Discount rate -0.5%	–
Discount rate +0.5%	–

Amounts recognised in the income statement, within operating costs, in respect of the IFC schemes were a credit of £0.1m, (FY22: £0.3m credit), principally related to current service costs.

Movements in the present value of IFC defined benefit obligations were as follows:

	2023 **£m**	2022 £m
At 1 April	**0.8**	1.2
Employer's part of the current service cost	**(0.1)**	(0.3)
Business acquisitions	**0.2**	–
Actuarial gains due to changes in financial assumptions	**(0.2)**	(0.1)
At 31 March	**0.7**	0.8

The amount recognised outside the income statement in the statement of comprehensive income for FY23 is a gain of £0.2m (FY22: gain of £0.1m). The cumulative amount recognised outside the income statement at 31 March 2023 is a gain of £0.1m (FY23: £nil).

The estimated amounts of contributions expected to be paid to the scheme during the forthcoming financial year is £nil (FY23 actual: £nil).

34. Related party transactions
The Group is headed by HomeServe Limited, a company incorporated in England and Wales. Related party transactions of the Company are disclosed in note 47 to the Company's separate financial statements, alongside a list of its interests in subsidiaries, joint venture interests and associates. These interests, which operate and are incorporated internationally, are held directly and indirectly by HomeServe Limited.

Transactions between all other Group entities and their related parties that do not eliminate on consolidation are disclosed in this note.

	2023 **£m**	2022 £m
Borrowings due from investee (see note 17)	**8.9**	1.3
Interest charges to investee	**0.4**	–

Transactions and balances principally relate to funding and associated interest.

During the year HomeServe Membership Limited provided services to the HomeServe Foundation charity of £0.2m (FY22: £nil).

HomeServe Membership Limited had amounts receivable of £1.0m (FY22: £nil) at the year end due from HomeServe USA Corp (a company outside of the Group since its disposal (see note 11) but remaining under the common control of Brookfield Corporation).

Notes to the financial statements

Year ended 31 March 2023

35. Post balance sheet events

On 19 October 2023, HomeServe Iberia S.L.U, a Group company, completed the acquisition of 100% of the share capital and obtained control of Activa Soluciones Energeticas 2020 S.L and Rime Energia S.L (hereafter "Activa"), a business dedicated to the installation and maintenance services of renewable and energy efficient solutions, for cash consideration of €7m and contingent consideration of up to €12m payable over the next three years. In a market with growing environmental awareness and a focus on moving towards sustainable energy sources, Activa is a major step forward in HomeServe's strategy to expand its Spanish business into renewable and energy efficient solutions.

Due to the recent nature of this acquisition, it is not possible at the point of authorisation of these condensed consolidated financial statements to include a preliminary assessment of the fair value of the assets and liabilities acquired. Full preliminary IFRS 3 disclosures will be provided in the 9 month period to 31 December 2023 Annual Report.

Company balance sheet

Year ended 31 March 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Other intangible assets	38	**3.6**	4.1
Right of use assets	44	**1.8**	1.1
Property, plant and equipment	39	**0.3**	0.4
Investment in subsidiaries	40	**954.6**	954.9
Retirement benefit assets	33	**6.9**	14.3
		967.2	974.8
Current assets			
Loans receivable	41	**2,232.1**	–
Trade and other receivables	41	**204.2**	217.6
Current tax assets		**8.1**	0.3
Cash and cash equivalents		**23.8**	32.5
		2,468.2	250.4
Total assets		**3,435.4**	1,225.2
Current liabilities			
Trade and other payables	42	**(16.5)**	(13.4)
Bank and other loans	43	**(3.7)**	(82.5)
Lease liabilities	44	**(0.4)**	(0.5)
		(20.6)	(96.4)
Net current assets		**2,447.6**	154.0
Non-current liabilities			
Bank and other loans	43	**(189.6)**	(663.2)
Lease liabilities	44	**(1.4)**	(0.6)
Deferred tax liabilities	45	**(1.6)**	(2.7)
		(192.6)	(666.5)
Total liabilities		**(213.2)**	(762.9)
Net assets		**3,222.2**	462.3
Equity			
Share capital	28	**9.1**	9.1
Share premium account	29	**214.9**	199.3
Share incentive reserve	46	**–**	18.4
Merger reserve	29	**81.0**	81.0
Capital redemption reserve	29	**1.2**	1.2
Retained earnings		**2,916.0**	153.3
Total equity		**3,222.2**	462.3

As provided by s408 of the Companies Act 2006, the Company has not presented its own income statement. The Company's loss for the year was £105.5m (FY22 profit: £105.8m).

