

# Annual Report & Accounts 2021

Making home repairs and improvements easy



Easy for homeowners




Easy for trades







Our purpose is to make home repairs and improvements easy. Easy for homeowners and easy for trades.



 Membership customers buy a policy to cover them for home repairs, principally plumbing, heating and electrics.

 In HVAC (Heating, Ventilation and Air Conditioning), we do installations and replacements as well as repairs.

 In Home Experts, our online platforms match consumers with local trades (tradespeople) for all home repairs and improvements.

Checkatrade habitissimo  eLocal.com

Our vision is to be the world's largest, most trusted provider of home repairs and improvements.



READ ONLINE  
To view this report online, go to [homeserveplc.com](https://homeserveplc.com)

We employ over 7,400 people worldwide, to serve our customers in the US, Canada, UK, France, Belgium, Spain, Portugal and Japan. The HomeServe Way is to operate with courage, persistence and integrity in the service of our customers.



## GROUP PERFORMANCE HIGHLIGHTS

## Revenue

**£1,304.7m**

↑15% from £1,132.3m

## Basic earnings per share

**9.3p\***

↓71% from 31.7p

## Statutory operating profit

**£71.8m\***

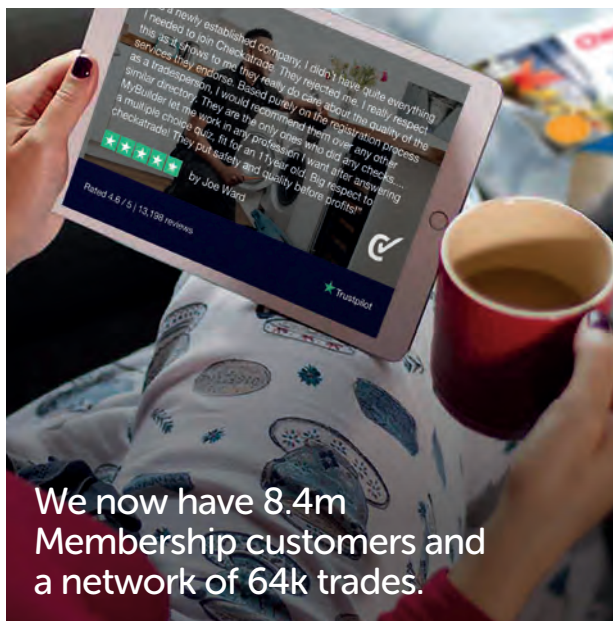
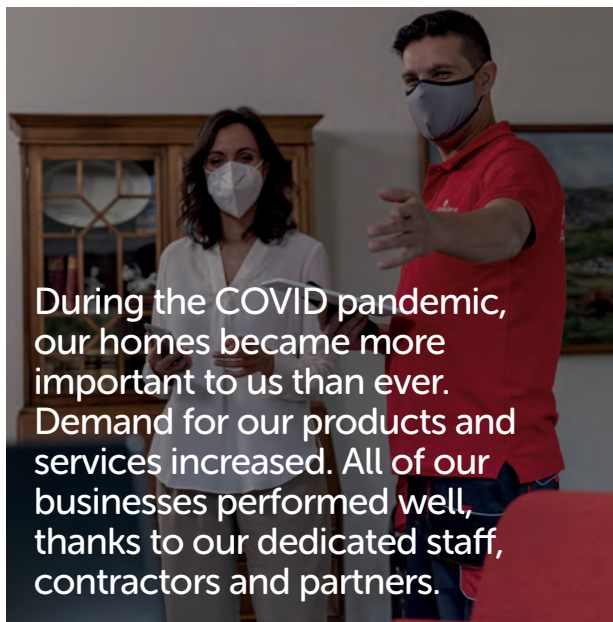
↓55% from £158.6m

## Ordinary dividend per share

**26.0p**

↑10% from 23.6p

\* Exceptional charge of £92.4m, mainly reflecting decision to fully impair UK eServe system investment.



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# At a glance

Our purpose is to make home repairs and improvements easy, and our vision is to be the world's largest, most trusted provider of home repairs and improvements.

Although our operations are highly federated to respond to the needs of the geographies they serve, we share innovation and best practice across the Group. Membership and HVAC are managed closely together because of the many links between them. By offering Membership, HVAC and Home Experts, we can work towards our ambition of doing every job, in every home. We are creating a large network of skilled trades, and are committed to helping our trades make a good living, whether they are self-employed or part of our workforce. We make home repairs and improvements easy, for homeowners and trades.

## Membership

 See page 12

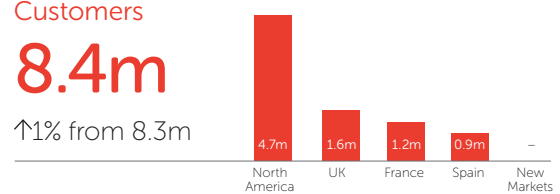
For homeowners, the peace of mind of a policy, of knowing they have one number to call if they need assistance with plumbing, heating, electrics, locks, glazing, pest control and technology.

Our Membership business proved resilient during lockdown, and customer service levels remained high. We continued to grow our global customer base, particularly in North America.

### Customers

8.4m

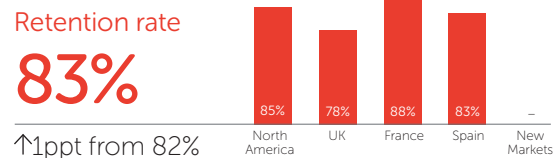
↑1% from 8.3m



### Retention rate

83%

↑1ppt from 82%



## HVAC (Heating, Ventilation and Air Conditioning)

 See page 12

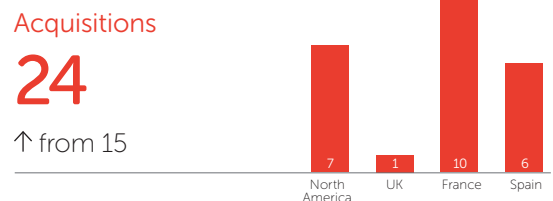
The capability to install and replace units, as well as service and repair them, so that we can provide a complete service to homeowners.

Every home has some form of heating and/or an air conditioning unit. We are creating an HVAC installations capability in all of our established Membership markets through our buy-and-build strategy, which will enable us to sell more policies and operate more efficiently.

### Acquisitions

24

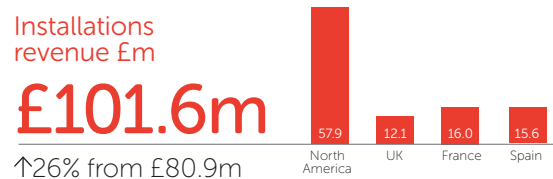
↑ from 15



### Installations revenue £m

£101.6m

↑26% from £80.9m



## Home Experts

 See page 12

An online marketplace to help homeowners find local trades (tradespeople) on demand, to help with a broad range of home repairs and improvements, from landscape gardening to carpet cleaning.

The pandemic accelerated the consumer demand to find trades online. This benefited our Home Experts businesses, which saw record levels of consumer engagement.

### Web visits

118.0m

↑6% from 110.9m




### Revenue £m

£139.8m

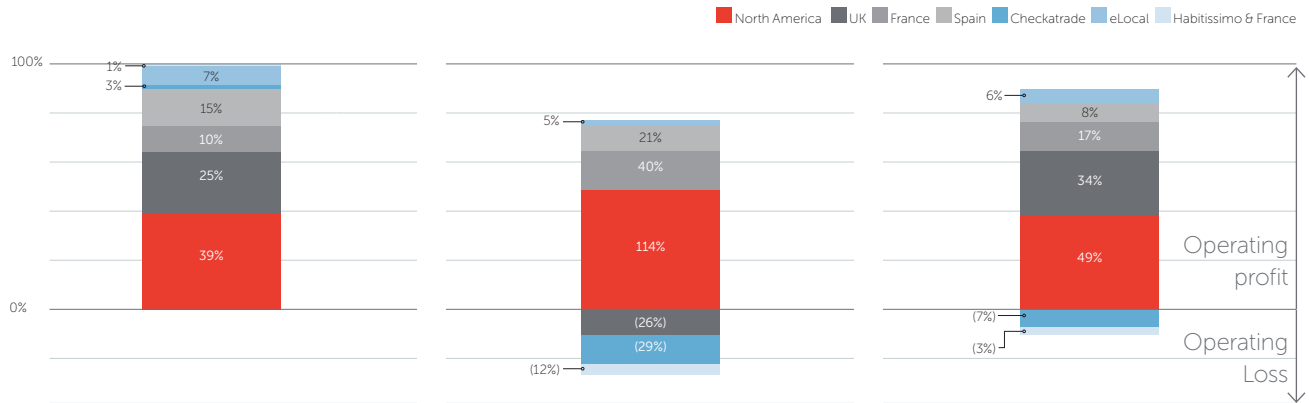
↑95% from £71.8m<sup>1</sup>



In FY21, we have made significant progress on doing business responsibly, setting new environmental targets and supporting our workforce and contractor networks in tough times during the pandemic.  See page 20.

<sup>1</sup> eLocal FY20 revenue (£22.1m) reflected only four months trading contribution to the Home Experts total.





Revenue

**£1,304.7m**

↑15% from £1,132.3m

Statutory operating profit/(loss)

**£71.8m**

↓55% from £158.6m

Adjusted operating profit

**£214.3m**

↑6% from £201.7m

We run our Membership & HVAC businesses by geography with established operations in North America, UK, France and Spain, an early stage joint venture in Japan and expansion underway into Belgium and Portugal. In March 2021, we arranged our businesses into three different divisions which are at different stages of development. Each division reports to one of our Executive Directors, to ensure that each gets the focus and attention it deserves. Tom Rusin runs Membership & HVAC – North America; Ross Clemmow is responsible for Membership & HVAC – EMEA; and Richard Harpin oversees Home Experts.

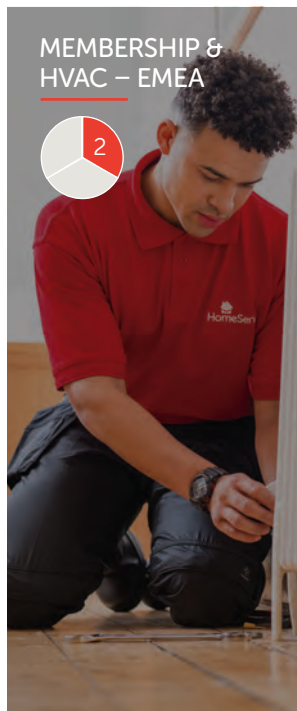
See page 71 for executive biographies.