The financial statements of HomeServe Limited were approved by the Board of Directors and authorised for issue on 14 November 2023. They were signed on its behalf by:

Taylor Hall

Taylor Hall
Chief Financial Officer
14 November 2023
Registered in England No. 2648297

Company statement of changes in equity

Year ended 31 March 2023

	Share capital £m	Share premium account £m	Share incentive reserve £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings £m	**Total equity £m**
Balance at 1 April 2022	9.1	199.3	18.4	81.0	1.2	153.3	**462.3**
Loss for the year	–	–	–	–	–	(105.5)	**(105.5)**
Other comprehensive income for the year							
- Actuarial loss on defined benefit pension scheme	–	–	–	–	–	(8.7)	**(8.7)**
- Deferred tax credit relating to actuarial re-measurements	–	–	–	–	–	2.1	**2.1**
- Unrealised gain on disposal of intellectual property	–	–	–	–	–	8.9	**8.9**
- Tax on gain on disposal of intellectual property	–	–	–	–	–	(1.6)	**(1.6)**
- Dividends in specie received	–	–	–	–	–	2,511.8	**2,511.8**
Total comprehensive income	–	–	–	–	–	2,407.0	**2,407.0**
Issue of share capital	–	15.6	–	–	–	–	**15.6**
Share-based payments	–	–	18.6	–	–	–	**18.6**
Share options exercised	–	–	(23.8)	–	–	1.1	**(22.7)**
Tax on exercised share options	–	–	–	–	–	0.6	**0.6**
Deferred tax on share options (note 45)	–	–	–	–	–	(0.2)	**(0.2)**
Capital contribution (note 29)	–	–	–	–	–	344.0	**344.0**
Issue of Trust shares (note 29)	–	–	–	–	–	(3.0)	**(3.0)**
Transfer of share incentive reserve	–	–	(13.2)	–	–	13.2	-
Balance at 31 March 2023	**9.1**	**214.9**	**–**	**81.0**	**1.2**	**2,916.0**	**3,222.2**

Year ended 31 March 2022

	Share capital £m	Share premium account £m	Share incentive reserve £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2021	9.1	196.4	16.5	81.0	1.2	133.9	438.1
Profit for the year	–	–	–	–	–	105.8	105.8
Other comprehensive income for the year:							
- Actuarial gain on defined benefit pension scheme	–	–	–	–	–	3.6	3.6
- Deferred tax charge relating to actuarial re-measurements	–	–	–	–	–	(0.9)	(0.9)
Total comprehensive income	–	–	–	–	–	108.5	108.5
Dividends paid (note 12)	–	–	–	–	–	(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 (note 45)	–	–	–	–	–	0.1	0.1
Balance at 31 March 2022	9.1	199.3	18.4	81.0	1.2	153.3	462.3

Notes to the company financial statements

Year ended 31 March 2023

Company only

The following notes 36 to 47 relate to the Company only position and performance for the year ended 31 March 2023.

36. Significant accounting policies

HomeServe Limited is a private company and registered in England and Wales.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The financial statements have been prepared using the historical cost convention and in accordance with applicable UK accounting standards and law. The Company has changed its accounting framework from International Financial Reporting Standards (IFRSs) to Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101). The financial statements are presented in Pounds Sterling.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- presentation of comparative information in respect of certain items;
- the requirements of IAS 24 related party disclosures in respect of transactions with wholly owned subsidiaries;
- disclosure of key management personnel compensation;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs

As the Group financial statements of HomeServe Limited include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of the following disclosures:

- IFRS 2: Share-based payments in respect of Group settled share-based payments;
- Certain disclosures required by IFRS 13: Fair value measurement and disclosures required by IFRS 7: Financial Instrument Disclosures;
- Certain disclosures required by IFRS 16: Leases provided that the disclosure of indebtedness is presented separately for leases liabilities and other liabilities.