MEMBERSHIP & HVAC – NORTH AMERICA

Proven track record in an under-penetrated market; strongest near-term growth potential

Our largest and fastest growing Membership business is driving the Group's near term growth and has potential to keep expanding. North America also has the Group's most established HVAC business and in FY21 acquired a further 7 businesses to support our buy-and-build strategy. See page 14



MEMBERSHIP & HVAC – EMEA

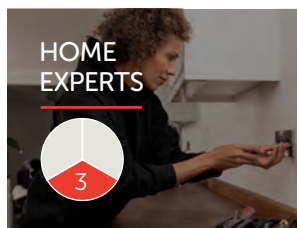
Established, cash-generative businesses in the UK, France and Spain with routes to future growth; new market in Japan

The UK is our most established Membership business. Although customer numbers are currently declining, we have opportunities to grow by opening up new channels such as energy partnerships and direct to consumer, and by harnessing technology like intelligent call routing to revolutionise customer service. See page 15.

France is a well-established Membership business with the highest customer retention rates and operating margins in the Group. FY21 saw the most new customers ever, thanks to strong partnerships with large water companies and new relationships with online aggregators. We will expand from France into Belgium in FY22, in partnership with Eneco Belgium. See page 15.

In Spain, since the end of our partnership with Endesa in 2018, our business has diversified successfully. We still service the Membership customers we recruited with Endesa, and also have growing HVAC and Claims businesses, the latter servicing a growing number of B2B bancassurance partners. We plan to expand from Spain into Portugal in FY22. See page 15.

In Japan, our joint venture with Mitsubishi Corporation is making good progress, with our first two utility partnerships and over 17,000 customers now in place. See page 15.



HOME EXPERTS

Our most exciting medium to long-term growth opportunity

We are investing to build an innovative business model, through Checkatrade in the UK, Habitissimo in Spain and eLocal in North America.

Our Home Experts businesses are expected to deliver their first combined profit in FY22. See page 16.

# Chairman's statement



JM BARRY GIBSON

This statement marks the end of my tenure as Chairman of HomeServe, so I want to start my review by paying tribute to the talented people I have had the privilege to work with during my 17 years on the Board. HomeServe is a company with big ambitions that attracts great people – not least because of the force of nature that is Richard Harpin, our exceptionally talented Founder and Chief Executive. I have thoroughly enjoyed working with Richard, the Board and everyone at HomeServe, and am reminded every day that our core values of courage, persistence and integrity really do permeate our business.

HomeServe has done the right thing by our people throughout this pandemic-dominated year, ensuring that our office-based staff were able to work from home comfortably and productively, that our engineers were safe and well-supported as they visited customers' houses, not furloughing anyone or making people redundant as a result of the pandemic. We used our in-house engineering capacity well in the UK while we were only allowed to do emergency jobs, and are very proud of the 3,000 free emergency jobs we did for key workers. Our care for our people paid dividends. As at March 2021, employee engagement exceeded pre-pandemic levels.

People strategy has been a key topic for the Board this year – making sure we have the right people in all of our key seats. It is a pleasure to welcome to the Board Ross Clemmow in the new role of CEO, EMEA, and also new Non-Executive Director Roisin Donnelly, who brings 30 years of marketing and advisory experience. We ended the year one appointment away from reaching the Hampton Alexander target of one third female Board representation, and will continue to work towards this target this year.

The Board agenda this year has been well balanced between overseeing the operational resilience of our business, and planning for the future. Our operating

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“Throughout my career, I have always stuck to the simple principle that if we look after our people, our people will look after our customers. Never has this been more important than during the COVID pandemic.”

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results speak for themselves, notwithstanding the impact on the statutory results (FY21 statutory PBT: £47.2m FY20: £137.9m) of exceptional charges. We were delighted to deliver a 6% uplift to £191.3m in adjusted profit before tax, the profit measure we use to manage the business. Strategically, the Board focused on four key topics. We remain wholeheartedly convinced by our growth prospects in North America and encouraged by the progress being made at Checkatrade to build a market-leading online platform to match consumers with trades. In the UK, we took the difficult decision to fully impair our investment in the eServe customer relationship management system, and in the coming years the Board will support the UK business as it embraces digitisation and automation and refreshes its customer base. The Board also spent considerable time on international business development. With the exception of our high potential joint venture with Mitsubishi Corporation in Japan, we decided to adopt a “near neighbour” strategy, to make the most of our existing infrastructure and minimise risk, and focus on adjacent territories such as Canada, Belgium and Portugal.

Given the resilience of our business in FY21 and strong prospects for future growth, the Board proposes a final dividend of 19.8p to take the total dividend for the year to 26.0p. This represents an increase of 10%, significantly ahead of FY21 growth in adjusted earnings per share.

To fulfil our purpose to make home repairs and improvements easy, our strategy, in a nutshell, is to match customers' needs with trades, to generate repeat and recurring income. In order to assure the long-term sustainability of our business, we must do this responsibly, not least because of the deep emotional attachment we all have to our homes.

The last topic I want to highlight is our progress this year on articulating our responsible business approach, which is based around four key pillars.



In the course of the year, we have done the right thing for our customers, our people and our communities, put more formal responsible business policies in place and for the first time, committed to a carbon reduction pathway of 1.5 degrees by 2030 in respect of our Scope 1 & 2 emissions, a 42% reduction on our 2020 baseline.

With operational resilience proven and future prospects strong, I am delighted to be handing over the Chairmanship of this great company to Tommy Breen. I do so in the certain knowledge that I am leaving HomeServe and all of its stakeholders in good hands. It remains for me to say a very sincere thank you to everyone who has supported me in my time with the company, and to wish you all the very best for the future.

**JM Barry Gibson**  
Chairman  
18 May 2021

## Our Chairman designate



I want to start by acknowledging the importance of the contribution Barry has made to HomeServe in his 17 years on the Board. HomeServe is built on strong foundations and has an exciting future ahead of it. Barry's influence and oversight have been significant in getting us to where we are today.

I am excited and honoured to be taking over as Chairman at a time of opportunity for significant development of the business in the coming years.

Since joining the Board in January, I have spent the time meeting (albeit virtually) many of the senior team and getting to understand the business. I am hugely impressed with the entrepreneurial culture, drive and ambition emanating from Richard and percolating throughout the Group.

I am looking forward to working with Richard and all of the Board on behalf of all of our stakeholders, to continue the great HomeServe growth story.

**Tommy Breen**  
Chairman designate



# Chief Executive's review



This has been an extraordinary year, with our entire financial year playing out under the shadow of the COVID pandemic. Throughout, we have remained focused on doing the right thing for our people and our customers, and this has paid dividends. It is great to report that we have grown our revenue by 15% and, notwithstanding the impact on the statutory result of exceptional charges (FY21 statutory PBT: £47.2m, FY20: £137.9m), adjusted PBT rose by 6%. This demonstrates the power of our business model and the dedication of our people: I am grateful to every single one of them. We have also made significant progress strategically this year, which sets us up well for continued strong growth.

One of the most difficult decisions we took this year was to halt the implementation of eServe, the UK CRM solution we procured in 2013. This drove an exceptional charge of £84.8m, which reduced statutory profit before tax to £47.2m (FY20: £137.9m). eServe was highly configured to our business and became costly and inflexible to implement, with further configuration issues emerging as implementation progressed. It will be replaced by a more flexible, cloud-based solution. Current planning suggests this will be a Salesforce solution, similar to those implemented successfully in France and planned for implementation in North America. As ever at HomeServe, we will look very carefully at what we can learn from this experience. We now have the opportunity to move forward and standardise on an industry leading solution.

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"In the last year, we have all been working, learning, exercising and socialising from home, and our homes have become more important to us than ever. HomeServe's purpose is to make home repairs and improvements easy, whether it be fixing wear and tear or helping us transform our homes and gardens. We have seen more demand than ever for our services."

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## The right people in the right roles

As of March 2021 we have been operating in three divisions, each with different financial profiles: Membership & HVAC (Heating, Ventilation and Air Conditioning) – North America; Membership & HVAC – EMEA; and Home Experts. To ensure that each gets the focus it deserves, they are each run by one of our Executive Directors, with our fourth Executive Director, CFO David Bower, focusing on Group-wide considerations. The key areas of focus for each division are as follows.

### Membership & HVAC – North America

Tom Rusin is focused on delivering our medium-term growth targets and developing our North American partnerships, product suite and service capability to keep growing beyond our \$230m adjusted operating profit milestone. Tom has global product line responsibility for Membership.

### Membership & HVAC – EMEA

Ross Clemmow joined us in March 2021, and brings online retail, digital and private equity transformation experience to our executive team. He is focused on adding value to our established businesses in France, Spain and the UK, and on developing new routes to growth, including through expansion into adjacent markets in Europe. He also has responsibility for our joint venture in Japan. Ross has global product responsibility for HVAC, where we now have a global portfolio of 46 businesses and installation revenue of £101.6m. There are significant opportunities to develop HVAC as a new channel for policy sales and realise efficiencies as we build a global HVAC infrastructure.

### Home Experts

I work directly with the leaders of our Home Experts businesses in the UK, North America and Spain to build a market-leading model to match consumers with trades online, and to share expertise across our businesses.



### Membership & HVAC – North America

Our North American business had a great year, despite much reduced marketing volumes in the first few months of the pandemic. We achieved 7% predominantly organic customer growth to 4.7m, 85% retention (an increase of two percentage points), 22% revenue growth of which 9 percentage points were organic, 27% growth in adjusted operating profit to \$137.9m and a percentage point improvement in margin to 21%. We were delighted to sign new partner agreements which cover 6m new households, a 59% increase on gross new household adds in FY20, despite the interruption in utility partner conversations early in the pandemic. We made good decisions to withdraw from relationships where marketing returns had started to decline, and instead to market direct. We ended the year with access to 66m households (a net 2m increase), with our pipeline of potential new partners at its strongest ever. Our HVAC business had an outstanding year, with installations revenue growth of 43% to \$76.0m. We are making excellent progress towards our previously announced \$230m operating profit target, and are starting to look beyond our medium-term targets to the long-term continued growth potential of our business in North America.

### Membership & HVAC – EMEA

All of our European businesses display attractive characteristics: loyal, recurring customers with high retention rates; strong and stable cash generation and several opportunities for growth through new partners, new channels and new markets.

The UK is HomeServe's most established market. The UK business continues to deliver attractive returns and provides a high quality service to a smaller number of loyal customers that value and use our products. Under the new leadership of John Kitzie, previously CEO of our North American business, we have developed plans to take the UK business forward and return it to a growth trajectory.

With this new transformation programme, we have started the process of reversing the long-term customer decline which drove a 10% fall in adjusted operating profit to £72.5m. John is one of our very best operational leaders, and brings with him significant experience of the operational processes and technology that have created a strong platform for growth in North America. John's initial focus will be to bring these operational best practices to the UK. As an example, we are making rapid progress in claims automation and in driving efficiency in our field-based service operations.

Alongside the implementation of operational best practices, our UK team is developing opportunities to return to top line growth through digitisation, improved marketing and new partnerships. We will also implement the successful HVAC buy-and-build strategy already in progress in North America, France and Spain.

In France, we added 0.2m gross new customers, our highest ever level and a 10% year-on-year increase, to end the year at 1.2m customers in total. Investment in growth opportunities including a renewed partnership with Veolia and accelerated customer acquisition via digital channels meant that adjusted operating profit grew relatively modestly, up 2% to €39.8m. Our French business is characterised by strong working relationships with long-term and newer affinity partners and excellent IT implementations, with our legacy customer management system now replaced with Salesforce. The HVAC buy-and-build strategy is performing well in France and marketing activity with Eneco Belgium will scale up as the COVID pandemic subsides. In its 20th anniversary year, it is great to see our French business continue to grow.

In Spain, performance improved in the second half in Claims, after Claims turnover suffered early in the pandemic just as we boosted our resources in anticipation of higher volumes. The first half effect of this investment drove a 14% fall in full year adjusted operating profit to €19.8m. Mesos is proving to be a successful acquisition in the Claims space and gives us service capability in Portugal. HVAC is performing well and in Membership, discussions are ongoing with a range of energy companies to develop new Membership propositions.

Our joint venture with Mitsubishi Corporation in Japan continues to progress well, with two partnerships giving us access to c.7m households and the partner pipeline strong. We have over 17,000 customers, are seeing good take-up on marketing campaigns and early indications suggest a very strong retention rate. It is still early days, but prospects for the Japanese market look good and we are happy to continue to invest at current levels to realise this potential.

### Home Experts

During the COVID pandemic, consumers spent more time and money than ever around their homes. British homeowners spent an average of £2,608 on home improvements in 2020, an increase of 15%, according to Checkatrade research. We continued to develop our Home Experts platforms at pace to match more homeowners with trades (tradespeople) online.

Checkatrade continued to strengthen its leadership position in the UK with the highly successful 'Julius Caesar' television advertising campaign. Consumer visits to the website grew a market-leading 23% to 29m and the number of contacts (telephone calls and quote requests) between consumers and trades grew strongly to 8.1m. On the supply side, the number of trades grew 11% to 44,000 paying trades. Our decision to support our trades with deep discounts in the first three months of the pandemic helped keep trades on the platform when they were not working or earning. A key area of focus at Checkatrade is to improve the distribution

# Chief Executive's review

## Continued

of contacts, so that as many trades as possible see value from their subscription. These systematic enhancements are expected to drive an acceleration in trades acquisition and retention in FY22, as Checkatrade's predominantly subscription-based model moves towards profitability in FY23 and substantial growth beyond.

eLocal had a very successful first full year as part of HomeServe, delivering a 32% increase in monetised calls on a like-for-like basis, to 3.6m, a first full year of revenue of \$119m and an adjusted operating profit contribution of c.\$18m. eLocal has a proven model and strong potential for growth in the under-penetrated US market.

At Habitissimo, the transition of the business model continues, with the launch of Directory Extra expected to stimulate more matches for Habitissimo's 89m website visits.

### Doing business responsibly

For most of us, our home is a refuge. Because we work in people's homes, doing business responsibly is crucial to our continued success. The resilience of our business model depends above all on the dedication of our people and the service they provide to our customers.

I have always been impressed by the courage, persistence and integrity our people show every day in the service of our customers, and this year we matched this everyday reality with increased prominence for responsible business initiatives on our Board agenda. We created a Corporate Responsibility Committee in January 2021 and agreed four key areas of focus:

- Delivering for our customers
- Building the workforce of the future, treating our people responsibly and embracing diversity
- Using our skills to support the communities we touch
- Participating in the transition to a lower carbon future.

We are now committed to a carbon reduction pathway of 1.5 degrees by 2030 in respect of our Scope 1 & 2 emissions, a 42% reduction from our 2020 baseline. Opportunities are emerging to help homeowners participate in the green revolution and support decarbonisation, for example through alternative heat sources and the installation of electric vehicle charging points. I was particularly pleased with the launch of the HomeServe Foundation in the UK this year, to champion the recruitment and training of more apprentices for our industry. We see doing business responsibly as a differentiator and an opportunity, and I am looking forward to seeing it continue to deliver benefits.

### A tribute to Barry Gibson, and welcome to Tommy Breen

Tommy Breen takes over as Chairman from Barry Gibson on 19 May 2021. Barry has been on the HomeServe Board since the demerger from South Staffs Water in 2004, and has chaired the Board with dedication and skill since 2010. He has always championed putting the customer at the heart of everything we do, and focuses above all else on people. Barry created the Board People Committee and championed talent recruitment and development, diversity and inclusion. I want to express my sincere thanks to Barry, who helped steer HomeServe from a market capitalisation of £300m to close to £4 billion. It was a fitting tribute to Barry's achievements that he was the 2021 FTSE All Share winner at this year's Non-Executive Director Awards.

In Tommy Breen, we have found a worthy successor to Barry. Tommy is an experienced non-executive director and until 2017 was Chief Executive of DCC plc, where he spent a highly successful 30 year career. A chartered accountant by training, Tommy brings to HomeServe an extensive track record of delivering sustainable growth in a diverse, international business, both organically and by acquisition. Tommy started adding value to our Board as soon as he joined in January 2021, and I am very much looking forward to working with him.

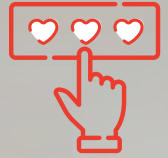
### Conclusion

HomeServe makes home repairs and improvements easy by matching customers' needs with trades (tradespeople), to generate repeat and recurring income. Our continued progress towards our ambition of doing every job, in every home takes me back to where I started this review – to our people. Our March 2021 employee survey shows engagement ahead of pre-pandemic levels, with each of our businesses currently certified as a Great Place to Work. The dedication shown by our people to our customers and our business during the pandemic has been extraordinary. I am very proud of what we have all achieved in the last year, and we are now well placed to achieve significant growth in the coming year and beyond.

In FY22, we expect to see strong growth in our North American Membership & HVAC business and continued progress in Home Experts, particularly at Checkatrade. Our European Membership & HVAC businesses remain resilient and cash generative, each with routes to future growth. We are confident in the Group's prospects and expect to return to a trajectory of strong earnings growth in FY22.

### Richard Harpin

Founder and Chief Executive  
18 May 2021



Delivering for  
our customers



Our customers are at  
the heart of our business.



# Market overview

FY21

As a result of the COVID pandemic, homeowners spent more time and money at home. Whether it be on DIY or tradespeople, spend on home repairs and improvements increased, both to combat wear and tear and to adapt our homes to home working. By way of illustration, consumer visits to the Checkatrade website increased 23% in the course of the financial year, to 29m.

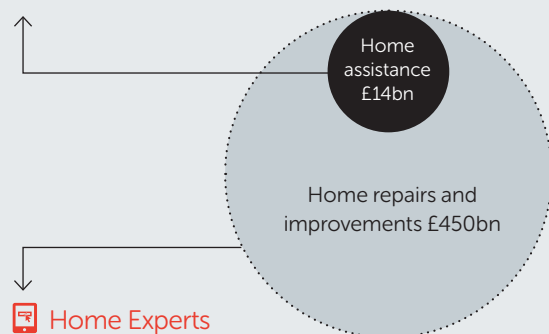
Looking forward, the HomeServe Foundation's UK Domestic Skills Index predicts a home improvements boom in the next decade, driven in part by the green revolution. This will be accompanied by a skills shortage if action is not taken to recruit younger workers into the construction industry, an issue championed by the HomeServe Foundation's drive to encourage the recruitment of apprentices. Demand for high quality trades is set to increase.

See page 28 for more on the HomeServe Foundation.

## MARKET SIZE <sup>1</sup>

Membership HVAC

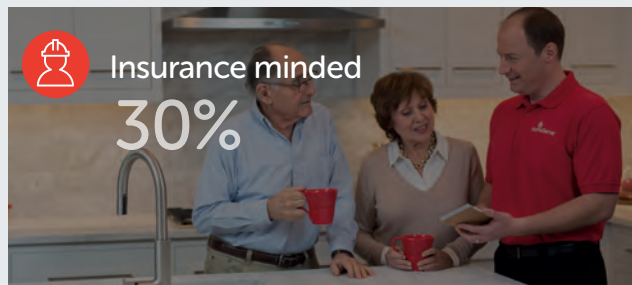
This is our traditional market in the geographies where we are currently established, and essentially covers specialist home emergency cover for plumbing, heating and electricals. Membership was HomeServe's first business, which we have been operating since 1993. We are now adding to our HVAC installation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



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

## Our target market: homeowners

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



- Want to avoid the disruption of dealing with a problem in their home
- Like to budget carefully and avoid unexpected repair bills
- Tend to be an older demographic; often on fixed incomes

HOMESERVE OFFER

Membership HVAC

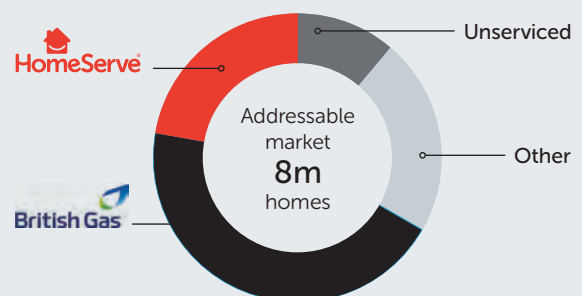
### What's changing?

This segment constantly renews as homeowners' circumstances change. Many buy a policy when they retire, and only give it up when they move into sheltered accommodation. There may be a demographic shift in this segment as younger homeowners accustomed to subscriptions in other areas of their lives – Spotify, Netflix – consider buying a policy, having been targeted through direct marketing and social media.

## HOME ASSISTANCE MARKET PENETRATION

There is a marked difference in penetration between our most mature market, the UK, and our highest growth market in North America.

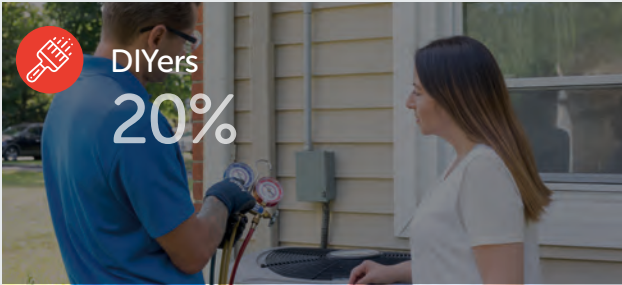
UK: 27m households



The UK market, where our traditional focus is on water, is nearing maturity. The UK is the only market where HomeServe has a bigger competitor, but the competitive dynamic is stable. There may be opportunities over time to buy small policy books or work with challenger energy companies as they disrupt the status quo.

See page 41.

<sup>1</sup> Market size estimates incorporate the UK, US, France and Spain and are based on national statistics where available, supplemented by HomeServe estimates.