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. In the prior year, included within amounts receivable from Group companies were amounts advanced to the HomeServe Limited Employee Benefit Trust for the purchase of shares. The shares held of nil (FY22: 249,975) were in trust to satisfy obligations under share options schemes and are recognised at cost £nil (FY22: £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

	2023 number	2022 number
UK (all administrative roles)	**83**	97

	2023 £m	2022 £m
Their aggregate remuneration comprised:		
Wages and salaries	**16.5**	13.5
Social security costs	**2.2**	1.6
Other pension costs (note 33)	**0.4**	0.5
Exceptional wages and salaries including social security costs	**8.7**	-
	27.8	15.6

Notes to the company financial statements

Year ended 31 March 2023

37. Other information (continued)

Audit fees

	2023 £000	2022 £000
Fees payable to the Company's auditor for the audit of the Company's financial statements	**481**	312
Total audit fees	**481**	312

38. Other intangible assets

	Trademarks & access rights £m	Software £m	**Total intangibles £m**
Cost			
At 1 April 2022	2.9	7.4	**10.3**
Additions	-	1.2	**1.2**
Disposals	(2.8)	(3.3)	**(6.1)**
At 31 March 2023	**0.1**	**5.3**	**5.4**
Accumulated amortisation			
At 1 April 2022	2.2	4.0	**6.2**
Charge for the year	0.1	0.7	**0.8**
Disposals	(2.2)	(3.0)	**(5.2)**
At 31 March 2023	**0.1**	**1.7**	**1.8**
Carrying amount			
At 31 March 2023	**-**	**3.6**	**3.6**

39. Property, plant and equipment

	Leasehold Improvement	Computer equipment £m	Motor vehicles £m	**Total tangibles £m**
Cost				
At 1 April 2022	0.6	0.3	0.1	**1.0**
Additions	-	0.1	-	**0.1**
At 31 March 2023	**0.6**	**0.4**	**0.1**	**1.1**
Accumulated depreciation				
At 1 April 2022	0.4	0.2	–	**0.6**
Charge for the year	-	0.1	0.1	**0.2**
At 31 March 2023	**0.4**	**0.3**	**0.1**	**0.8**
Carrying amount				
At 31 March 2023	**0.2**	**0.1**	**–**	**0.3**

Notes to the company financial statements

Year ended 31 March 2023

40. Investment in subsidiaries

Details of the Company's subsidiaries at 31 March 2023, including the name, address, country of incorporation and proportion of ownership interest is given in note 47.

	£m
Cost and net book value	
At 1 April 2021	954.6
Additions	0.3
At 1 April 2022	954.9
Disposals	(0.3)
At 31 March 2023	**954.6**

The disposal during the year of £0.3m relates to the reversal of the prior year contribution to the French business in relation to the HomeServe Limited LTIP scheme.

41. Loans receivable and trade and other receivables

	2023	2022
	£m	£m
Amounts receivable from Parent Companies (note 47)	**2,232.1**	-

The amounts receivable from Parent Companies of £2,232.1m (FY22: £nil) represents loans due from Parent companies. In determining the recoverability of the loans, 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.

	2023	2022
	£m	£m
Amounts receivable from Group companies	**200.4**	213.7
Other receivables	**2.2**	1.5
Prepayments and accrued income	**1.6**	2.4
	204.2	217.6

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.

	2023	**2022**
	£m	**£m**
Current	**200.4**	213.7
At 31 March	**200.4**	213.7

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.