**DIYers**  
**20%**

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

HOMESERVE OFFER

HVAC Home Experts

**What's changing?**

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



**Home Improvers**  
**50%**

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

HOMESERVE OFFER

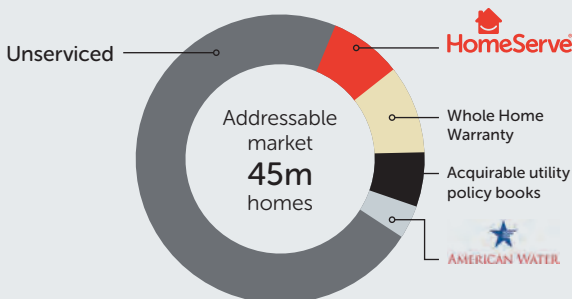
Home Experts

**What's changing?**

There is big growth potential when we look to where consumers in other industries spend their time and money today compared to what we see in home services. This segment is increasingly moving online, initially to "online word of mouth" like community Facebook groups, but eventually to platforms which match consumers and trades.

Our experience shows that with most affinity partners, maximum uptake amongst their customer base is around 30% worldwide. This defines our addressable market.

**North America: 151m households**



North America remains a significantly under-penetrated market. A key to growth is to sign more affinity partners to reach the over 50% of households who have yet to see a HomeServe offer from their utility. There are various whole home warranty providers including Frontdoor. HomeServe is building a total home warranty offer, differentiated by our strong customer service.

See page 39.

**Competitive positioning**

Competitive dynamics remain relatively stable. In Home Assistance, HomeServe remains the foremost company to partner with utility companies, which gives us a unique opportunity to grow market share. In HVAC, our buy-and-build strategy occasionally encounters competition from trade competitors and private equity, but acquisition pricing is largely stable. In Home Experts, we continue to develop our market-leading Directory Extra model, and are not aware of any traditional competitors changing their investment patterns. As at February 2021, Checktrade, was used by 16% of the UK consumers who had work done on their home in the preceding 12 months – the same share as the next three largest platforms combined - with Checktrade having grown its share by 4ppts. We continue to monitor activity from potential new competitors, including big tech companies.

HomeServe remains in a unique competitive position. We are best placed to serve all three homeowner segments, and there is significant potential to create synergies and economies of scale.

# Business model and strategy

## What we do

**HomeServe’s purpose is to make home repairs and improvements easy, and our vision is to be the world’s largest and most trusted provider of home repairs and improvements.**

We achieve this principally in three ways. To insurance-minded homeowners, we sell policies to cover a range of home emergencies via subscription-based Membership services. Our HVAC installation capabilities complete our service offering for homeowners who need replacement units. For people who prefer to deal with issues as they arise ('Home improvers'), or DIYers who need specialist help, we have online, on-demand Home Experts platforms that match homeowners with local trades.

INSURANCE MINDED

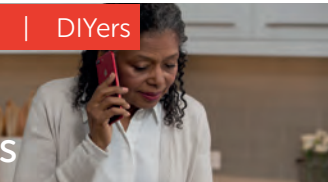





### Membership

In Membership, our established route to market is via partnerships with utility companies, for whom we are an important source of added value. Our data-rich marketing approach and careful product design help us to grow our customer base. Our customers stay with us because of the excellence of our customer service and the dedication of our people: we do business responsibly. Our local networks of employed and subcontracted trades ensure consistently high service standards whenever we visit a customer’s home.

HOME IMPROVERS | DIYers





### Home Experts

In Home Experts, trades (tradespeople) are our customers, and our job is to match them with consumers in their local area, who need their services. This provides our trades with an income stream and we also provide systems and processes to help them run their businesses more efficiently. We aim to support our trades at every stage of their career, from apprenticeships through building their career to maintaining their reputation.

ALL TYPES OF HOMEOWNER



### HVAC

(Heating, Ventilation and Air Conditioning)

The answers to three questions sum up our business model.

### 1. What are we deeply passionate about?

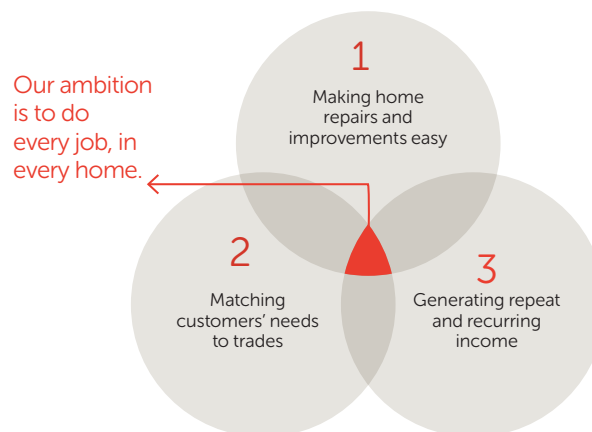
We are deeply passionate about making home repairs and improvements easy, for homeowners and trades (tradespeople). This passion comes alive through our customer-centric culture and our deep understanding of customer needs, which has been years in the making and keeps evolving.

### 2. What can we be best in the world at?

We have the potential to be best in the world at matching customer needs with trades, as we develop our product line; invest in partnerships, marketing, technology and innovation; and create the world’s largest trades network.

### 3. What drives our economic engine?

We understand the value of generating repeat and recurring income to create sustainable growth and resilience.



The strength of this business model **five key sources of value**, that are distinct to us.

1. **Partnerships:** we have strong affinity partners who provide us with our primary route to market.
2. **Marketing:** our marketing expertise enables us to reach our homeowners and trades with the right product at the right price.
3. **Customer service:** our culture puts the customer at the heart of everything we do.
4. **Local networks:** we work with trades (tradespeople) to deliver great service to homeowners.
5. **Financial resources and expertise:** we are disciplined in the way we deploy capital and have clear processes in place to decide where we will and will not invest.

Executing well relies on deep knowledge of customer service and the commitment and expertise of our people. Our responsible business approach focuses above all on these two stakeholder groups.

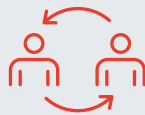
See page 20 for Responsible business.



## Our growth strategy



### The best products to match customer needs to trades



We design our products to match customer needs to trades. Our expertise is focused on adapting to the needs of individual markets to create products that customers value and use; responding efficiently to market or regulatory change; and creating, developing, testing, launching and assessing the performance of our products in a speedy, streamlined fashion. Recent innovations include in Membership, a new offer for the installation and maintenance of domestic electric vehicle charging points, being trialled in America, and in Home Experts, the development of Directory Extra model.

See page 32 PRINCIPAL RISKS: ① ⑤ ⑥ ⑦ ⑧ ⑨

### Attract and retain more customers, trades and partners



We reach our customers through data-rich marketing, optimised in Membership across a range of channels including direct mail, contact centres and online and in Home Experts direct and online, with sophisticated monitoring of campaign paybacks.

We retain our customers by putting them at the heart of everything we do. This shines through in the way our Membership contact centres operate to handle customer claims and enquiries, and also in the way our engineers behave in customers' homes. In Home Experts, we constantly adapt our model to help trades build their businesses and reputations. We engage the best people right across our business and provide them with the tools and technology they need to do a great job. We have internal measures for customer satisfaction in each of our businesses and we are proud of the external awards we win across the world.

We deploy our brands to best advantage. While the HomeServe brand is becoming increasingly well known, we also recognise the power of acquired brands such as Checktrade and Cropp Metcalfe in their home marketplaces.

See page 32 PRINCIPAL RISKS: ② ⑥ ⑦ ⑩

### Generate repeat and recurring revenues



Our business is predictable, sustainable and cash generative. Our revenue streams are largely subscription based and we invest in our people, our network, our brand, our partnerships and our technology systems and processes to generate growth. We have opportunities to grow organically and through acquisition in all of our markets and have a strong track record of successful acquisition and integration. We have stringent investment criteria which we apply to organic and acquisition opportunities.

See page 32 PRINCIPAL RISKS: ③ ⑬

### Invest in partnerships, marketing, technology and innovation



We have a strong track record of developing productive partnerships with firms whose skills and assets complement ours.

In Membership, our most established route to market is through long-term, exclusive partnerships with utilities, insurance companies and specialist service providers. We have a substantial network of over 1,000 utility partners, and considerable expertise in managing these partnerships for mutual benefit. Our utility partners earn commission on every policy we secure through them and benefit from our long-term approach to delivering value. HomeServe acts as an insurance intermediary, and does not take any material insurance risk. Our Membership products are underwritten by independent third party underwriters. We are investing in technology to automate and digitise our customer experience, and are working with our partners to build products for the green homes revolution.

In Home Experts, we work in partnership with trades – single traders, small and large firms – as well as specialists such as web developers.

See page 32 PRINCIPAL RISKS: ④ ⑤ ⑥ ⑨ ⑩

### Develop the world's largest trades network



We rely on our local networks to deliver consistently high service in our customers' homes and we have many years of experience and expertise in managing these networks. We devote considerable time to recruiting and maintaining our networks and providing the infrastructure and technology required for them to operate efficiently. In our Membership business we optimise our mix of directly employed engineers and sub-contractors and in our Home Experts business we are focused on delivering rapid growth in the number of trades we work with to deliver on-demand repairs and improvements

See page 32 PRINCIPAL RISKS: ① ⑥ ⑦ ⑩

Our principal risks, and in particular our Group Enterprise risks, each impact elements of our business model, and thereby our growth strategy and future profitability. The impact of some but not all risks could lead to upside potential as well as downside threat. For example, market disruption in the digital world may also accelerate customer take-up; or in respect of partnerships, we may conceivably sign more partners than we expect in North America.

See page 20 for Responsible business.

PRINCIPAL RISKS:

- ① Competition
- ② Information security and cyber resilience
- ③ M&A strategy
- ④ Underwriting capacity and concentration
- ⑤ Regulation
- ⑥ Digital transformation
- ⑦ Technology investment
- ⑧ HVAC integration
- ⑨ Partner loss
- ⑩ People
- ⑪ International
- ⑫ Failure to deliver strategic growth
- ⑬ Financial



## MEMBERSHIP & HVAC – NORTH AMERICA

Our Membership product line appeals to insurance-minded homeowners who are minded to buy policies to remove the hassle and cover the cost of household repairs.

We drive growth in our Membership businesses by:

- developing new partnerships to give us access to more homeowners
- marketing effectively to turn homeowners into customers
- adding value to our products to increase net income per customer, and
- providing excellent customer service to encourage our customers to stay with us.

We have significant opportunities to deploy new technology, systems and processes to provide state of the art customer service and increase the efficiency of our operations.

Developing the capability to install and replace heating, ventilation and air conditioning (HVAC) units completes the circle of service we provide for our Membership customers. It also gives us new opportunities to sell Membership policies and participate in the green revolution to promote new sources of domestic energy. Our strategy is to acquire and integrate high quality local businesses, work with their management teams and apply our marketing expertise to help them grow.

### Targets

North America Membership & HVAC represents our biggest short to medium term growth opportunity.

	FY21	Medium to long-term target
Customers	4.7m	6m - 7m
Income per customer	\$108	\$120 - \$125
Margin (policies)	25%	24% - 26%
HVAC profit	\$10m	\$30m - \$45m
Adjusted operating profit	\$138m	\$230m

### KEY PERFORMANCE INDICATORS:

Affinity partner households  
Customers  
Policies

Retention rate  
Income per customer

### PRINCIPAL RISKS:

- ① Competition ③ M&A strategy  
④ Underwriting capacity and concentration ⑤ Regulation  
⑥ Digital transformation ⑦ Technology investment  
⑧ HVAC integration ⑨ Partner loss ⑩ People ⑬ Financial



### FY21 UPDATE

North American Membership and HVAC had a great year, despite much reduced marketing volumes in the first few months of the pandemic. We achieved 7% predominantly organic customer growth to 4.7m, 85% retention (an increase of two percentage points), 22% revenue growth of which 9 percentage points were organic, 27% growth in adjusted operating profits to \$137.9m and a percentage point improvement in margin to 21%. We were delighted to sign new partner agreements which cover 6m new households, a 59% increase on gross new customer adds in FY20, despite the interruption in utility partner conversations early in the pandemic. We made a good decision to withdraw from relationships where marketing returns had peaked, and market direct instead. We ended the year with access to 66m households (a net 2m increase), with our pipeline of potential new partners is at its strongest ever. Our HVAC business had an outstanding year, with installations revenue growth of 43% to \$76.0m. We are making excellent progress towards our previously announced \$230m operating profit target, and are starting to look beyond our medium-term targets to the long-term continued growth potential of our business in North America.





## MEMBERSHIP & HVAC – EMEA

HomeServe's European Membership businesses are more established than our North American business.

All of our European businesses display the attractive characteristics of good visibility and strong cash generation, and have routes to future growth.

We entered the Japanese market in a joint venture with Mitsubishi Corporation in February 2019. Mitsubishi Corporation is very successfully facilitating introductions to Japanese utility companies.

### KEY PERFORMANCE INDICATORS:

Affinity partner households	Retention rate
Customers	Income per customer
Policies	

### PRINCIPAL RISKS:

- ① Competition    ③ M&A strategy
- ④ Underwriting capacity and concentration    ⑤ Regulation
- ⑥ Digital transformation    ⑦ Technology investment
- ⑧ HVAC integration    ⑨ Partner loss    ⑩ People
- ⑪ International    ⑬ Financial

#### FY21 UPDATE

For the UK, this has been a transition year in which we started the process of reversing the long-term customer decline which drove a 10% fall in operating profits to £72.5m. John Kitzie, previously CEO of our North American business, transferred to become CEO of HomeServe UK in September 2020. John is looking at opportunities to return our UK business to top line growth through digitisation, direct marketing and developing our partnerships, and he will implement the successful buy-and-build HVAC strategy we are following in North America, France and Spain. John is also making rapid progress on claims automation and driving efficiency in our service operations. He has taken the decision to revert the minority of customers on this platform back to the existing Ensura CRM system, which is the proven system of record in North America. Following a period of decommissioning, eServe will be replaced by a flexible, cloud-based solution. Current planning suggests this will be a Salesforce solution, similar to those implemented successfully in France and planned for North America.

In France, we added 200k gross new customers, our highest ever level and a 10% year-on-year increase, to end the year at 1.2m. Investment in growth opportunities including a renewed partnership with Veolia and accelerated customer acquisition via digital channels meant that operating profit grew relatively modestly, up 2% to €39.8m. Our French business is



characterised by strong working relationships with long-term and newer affinity partners and excellent IT implementations, with our legacy customer management system now replaced with Salesforce. The HVAC buy-and-build strategy is performing well in France and marketing activity with Eneco Belgium will scale up as the COVID pandemic subsides. In its 20th anniversary year, it is great to see our French business continue to grow.

In Spain, performance improved in the second half in Claims and HVAC, after Claims turnover suffered early in the pandemic just as we boosted our cost base in anticipation of higher volumes. This first half effect drove a 14% fall in full year operating profit to €19.8m. Looking forward, Mesos is proving to be a successful acquisition in the Claims space and gives us service capability in Portugal. HVAC is performing well and in Membership, discussions are ongoing with a range of energy companies to develop new Membership propositions.

Our joint venture with Mitsubishi Corporation in Japan continues to progress well, with two partnerships giving us access to 7m households and the partner pipeline strong. We have over 17,000 customers, are seeing good take-up on marketing campaigns and early indications suggest a very strong retention rate. It is still early days, but prospects for the Japanese market look good and we are happy to continue to invest at current levels to realise this potential.







## HOME EXPERTS

Home Experts enables HomeServe to serve the home improvers customer segment: homeowners who go online to find a local trade to help them with home repairs and improvements.

We have three online platforms:

**Checkatrade** the UK's leading online directory of checked and vetted trades

**habitissimo** the market leader in Spain

**eLocal.com** in the US, where we acquired a 79% stake in November 2019.



Each platform is currently pursuing its own growth path, and we are learning from each opportunity. Over time, we expect to move towards a single winning model – Directory Extra. Homeowners will be able to choose from a directory of checked and vetted trades for substantial home improvement projects such as fitting a new kitchen, or be automatically matched with a qualified trade, for example for smaller, time critical jobs such as mending a dishwasher.

We have a multi-year investment project under way to build out our network of trades and generate consumer demand through effective marketing, to help trades grow and manage their businesses.

The most advanced investment plan is at Checkatrade.

### Targets for Checkatrade

	FY21	Medium to long-term target
Trades	<b>44,000</b>	150,000 - 200,000
Average revenue per trade	<b>£939</b>	£1,200 - £1,300
Margin	—	25% - 35%
Adjusted operating profit	<b>(£16m)</b>	£45m - £90m

### KEY PERFORMANCE INDICATORS:

Trades  
Web visits

### PRINCIPAL RISKS:

- (2) Information security and cyber resilience
- (6) Digital transformation
- (7) Technology investment
- (10) People
- (13) Financial

### FY21 UPDATE

During the COVID pandemic, consumers spent more time and money than ever around their homes. We continued to develop our Home Experts platforms at pace to match more homeowners with trades (tradespeople) online.

Checkatrade continued to strengthen its leadership position in the UK with the highly successful "Julius Caesar" television advertising campaign.



Consumer visits to the website grew a market-leading 23% to 29m and the number of contacts (telephone calls and quote requests) between consumers and trades almost doubled to 8.1m. On the supply side, the number of trades grew 11% to 44,000 paying trades. A key area of focus at Checkatrade is to improve the distribution of contacts, so that as many trades as possible see value from their subscription. These systematic enhancements are expected to drive an acceleration in trades acquisition and retention in FY22, as Checkatrade's subscription-based model moves towards profitability in FY23 and substantial growth beyond.

eLocal had a very successful first full year as part of HomeServe, delivering a 32% increase in monetised calls, to 3.6m, a first full year of revenue of £91.3m (\$119.0m) and a profitable contribution of c.\$18m. eLocal has a proven model and strong potential for growth in the under-penetrated US market.

At Habitissimo, the transition of the business model continues, with the launch of Directory Extra expected to stimulate more matches amongst Habitissimo's 89m website visits.

The Home Experts division is expected to achieve profitability in FY22.



Building the workforce of the future and treating our people responsibly



If we take care of our people, our people will take care of our customers and our business.

# Key performance indicators

At HomeServe we measure progress against the key strategic initiatives of our global business lines by tracking eight Key performance indicators (KPI). Directors' remuneration is structured to support the Group's strategy and its financial and operational performance. As such, certain of the KPIs, of those listed below, form part of the performance measures to which Executive Directors' remuneration is linked. See page 97 'Directors' Remuneration Policy'. Definitions for each KPI are given below, See page 215 Glossary for more detail. In addition to the strategic initiative to which they correspond the KPI, and factors driving movements on the prior year, are discussed in more detail at the country level in the Operating review.

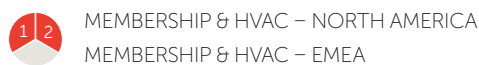
## Affinity partner households

m  
**118** ↑6%



Tracks the growth in Membership's addressable market, delivered through existing and new partnerships with utilities and municipals.

### Strategy



Good growth driven by signing over 2 new partners a week in North America.

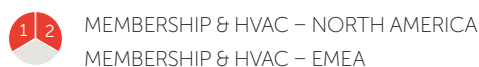
## Policies

m  
**16.1** ↑1%



Illustrates our ability to grow our product line through customer focus and innovation and to market those policies to customers.

### Strategy



Existing customers are continuing to choose more products and benefit from increased cover. 10% increase in North America, partially offset by Spain where the Endesa book is in run off and a reduction in the UK.

## Customers

m  
**8.4** ↑1%



Tracks our success in converting our addressable market into revenue-generating customers by delivering great products and services.

### Strategy



Continued strong growth in North America with customers up from 4.4m to 4.7m, giving further confidence in the medium to long-term target of 6-7m customers in this territory. Offset by Spain where the Endesa book is in run-off and a reduction in the UK.

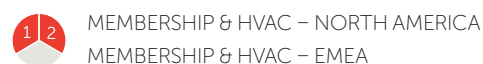
## Retention rate

%  
**83** ↑1ppt



The percentage of policies which are renewed after 12 months for a further term. This reflects our ability to deliver fit-for-purpose products and great service to our customers.

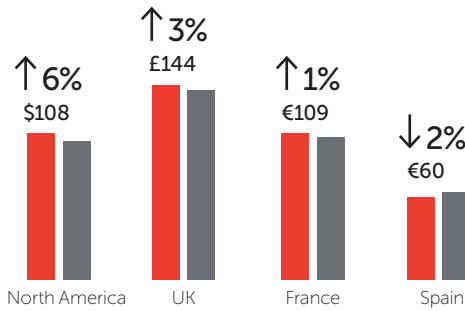
### Strategy



Retention rate up by 1ppt, driven by increase in North America, with other territories broadly stable.

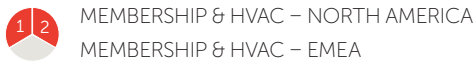


Income per customer



Measures our ability to design and market increasingly valuable products, and sell them efficiently. Due to currency difference, we track this measure at a geographic level.

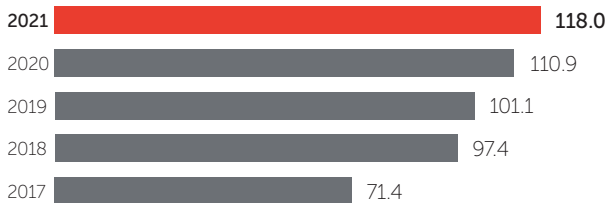
Strategy



Growth in all businesses apart from Spain.

Web visits  
m

118.0 ↑ 6%



Total web visits to our Home Experts platforms Checktrade & Habitissimo. Tracks our success in driving consumer awareness of our online community of trades. This excludes eLocal, for which monetised calls is the key live metric.