Notes to the company financial statements

Year ended 31 March 2023

42. Trade and other payables

	2023 £m	2022 £m
Amounts payable to Group companies	**0.7**	0.1
Other trade payables and accruals	**13.9**	12.1
Taxes and social security, excluding corporation tax	**1.9**	1.2
	16.5	13.4

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

43. Bank and other loans

	2023 £m	2022 £m
Bank and other loans	**3.7**	82.5
Due within one year	**3.7**	82.5
Bank and other loans	**189.6**	663.2
Due after one year	**189.6**	663.2
Total bank and other loans	**193.3**	745.7

Bank and other loans due within one year of £3.7m (FY22: £82.5m) includes bank facilities and Private Placements due within one year of £nil (FY22: £75m), bank overdrafts of £1.4 (FY22: £nil), accrued interest of £nil (FY22: £5.2m) and other loans of £2.3m (FY22: £2.3m). The principal features of these loans are set out in note 25.

In the current year bank and other loans due after more than one year comprise of drawn loans from a Parent Company. The principal features of the loan and weighted average of interest rates paid are set out in note 25.

In the prior year, bank and other loans due after more than one year comprised 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.

44. Leasing

Right-of-use assets

	Properties £m	Motor vehicles £m	**Total £m**
Cost			
At 1 April 2021	1.6	0.3	**1.9**
Additions	–	0.3	**0.3**
At 1 April 2022	1.6	0.6	**2.2**
Additions	1.6	0.1	**1.7**
Disposals	(1.6)	(0.1)	**(1.7)**
At 31 March 2023	**1.6**	**0.6**	**2.2**
Accumulated depreciation			
At 1 April 2021	0.6	–	**0.6**
Charge for the year	0.3	0.2	**0.5**
At 1 April 2022	0.9	0.2	**1.1**
Charge for the year	0.3	0.1	**0.4**
Disposals	(1.1)	–	**(1.1)**
At 31 March 2023	**0.1**	**0.3**	**0.4**
Carrying amount			
At 31 March 2023	**1.5**	**0.3**	**1.8**

Notes to the company financial statements
Year ended 31 March 2023

44. Leasing (continued)

Lease liabilities
At the balance sheet date, the maturity analysis of lease liabilities for the Company is set out below:

	2023 **£m**	2022 £m
Amounts payable under lease liabilities		
Within one year	**0.4**	0.5
Between one and 5 years	**1.7**	0.7
More than 5 years	**–**	–
	2.1	1.2
Less future finance charges	**(0.3)**	(0.1)
Total lease liabilities	**1.8**	1.1
Due within one year	**0.4**	0.5
Due after one year	**1.4**	0.6

The total cash outflow for leases for the year ended 31 March 2023 was £0.5m (FY22: £0.5m) representing £0.4m (FY22: £0.5m) of principal repayments and £0.1m of interest (FY22: £nil). Non-cash movements on leases include additions of £1.7m (FY22: £0.2m), disposals of £0.6m (FY22: £nil) and interest expense of £0.1m (FY22: £0.1m).

45. 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 difference £m	**Total** **£m**
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**
Credit to comprehensive income	(0.9)	–	–	**(0.9)**
At 1 April 2022	(3.5)	0.7	0.1	**(2.7)**
Charge to income	(0.3)	(0.5)	–	**(0.8)**
Charge to equity	–	(0.2)	–	**(0.2)**
Credit to comprehensive income	2.1	–	–	**2.1**
At 31 March 2023	**(1.7)**	**–**	**0.1**	**(1.6)**

46. Share incentive reserve

	£m
At 1 April 2021	16.5
Share-based payment charges in the year	4.8
Share options exercised in the year	(2.9)
At 1 April 2022	18.4
Share-based payment charges in the year	18.6
Share options exercised in the year	(23.8)
Transfer to retained earnings	(13.2)
At 31 March 2023	**–**

Notes to the company financial statements

Year ended 31 March 2023

47. Related party transactions

The Company has taken advantage of the exemption under FRS101 regarding the requirements under IAS 24 in respect of disclosing remuneration of key management personnel and intra-group transactions.

Transactions between the Company and its other related parties are disclosed below.

During the year the Company purchased services amounting to £0.7m (FY22: £0.1m) 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 services also include sponsorship of a training provider initiative. The provision of such services were made at arm's length prices.