Strategy



We continue to drive higher consumer awareness of the availability of local trades through our Home Experts businesses.

Trades  
k

64 ↓ 3%



The number of paying customers in our Home Experts business, being tradespeople. Tracks our progress in building the supply of a large online community of trades. For Checktrade in particular this KPI measures progress to our stated long-term goal of 150-200k trades.

Strategy

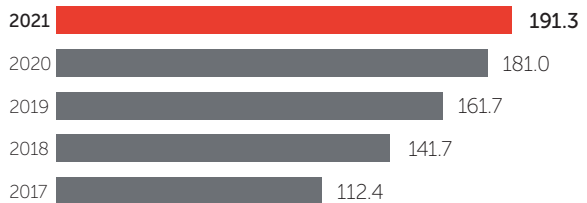


Total trades at Checktrade grew 11% to 44k, whilst trades at Habitissimo fell by 4k to 20k.

\*2020 included eLocal.

Adjusted profit before tax  
£m

191.3 ↑ 6%



Our key profit measure by which we monitor business growth, efficiency and sustainability.

Strategy



Robust profit growth, driven by strong performance in North America.

See page 210 Glossary for reconciliation back to equivalent statutory measure.

# Responsible business

An introduction from the Chairman designate



TOMMY BREEN

The resilience of HomeServe’s business model is based on doing business responsibly – and on the dedication of our people and the service they provide to our customers. This has never been more important than during the COVID pandemic. The last year only served to emphasise the significance of our homes and the emotional attachment we have to them. The fact that HomeServe works in people’s homes means that doing business responsibly is crucial to our continued success.

While HomeServe has a strong culture of doing business responsibly, there has been a step change during the last financial year in Board-level focus, particularly on our environmental impact. We created a Corporate Responsibility Committee in January 2021, which I will chair going forward. Our Environmental Policy and targets have been approved, with implementation plans now being put in place. We have also formalised our Responsible Business Policy and updated and re-published our Code of Business Conduct. Much of our work so far has been to formalise and document what we already do, but by upping our game particularly around our environmental impact, we have shown everyone at HomeServe that this work is strategically important, and that we care.

We are at the early stages of a long journey, in which I look forward to participating.

**Tommy Breen**  
Chairman designate

## Our stakeholder engagement

During the COVID pandemic, we invested more than ever in our relationships with key stakeholders in order to maintain and grow the resources and relationships on which our business is based.



### Homeowners

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

#### FY21 UPDATE

During the COVID pandemic, we responded quickly to maintain service levels and to adapt to local restrictions and requirements. We enabled all of our contact centre staff to work efficiently from home.

In the UK, we used spare engineer capacity while only emergency jobs were permitted to do over 3,000 emergency jobs free of charge for key workers. As a result of these actions, our high levels of customer satisfaction and retention have been preserved in our Membership businesses.



### Affinity partners and the communities they serve

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

#### FY21 UPDATE

During the COVID pandemic, we maintained our role in the supply chain, for example by continuing to pay to terms, to share our resilience with our partners.




 **Trades (tradespeople)** including directly employed engineers and contractors

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

Checktrade engages with its members in a number of ways, for example via the Checktrade Community – an online platform used exclusively by Checktrade members. The platform was set up in 2019 and now has nearly 9,000 trades signed up, who are all given the opportunity to engage directly with Checktrade representatives and offer their feedback and suggestions on existing products. Around 150 forum members have also applied to be involved in Checktrade’s Member Research Group, which allows the business to gain valuable feedback on new ideas and innovations before they launch to a mass audience.

**FY21 UPDATE**

During lockdown, our Board took the decision that none of our workforce should be furloughed or lose their jobs. In addition, we offered discounts to our Checktrade members in the months where they were not allowed to work, to help them reduce their overheads and keep their businesses afloat. In this way, we preserved and grew our trades network.



**FY21 UPDATE**

Engagement particularly with government increased during the COVID pandemic, for example to define a safe working environment for trades. The HomeServe Foundation now regularly engages with the UK government to build apprenticeship opportunities as the economy emerges from the pandemic.




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

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

**FY21 UPDATE**

We helped all of our office-based staff to work comfortably and safely from home, and kept our offices open for those who were unable to do so. As a result, productivity remained strong throughout the pandemic and our employee engagement scores remained high.



 **Financial community**

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

 **Underwriters and other key suppliers**

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

 **Regulators, government, opinion formers and influencers**

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



Our approach to responsible business has four pillars. We are developing measures and targets for each.

### Delivering for our customers

Customer dissatisfaction  
**5.5%**



### Building the workforce of the future and treating our people responsibly

Employee engagement  
**78%**



At HomeServe, the customer is at the heart of everything we do. Customer satisfaction drives retention and retention drives revenue, so strategy and responsible business are aligned.

#### Membership businesses

Customer centricity is about having great products and service, technology that supports and enhances the customer experience, effective customer feedback processes and decision making processes that take the impact on the customer into account. We take great care to work only with third parties and partners who share our passion for the customer and we monitor their performance to ensure they deliver to the same high standards we expect of ourselves.

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



North America Customer Promise, Chattanooga



UK Customer Promise, Nottingham

#### FY21 CASE STUDY

##### Product Management - HomeServe Spain

We have a full and robust process for managing products from design to in-life performance and revision, and through to retirement. This follows a "review and adapt" approach to assess whether products are meeting stakeholders' needs and focuses on three core elements: improved customer experience (great products and great customer service); value to our partners; and strong commercial performance.

We conducted a review of product value from a customer perspective with our partners in FY21. As a result, additional appliances are now included in one of our products and for another, restrictions on the age of products that are covered have been removed. In both instances these enhancements were made without additional cost to our customers. Furthermore, the review helped inform the training we provide to sales channels, improving consistency and customer experience.

#### Governance

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

Each committee has developed a customer KPI dashboard to help assess the quality of service provided to customers and whether the business is meeting its Customer Promise. The metrics tracked vary from business to business but typically cover customer satisfaction; quality of service; product values; early cancellation rates; claims repudiation rates; and complaints.

#### Call recording and screening

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

#### Compliance function

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

## Using our skills to support communities we touch

Volunteer days allowance where appropriate

# 2 per year



## Participating in the transition to a lower carbon future

Target:

A carbon reduction pathway of 1.5 degrees by 2030 (Scope 1 and 2 emissions)



### FY21 CASE STUDY

#### Customer First – HomeServe UK

**CustomerFirst**  
In 2020

**1,500**  
of our People sent  
**3,622 submissions**  
through to **CustomerFirst**

**We spent £75k**  
helping **500 Customers**  
in need with a free repair, job or policy

**500 Customers**  
have been referred to agencies

**Our people quote CustomerFirst as an employee benefit on Glassdoor reviews**

#### Customer Feedback

Obtaining relevant and timely feedback from our customers is key to ensuring we deliver great service to our customers and continue to do so.

### FY21 CASE STUDY

#### Customer Week – HomeServe France

For the last three years, HomeServe France has run an event dedicated to our customers – Customer Week. It is designed to let our customers see what goes on within our business, and for our team to meet our customers face to face. It is a wonderful way to create commitment.

In 2020, because of the COVID pandemic, we had to re-invent our event – 100% digitally and with 100% care!

Even though we could not have our customers participate in person, we involved them in the preparation for the event so that the voice of our customers could be heard clearly.

#### Measurement

Customer satisfaction surveys are used by each Membership business to assess the level of dissatisfaction with our quality of service at at least three touchpoints: sales, claims handling, engineer/contractor work at customers' homes. Dissatisfaction is considered to have occurred should a customer score the quality of our service at three or below out of ten. These scores are turned into a percentage. The customer dissatisfaction target is incorporated into senior executive and management bonus schemes.

### FY21 CASE STUDY

#### Voice of the customer – HomeServe North America

During the year we broadened and enhanced the activities of the Voice of the Customer (VOTC) Committee. We now consider a broader set of customer centric metrics from a greater range of sources, which provides greater insight from the customers' viewpoint and allows us to better understand opportunities to improve the customer experience.

One of the early benefits of using the broader set of data has been identifying and addressing an issue with rejection of claims by contractors, which typically results in delays. Whilst the average level of such rejections has remained fairly constant, the increased size of our business means that the number has increased from the low hundreds to thousands. Details of contractors with concerning rejection rates were passed to our contractor management team, who worked with them to understand the reasons and improve performance, or alternatively, find other contractors in the area to take on more work or join our network.

#### Incentive schemes for front line staff

Incentive schemes for front line staff are designed to encourage the right behaviours, in particular the delivery of great customer service. Whilst such schemes do include commercial targets, quality of service is the primary driver and agents only receive payment if the quality threshold is exceeded.

#### HVAC and Home Experts

All businesses have a strong focus on the customer, but, with the exception of HVAC in the UK, have yet to fully implement formal governance processes which meet the principles of the customer and customer regulatory framework.

During the year, a customer and legal framework specifically for Home Experts businesses has been developed. This recognises the different regulatory environment in which these businesses operate but does follow the same core principles: commitment to great customer service; a customer promise articulating commitment to both members (trades) and consumers; compliance with laws and regulations; and formal oversight and challenge. The Home Experts businesses will be implementing the requirements of the framework over the next 12 months.



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.

We want to be an employer of choice in every market, town and city where we operate, from Walsall to Chattanooga, to enable us to attract, recruit and retain the best people. We build our businesses on strong foundations, championing human rights, equal opportunities, diversity and inclusion. We invest in learning and development for all, and support wellbeing, Health & Safety. We pay fairly.

Our culture is built on our core values: courage, persistence and integrity.



**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.

Our people strategy is overseen at Board level by the People Committee, informed by the International People Forum, which is made up of employee representatives from across our businesses.

In FY21, we refreshed our people-related policy suite and our Code of Business Conduct which apply across the Group. The new Code sets out the standards of behaviour expected across all employees and workers and echoes the importance of acting in ways that support our values and purpose. The Code is underpinned by a number of policies and sets out clear guidance on matters such as conflicts of interest, the use of personal data, use of company property and equal opportunities.

The Code of Business Conduct and some of its supporting policies can be found at [www.homeserveplc.com/who-we-are/governance/policies](http://www.homeserveplc.com/who-we-are/governance/policies). They principally cover the following:

- Policies to uphold our reputation – financial crime and sanctions; bribery and corruption; fraud; money laundering
- Protecting our interests and assets – confidentiality and information security
- Protecting our people and environments – equal opportunities, inclusion and diversity, human rights, modern slavery
- Protecting our customers
- Health & Safety
- Whistleblowing.

**FY21 highlights**

Across the year HomeServe employs c.7,400 people globally, with about 41% of these being based in the UK, 28% in the US and 31% in Continental Europe. Over 6,600 people are employed in our Membership and HVAC businesses and around 800 in our Home Experts businesses - Checkatrade, Habitissimo and eLocal. We directly employ c.1,000 engineers.

Since March 2020 the majority of our employees have been working from home. We know that many of them are not used to working remotely and we took steps to help them cope with this dislocation and retain their sense of being part of a team, and connected with the HomeServe family and its purpose and values. We concentrated on business continuity, making it safe for essential staff, such as water and gas engineers, to keep working. We did so with strict protocols to protect everyone's physical and psychological safety, such as personal protective equipment, distancing regulations, and health checks.

Across our business we intensified employee support, including conducting employee pulse surveys, providing emergency paid leave, virtual doctor services and flexible working hours to support parents, and implementing well-being programmes. Employees can also access free counselling for professional help to manage anxiety and worry. We want to ensure that we retain a sense of community across our organisation and our employees have the right support in place, from HomeServe and from each other, to take care of themselves and their loved ones. We also enhanced our flexible working arrangements to support our people as they adjusted to working from home and delivering home schooling.

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.





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 equity in our decision making.



Continuing to evolve our employee engagement strategy, so that we can continue to understand the needs of our people and make HomeServe an even better place to work.



Further developing our internal capability so that we can create a rich talent pipeline that will fuel the future needs of our growth plans.



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

HomeServe’s core values of courage, persistence and integrity are embedded into The HomeServe Way, which defines how we operate. These values are continually communicated Group-wide and promoted by the Group’s management teams to guide our employees in the way we do business, particularly as we expand into new geographies. A virtual Senior Leaders conference attended by over 300 people took place in January to communicate the importance of these values, behaviours and skills. These now play a decisive role in our hiring, promotion and recognition activity.

We are proud of our values-led, principles driven culture. It underpins our ability to innovate and adapt to change in all circumstances. We care about our people, and our people care about our business, which is shown in our employee engagement survey, where 82% stated that they were proud to work at HomeServe.

### Employee engagement

Maintaining an engaged and valued workforce globally remains a key priority for HomeServe as we know that an engaged workforce leads to higher productivity levels and better outcomes for our customers. Employee engagement also impacts on our ability to attract and retain key talent and is therefore crucial in our recruitment strategy. 92% of our people told us that they believed that the company had taken the right measures to protect employees’ health against the COVID pandemic in May 2020.

Employee engagement levels have been strong over the past 3 years with notable progress.

Survey	Global People Survey 2018	Global People Survey 2019	Pulse 2019	Global People Survey 2020	Pulse 2020	Global People Survey 2021
Global Employee engagement	71%	71%	68%	82%	76%	<b>78%</b>

In 2020 all of our main seven business units completed the additional submission of a culture audit which is combined with their Trust Index score from May 2020 to achieve certification as a Great Place to Work. This was the first year that all seven business units achieved certified status.

In our March 2021 survey, 88% of our people globally took the opportunity to share their feedback on topics such as career development, culture, working environment and reward. In this survey, 78% of our people globally told us that they think that HomeServe is a great place to work.

We are delighted with this result, which shows employee engagement significantly ahead of pre-pandemic levels.

### Performance and reward

During FY21 we continued on our path to building a high performance culture.

Key to this has been the success of our new Annual Performance Plan for the Senior Leadership team. We believe that excellent standards of performance should be appropriately rewarded and alongside delivering on this core principle, the plan has created greater focus on key strategic activity in support of our growth ambitions.

Employee engagement remains a crucial underpin to our annual performance plans. Whilst not a bonus generating measure, an engagement target remains as part of the underlying rules of each plan, driving this into our culture and setting expectations for leaders to maintain high levels of engagement with employees.

We are committed to enabling all employees to share in the success of the company. To create greater opportunity for this at all levels, this year we undertook a review of our Global Share Incentive Plan, One Plan. In early 2021 we doubled the Company matching shares awarded through the plan, now providing an equal match for every share purchased by employees. The result has been an increase in take-up of One Plan across the Group from approximately 15% of eligible employees to 20%.



### Learning and development

Our ambition is to make sure that everyone’s career is supported by learning opportunities, which includes self-learning, attending conferences, peer-to-peer mentoring, coaching and structured programmes.

We believe that individuals who engage in their own personal development are more motivated, more self-aware, and fulfil their career aspirations.

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

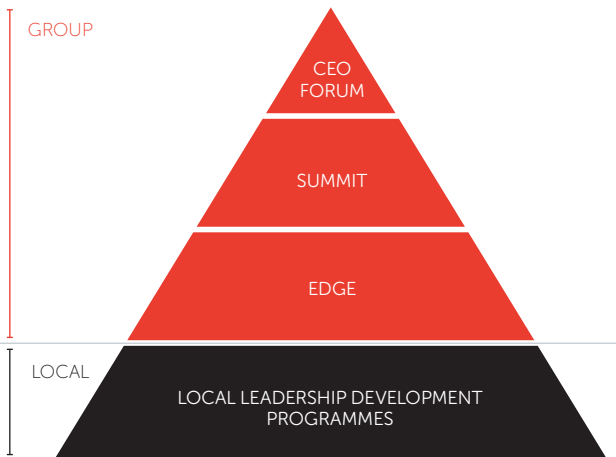
### Talent Management

We are particularly focused on developing internal talent and are committed to achieving a target of 70% internal promotions for senior leadership roles. Our Group-wide talent programmes continue to add value to our talent pipeline, and they are now seen as prestigious and aspirational offerings for our emerging talent. Nominations for the programmes are made at the twice yearly talent reviews which involve a full review of the global talent measures to assess if we have the capacity, capability, and potential within our talent pools to meet our future needs.

Despite the impact of the pandemic we have continued to build on and evolve our suite of talent development programmes, which included the launch of the Summit programme.

In total, over 70 leaders have attended one of our flagship programmes this year, and whilst the delivery methodology has transferred online, the content and learning has remained focused on developing our most promising people to be ready to do more at the next level of leadership.

**Group-wide talent programme**



**CEO FORUM:** Leadership development for our highest potential leaders - successors to Group ExCo. 8 per Cohort.

**SUMMIT:** High potential Senior Leaders preparing for larger roles - successors to Market/BU ExCo. 16 per Cohort.

**EDGE:** Emerging mid-level leaders preparing for more responsibility within function - successors to Senior Leaders. 18 per Cohort.

**LOCAL LEADERSHIP DEVELOPMENT PROGRAMMES:** Leadership development for all people managers, customised to current priorities at business level - pipeline for mid level leaders.

Our most established talent programme, Edge, has been successful in helping to promote and retain our emerging talent, with 44% of graduates taking larger roles and over 90% of all delegates remaining at HomeServe. In addition the programme has 42% female representation, fuelling greater diversity for future internal appointments.

**Diversity and inclusion**

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 live and work.

We take a holistic approach: making sure people feel welcome and are treated fairly, regardless of their race, gender, gender identity, age, sexual orientation, religion or experience and recognising the importance of self-identification, given the broad circumstances under which discrimination can happen.

In recognition of these efforts HomeServe UK has become a signatory of the Race at Work charter, has been voted Best Place to Work for Women 2020, achieved accreditation to become a Disability Confident Committed employer and is now ranked in the Stonewall Workplace Equality Index.

In the last year, we have made good progress in our journey towards gender equality where we have been working towards 33% female representation on a combined basis across the Board, Executive Committee and their direct reports, which is in line with the targets of the Hampton Alexander Review.

Our performance in the 2020 Hampton Alexander Report was as follows. We missed the one third female target by one appointment, and will continue to work towards it in the next financial year.

Benchmark	Board	ExCo	ExCo & Directs
HomeServe 2020	22.2%	28.6%	30.4%
HomeServe 2019	22.2%	10.0%	26.2%
FTSE 250 2020	33.2%	21.7%	28.5%

As at 31 March 2021, the level of female representation amongst our Senior Leaders remained consistent at 32%, the highest level since the measure has been tracked.

	31 March 2021		31 March 2020	
	Female	Male	Female	Male
Board	3 (25%)	9 (75%)	2 (22%)	7 (78%)
ExCo	3 (23%)	10 (77%)	1 (10%)	9 (90%)
Senior Leaders	58 (32%)	122 (68%)	53 (32%)	111 (68%)
<b>Total Workforce</b>	<b>3,388 (47%)</b>	<b>3,745 (53%)</b>	3,004 (47%)	4,197 (53%)

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. We were pleased to report an improvement in our mean Gender Pay Gap for April 2020 compared to 2019.

Entity	Mean Pay Gap	
	2020	2019
HomeServe Membership	20.0%	21.10%
Checkatrade	31.0%	39.60%
HomeServe UK	21.2%	22.30%

A key driver of our pay gap continues to be the balance of women in our senior leadership roles, together with a low volume of females in our engineer and technical roles which is in line with national averages and which continues to 'feed' the higher graded coach and managerial roles in field operations.

We are continually seeking to address these issues and we continue to improve our gender balance, and relevant gender pay gaps, at various levels and in various countries throughout the business. While there is more to do on gender balance, our efforts are being recognised.

Our new approach to senior hiring is helping to remove unconscious bias in our recruitment process and by providing tools and guidance to hiring managers we are increasing the levels of diversity amongst potential candidates.

In addition, introducing a principles based approach to working from home during 2020 has encouraged the adoption of greater flexibility in work patterns and base locations which in turn is supporting greater diversity in our candidate pool.

We remain committed to providing successful mentoring schemes and development for women in leadership roles, with 50/50 nominations for our global talent programmes.

Furthermore, despite lower than usual attrition this year (largely as a result of COVID) we have been able to ensure that in HomeServe UK alone, almost 50% of our total management hires and promotions were female.

We are beginning to see a tangible positive effect which, combined with the new strategic approach we are developing to diversity and inclusion, we intend to continue to develop and anticipate further success.

## Health & Safety

When it comes to Health & Safety (H&S), HomeServe's vision is to operate with minimum risk in all of its undertakings. HomeServe is committed to ensuring that there is a H&S culture in place, underpinned by robust systems and processes to identify risks and implement appropriate controls to manage them. The focus is on providing a safe working environment, safe practices, processes, and procedures for everyone associated with the company (employees and customers). The aim is to achieve continual improvement in H&S performance.

David Bower, Chief Financial Officer, is the Board Director responsible for H&S. Local HR and Operations Directors lead H&S matters in each business and are responsible for executing H&S policies. However, everyone is expected to play their part in H&S excellence and act responsibly with due regard for the safety of themselves, their colleagues and our customers. Any new businesses acquired are expected to apply the same focus to comply with the Group's policies.

H&S across the Group is an area of focus within the risk management process. The H&S risk environment is reported to the Executive Committee and Audit and Risk Committee three times a year as part of the wider risk update. The Board also receives a report on Health & Safety twice a year, highlighting key trends, issues, and achievements. The Board reserves the right to request additional information at other times of the year where required.

The Group Risk function works closely with H&S representatives across the Group and best practice is shared between the different territories on a quarterly basis. Performance reports are collated monthly across the Group.