The specific companies that were subject to the transactions were Trade-Up Industry Initiative (FY23: £0.5m, FY22: £nil) Harpin Limited (FY23: £0.1m, FY22: £0.1m) and Centreline AV Limited (FY23: £0.1m, FY22: £33,000). Amounts outstanding to all these companies on 31 March 2023 amounted to £0.1m (FY22: £nil). No guarantees have been given or received.

The Company provided services of £0.2m (FY22: £0.2m) to joint ventures during the year. The Company purchased services of £nil (FY22: £nil) from joint ventures during the year. There are no amounts outstanding in either year with associates and £nil outstanding (FY22: £nil) with joint ventures.

The Company provided services of £0.4m (FY22: £nil) to HomeServe USA Corp (a company under common control) and purchased services of £0.1m (FY22: £nil) during the year. There are amounts receivable of £0.8m (FY22: £nil) and amounts payable of £0.1m (FY22: £nil) at the year end.

The Company made a donation to the HomeServe Foundation charity of £0.1m (FY22 £nil).

The Company has incurred the following loans receivable with parent companies:

	Hestia Bidco Limited £m	**Hestia UK Holdco II Limited £m**
Amounts lent	25.0	-
Interest received	(0.1)	-
Amounts assigned through Group re-organisation	109.8	2,122.4
Interest income	0.5	6.3
Foreign exchange movements	(1.6)	(30.2)
At 31 March 2023	**133.6**	**2,098.5**

The Company has incurred the following borrowings with parent companies:

	Hestia Bidco Limited £m
Amounts borrowed	(885.3)
Amounts repaid	2.4
Interest paid	6.7
Amounts assigned through Group re-organisation	349.5
Capital contribution, waiver of amounts borrowed	344.0
Interest expense	(7.4)
Foreign exchange movements	3.7
At 31 March 2023	**(186.4)**

Notes to the company financial statements
Year ended 31 March 2023

47. Related party transactions (continued)

Interests held in related companies

All interests in the companies listed below are owned by HomeServe Limited 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 Limited:				
HomeServe Enterprises Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
Indirectly held entities of HomeServe Limited				
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 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
HomeServe Beteiligungs GmbH	Trading	Germany	100	Klingholzstraße 7, 65189 Wiesbaden
HomeServe Deutschland Verwaltungs GmbH	Trading	Germany	100	Hamburger Allee 14, 60486 Frankfurt
HomeServe Deutschland Holding GmbH & Co. KG	Trading	Germany	100	Klingholzstraße 7, 65189 Wiesbaden
HomeServe Handwerksdienstleistung Deutschland GmbH	Trading	Germany	100	Hamburger Allee 14, 60486 Frankfurt
HomeServe Assistance Deutschland GmbH	Trading	Germany	100	Klingholzstraße 7, 65189 Wiesbaden
HomeServe Deutschland S&S Verwaltungs GmbH	Trading	Germany	100	Hamburger Allee 14, 60486 Frankfurt
VBF Holdings Limited (No. 12123573) (4)	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
HomeServe North America UK Limited (No. 13965259) (4)	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Home Experts UK Limited (No. 13966389) (4)	Trading	England	100	Cable Drive, Walsall, WS2 7BN
UK & Ireland				
HomeServe Membership Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Servowarm Limited (No. 560810) (1)	Dormant	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) (1)	Dormant	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	Trading	England	100	3 Boundary Court Warke Flatt, Willow Business Park,Castle Donnington, DE74 2UD
Ansa UK Limited (No. 03545210) (4)(5)	Trading	England	100	3 Boundary Court Warke Flatt, Willow Business Park,Castle Donnington, DE74 2UD
Property Assure Limited (No. 03361391) (1)	Dormant	England	100	3 Boundary Court Warke Flatt, Willow Business Park,Castle Donnington, DE74 2UD
Simplifi Technologies Limited (No. 05643680) (1)	Dormant	England	100	3 Boundary Court Warke Flatt, Willow Business Park,Castle Donnington, DE74 2UD
Construction & Engineering Testing Group Limited (No. 02323390) (1)	Dormant	England	100	3 Boundary Court Warke Flatt, Willow Business Park,Castle Donnington, DE74 2UD

Notes to the company financial statements

Year ended 31 March 2023

47. 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
Shermin Finance Limited (No. 01276121)[4]	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Finance Limited	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
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, EC3V 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	Anchor House, The Shipyard, Bath Road, Lymington, England, SO41 3YL
APG Domestic Services Limited (No. 04277772) [4]	Trading	England	100	Unit 1, Jbf Units Dewhurst Row, Bamber Bridge, Preston, England, PR5 6SW
John Wilkinson Heating Services Limited (No. 07645851)[4]	Trading	England	100	Cable Drive, Walsall, WS2 7BN
Hereford Heating Limited (No. 05986904) [4][5]	Trading	England	100	The Watershed, Wye Street, Hereford, HR2 7RB
Logic Plumbing Heating and Electrical (Maintenance) Limited (No. 11056959) [4][5]	Trading	England	100	Unit 6, Cross Croft Industrial Estate, Appleby-In-Westmoreland, CA16 6HX
Koziwarm Plumbing & Heating Limited (No. 10452559) [4][5]	Trading	England	100	Unit 5e, Morses Lane, Brightlingsea, Essex, CO7 0SF
H2 Property Services (London) Limited (No. 05138884) [4][5]	Trading	England	100	Unit 4 Court Farm, Old Kingston Road, Worcester Park, Surrey, KT4 7QH
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
ElectroGaz 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
SBF Energies 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
V.B. Gaz SAS	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
Mure Energies 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
Roussin Energies SAS	Trading	France	100	34, allée des Balmes, 38600 Fontaine
JCM Confort SAS	Trading	France	100	2 Rue Joseph Fourier 49070 Beaucouze
JC Technique SARL	Trading	France	100	2 Rue Joseph Fourier 49070 Beaucouze

Notes to the company financial statements

Year ended 31 March 2023

47. 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
Concept Habitat Normandie SAS (CHN) [(5)]	Trading	France	100	46 cours Carnot, 76500 Elbeuf
Société de Maintenance et d'exploitation Climatique SAS [(5)]	Trading	France	100	16 Avenue François Adam 94100 Saint-Maur-des-Fossés
CFP SAS [(5)]	Trading	France	100	42 avenue Henri Delecroix 59510 Hem
Géo-dis SAS [(5)]	Trading	France	100	Espace d'Activités de l'Etoile Rue Orion 72650 Trangé
EnergyGo SAS [(5)]	Trading	France	75	5/7 avenue de Poumeyrol, 69300 Caluire et Cuire
EnergyPose SAS [(5)]	Trading	France	75	5/7 avenue de Poumeyrol, 69300 Caluire et Cuire
EnergyStart SAS [(5)]	Trading	France	75	5/7 avenue de Poumeyrol, 69300 Caluire et Cuire
Efficiencies SAS [(5)]	Trading	France	45	43 Quai Saint Vincent, 69001 Lyon
HomeServe Belgium SRL	Trading	Belgium	100	Manhattan Center, Avenue du Boulevard 21 / Bte 5 1210 Bruxelles
Hainaut Chauffage C.S.T.E. SA	Trading	Belgium	100	sis 25, Rue de la Terre A Briques, 7522 Tournai
Van Der Vurst BV [(5)]	Trading	Belgium	100	Gentsesteenweg 274 A 9420 Erpe-Mere
HomeServe Assistencia Spain S.A.U. [(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. [(2)]	Trading	Spain	100	Camino del Cerro de los Gamos 1, Parque empresarial – Edificios 5 y 6, 28224 Pozuelo de Alarcon
Seguragua S.A.U. [(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 S.L.U. [(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
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
Técnica del frío Landaluce S.L.U. [(2)]	Trading	Spain	100	Calle Quinta (La) Num 29-A 39750 Colindres, Cantabria
Mesos Gestión y Servicios S.L. [(2)]	Trading	Spain	100	Avda Industria18 28820 Coslada, Madrid
Sanimamp 2005 S.L.U. [(2)]	Trading	Spain	100	Calle Camp, 81, Cerdanyola del Valles, 08290, Barcelona
Atecal 2001 S.L.U. [(2)]	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)]	Trading	Spain	100	C/ Lluis Sagnier, 16 -18 Bajo 08302 Barcelona
Aracor 2000 S.L. [(2)] [(5)]	Trading	Spain	100	C/ Hermanos Gambra, 14, Local, 50017, Zaragoza
Instalaciones y Montajes Baladon S.L. [(2)] [(5)]	Trading	Spain	100	Paseo Ferrocarrils Catalans, 97 - 111 2 Of 19 117, 08940, Cornella de Llobregat, Barcelona
Fulldirect BCN S.L. [(2)] [(5)]	Trading	Spain	100	Carretera prat, 50 - 54. LOCAL 3, Cornella de Llobregat, 08940, Barcelona
SAT Lluis S.L. [(2)] [(5)]	Trading	Spain	100	Calle de Gratallops (Pol Agro Reus) 13, 43206, Reus, Provincia de Tarragona
Alme Calefacción S.L. [(2)] [(5)]	Trading	Spain	100	Plaza Untzaga, 11 - BJ, 20600, Eibar, Guipúzcoa

Notes to the company financial statements

Year ended 31 March 2023

47. 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
Servihogar Gestión 24horas S.L. (2) (3) (5)	Trading	Spain	30	Avenida Vents, 9 - 13 B, 08917, Badalona, Barcelona
HomeServe Solar S.L.U. (2)	Trading	Spain	100	Camino del Cerro de los Gamos 1, Parque
Mantenimientos Integrales Servicor S.L. (2) (5)	Trading	Spain	100	empresarial – Edificios 5 y 6, 28224
Sorensol Acciones Energeticas S.L.U. (2) (5)	Trading	Spain	100	Calle Cenicientos, 6. 28925, Alcoron, Madrid
Altor Becla S.L. (2) (5)	Trading	Spain	100	Carrer Irlanda, 20, 43120 Poligono Industrial de Constantí, Tarragona
Clarens Belos S.L. (2) (5)	Trading	Spain	100	Avenida la Salle, 1 - 3 B, 43205, Tarragona
We Repair Assistência Técnica, LDA (2) (5)	Trading	Portugal	100	R. Luís de Camões nº3 loja, 2610-104 Amadora
Mesos Portugal, Unipessoal LDA (2)	Trading	Portugal	100	Praça Duque De Saldanha 1, EDIF. Atrium, 4º H-O.1069-244, Lisbon
Servitis LDA (2)	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	Trading	Germany	100	Mehlbachstrift 4, 21339 Lüneburg
Sturm Sanitär-und Heizungstechnik GmbH (5)	Trading	Germany	100	Neckarwiesen 5, 72172 Sulz am Neckar
Sturm Neue Energie GmbH (5)	Trading	Germany	100	Neckarwiesen 5, 72172 Sulz am Neckar
Schulz GmbH (5)	Trading	Germany	100	Neckarwiesen 5, 72172 Sulz am Neckar
Egly Kälte- und Klimatechnik GmbH (5)	Trading	Germany	100	Spelzengasse 26, 65474 Bischofsheim
Barella Gebäude-Energietechnik GmbH (5)	Trading	Germany	99	Soester Strasse 1, 59505 Bad Sassendorf
Asia				
HomeServe Japan Corporation (3)	Trading	Japan	50	Level 8, The Nihonbashi Daiei Building 1-2-6 Nihonbashi-Muromachi, Chuo-Ku Tokyo, 103-0022
North America				
Step 11 Co Inc.	Trading	USA	100	1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801
eLocal Holdings LLC	Trading	USA	89.5	1010 Spring Mill Ave, Suite 200, Conshohocken, PA 19428
eLocal USA LLC	Trading	USA	89.5	1010 Spring Mill Ave, Suite 200, Conshohocken, PA 19428

[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 FY23. Please refer to notes 16 and 18 for full details.