As a result of the COVID pandemic the Group has seen a reduction in accident rates largely driven by lower numbers of vehicles on the roads and limited staff volumes in the offices. This may make like-for-like year-on-year comparisons challenging in the future.

The effects of the COVID pandemic continue to be a key area of focus for the Group and all businesses. Initially the Group's COVID response, including our approach to H&S, was co-ordinated through a global task force to manage the risks posed to HomeServe's customers, employees and business. While the initial focus was on helping staff to work effectively from home, focus now is on getting staff back to the office safely, as and when restrictions are lifted.

Our businesses are considering what the 'new normal' will look like, taking into account local requirements and guidelines as well as considering the potential for further waves and/or local restrictions. Premises have been adapted to reflect the requirements of social distancing and robust processes to protect both engineers and customers have been put in place. Focus on employee mental health as well as physical wellbeing has increased during the pandemic, and this is expected to continue.

	Accident frequency rates per 200k hours worked			Lost time injury rates
	FY19	FY20	FY21	Trend
<b>HomeServe UK</b>	7.39	5.59	<b>3.41</b>	↓
The business continues to see an improvement in key metrics. Lost time accidents mainly relate to manual handling so focus has been placed on training in this area.				
<b>Checktrade</b>	10.96	5.77	—	↓
No accidents have been reported in FY21.				
<b>HomeServe North America</b>	2.08	3.44	<b>3.11</b>	↓
The business has seen a reduction in accident frequency rates and lost time injury rates. During the same period the proportion of HVAC activity increased, so focus has been on improving Health & Safety standards within locally branded businesses.				
<b>eLocal</b>	—	—	—	n/a
FY21 is the first year where eLocal have been included within the figures and have reported no accidents.				
<b>HomeServe Spain</b>	2.30	2.22	<b>1.06</b>	↓
The business has seen a reduction in key metrics and traffic accidents have reduced considerably as a result of travel restriction and introduction of working from home as a result of the COVID pandemic.				
<b>Habitissimo</b>	2.89	2.08	—	↓
No accidents have been reported in FY21.				
<b>HomeServe France</b>	5.93	5.16	<b>4.40</b>	↔
The business' Health & Safety metrics have remained relatively stable across FY21 as a reduction in accidents in Membership has been offset by increased activity in HVAC.				

Note: The Accident Frequency Rate and Lost Time Injury Rate are recommended measures provided by the UK Health & Safety Executive. The measures are also in line with US standards and are used across various boards in the US. The purpose is to allow for a consistent ratio regardless of the number of employees within a business. Accident Frequency Rate is the total number of reported incidents per 200,000 employee hours worked and is calculated using the total number of reportable incidents divided by total hours worked, multiplied by 200,000.





Using our skills to support communities we touch

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

Our community activities are organised locally by each of our businesses, to leverage local knowledge and understanding of how best to contribute to our communities. Although managed locally, a unifying thought around all of our community endeavours is the importance to people of their homes. The skills of our people and trades enables us to help members of our communities in need with home repairs and improvements.

In **Spain**, we continued to help local communities through our HomeServe Responde programme, the main objective of which is to take care of the homes of those in the community most in need in as many ways as possible. This last year employee volunteers: repaired and renovated foster homes in the SOS Children Villages, donated furniture and the equipment necessary for safe and socially distanced living in a local charity care home, and donated €12,280 to the Madrid foodbank. Engineers at our HVAC company Sate offered free boiler repairs to the elderly throughout lockdown. And we continued to work with the Down Madrid foundation and the Spanish Cancer Association.



In **France**, we renewed our partnership with Habitat & Humanisme for the sixth year. Our engineers carried out six free repairs to social housing, and our people raised €4,748 through a variety of socially distanced events including, a sponsored kilometres challenge, and a Christmas jumper competition. The "BOOST!" programme ran for its third year, and funded 10 employee projects, the total investment of which amounted to €14,000. In response to the incredible efforts and sacrifices of healthcare staff during the COVID pandemic, we offered free repairs to all healthcare staff during May.

In **North America**, we offered much needed support to our local communities through our HomeServe Cares Foundation, which launched last year.

 206 caring for people jobs completed worth <b>\$462,000</b>	 \$247,700 in grant funding distributed to charities	 \$38,000 in grant funding distributed to veteran groups	 76 organisations supported and <b>1,229</b> employee hours volunteered
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In the **UK**, FY21 saw the launch of the HomeServe Foundation, a registered charity supported by us and other key partners. The Foundation's purpose is to make homes better and build better communities through three core pillars of activity:

- **Apprenticeships:** supporting and encouraging employers to employ and train more apprentices in the construction, home improvement and repair sector
- **Communities:** supporting vulnerable people to lead a healthy, safe, and long life in their own homes
- **Environment:** encouraging employers to adapt to deliver green initiatives, and promoting the benefits of developing a green home.

Throughout the year our UK employees ran a variety of virtual fundraising events, which raised £38,000 for our chosen team charities. This year we also became a Cornerstone Employer, partnering with The Careers and Enterprise Company, to support young people preparing for the world of work.



At **Checktrade** we elected Samaritans as our company charity of the year, and set ourselves the challenge of raising £10,000 in a year. Half-way through and we have fundraised over £5,000 through step challenges, virtual group workouts, Christmas home decorating, and beard growing competitions. Of the money raised so far, Samaritans have said that Checktrade has helped them answer 912 calls from people struggling to cope.

## Relationships with contractors

Providing highly qualified contractors who deliver a great customer experience is at the heart of the HomeServe business model.

*"The customer is at the heart of everything we do, so it's incumbent on us to get the best contractors to show up at their door," Sylvester Criscone, Senior Vice President of Contractor Management for HomeServe North America said. "It's why we do the vetting, it's why we track the quality of the jobs, monitor them in real time and communicate with the contractor about their performance. It's what distinguishes HomeServe from any other home warranty company out there today."*

Because of this, only 10% of contractors in the plumbing, electrical and HVAC trades researched and vetted through a comprehensive multi-step process are accepted into HomeServe's network.

To start, a prospective network contractor must have a Better Business Bureau rating of A or better, along with proper licensing and insurance. They must employ uniformed technicians who pass both a background test and drug screening, operate branded, insured vehicles in good condition and be able to offer 24/7 emergency service.

A contractor who has passed this initial phase of recruitment will be interviewed by the HomeServe contractor recruiter to ensure that the contractor will be able to meet HomeServe's standards for service.

Once a contractor successfully passes through this vetting process, they must sign an agreement with HomeServe that establishes performance standards and a code of ethics before they can begin to accept jobs and service our customers.

A Regional Operations Manager (ROM) is assigned to a contractor and tracks their performance, with an emphasis on customer satisfaction metrics. ROMs are responsible for tracking performance, compliance and customer satisfaction and conduct onsite audit visits.

*"Vetting our contractors is an area of focus for us," Criscone said. "We ensure that they are licensed and have proper insurance. We use a respected third-party administrator, who provides alerts when licenses and insurance policies are set to expire."*

HomeServe contractor recruiters work through multiple channels to find contractors across the country, with particular emphasis on recruiting minority women, and veteran-owned contractors. HomeServe benefits the many small businesses who partner with the company.

*"Our job volume gives contractors consistent and sustained business that helps them stay busy when their own volume of work may be slower," Criscone said. "It also gives them leads on additional work – when they go into a customer's home, there may be work that a customer needs doing unrelated to the policy or they become a trusted contractor the customer relies upon because of their policy work through HomeServe. It's truly a win-win relationship."*

HomeServe's network contractors praise the company for supporting them in performing the necessary repairs and providing a great customer experience, in contrast with competitors.

*"The nice thing is, HomeServe gives us the ability to go above and beyond for the customer and fix things right, which is not the case with a lot of warranty companies, which is why we refuse to work with a lot of them. HomeServe authorizes the repair that is best for the customer and they pay their contractors enough to fix things correctly, which is rare among warranty companies," Jason Parlier, owner of Johnco Plumbing in Phoenix, Arizona, said.*

Contractors value their partnership with HomeServe, because the company puts the customer at the heart of what we do, allowing our network contractors to happily follow suit.

*"One thing about HomeServe, they seem to cover a lot of the things that other companies won't cover. I've had nothing but great experiences with HomeServe. I think it's a great partnership. I love the organization and I'm glad I said yes," James Henderson, owner of Houdini Plumbing in Stafford, Texas, said.*

### FY21 CASE STUDY

In February, a once-in-a-decade polar vortex slammed the state of Texas, causing unusually bitter cold temperatures.

The record-low temperatures caused lengthy electricity blackouts across the region and impacted homeowners' plumbing. Many experienced frozen water pipes inside and outside their homes and, as temperatures moderated, those once frozen lines poured water into their homes.

Dallas-Fort Worth-area provider Crawford Services, a locally branded HVAC and plumbing company acquired by HomeServe in December 2019, saw a soaring number of calls because of frozen water lines. Despite the staff's own personal struggles – several technicians and their families took temporary shelter at the company's depot, which retained power – technicians prioritised emergency water and heating needs of customers.

The company was so busy and plumbing supplies so short that their sister company, Hays Plumbing, another locally branded company acquired by HomeServe in June 2020, made an emergency delivery of common plumbing supplies, making a 16-hour, more than 2,000-mile round trip from their location in the Phoenix, Arizona, area to Crawford's location in Texas.

*"When we heard about the problems in Texas, our hearts went out to the people struggling down there. We heard about the need for plumbing supplies and we knew we could help. It was a long drive, but it was worth it to do our part," said Chris Hays, Hays Plumbing General Manager.*

Together with the 24 out-of-state contractors who came to Texas to make repairs for our members, this is a great example of how we can rely on our service network to do the right thing for our customers.



## Participating in the transition to a lower carbon future

### Strategy

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

We want to be the place our customers turn to for the solutions needed to make this change.

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

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

### Policy and Targets

During the year, the Board approved a Group Environment Policy and this is available on our website at:

[www.homeserveplc.com/who-we-are/governance/policies](http://www.homeserveplc.com/who-we-are/governance/policies)

The Board has agreed that we should set an ambitious science-based target, aligned with a 1.5°C trajectory, for our Scope 1 and 2 emissions. This target is a 42% reduction by FY30 from a FY20 baseline. We have identified a number of actions we will need to take to achieve this. These include:

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

We are in the process of working through these actions with our operating businesses and have already taken steps to reduce energy usage by installing automatic light sensors and replacing office and outside lighting with LED alternatives.

### Risks and opportunities

Our climate related risks are described in our Principal risks and opportunities on page 33. Our expectation is that these will be further developed as we work through the requirements of the Task Force on Climate-related Financial Disclosures (TCFD).

We believe that the Net Zero transition will create multiple opportunities for us to support our customers improve their homes and adopt solutions that will create value for them as well as reduce their climate impact. We are currently developing and testing a number of products and services. These include the installation and maintenance of electric vehicle charging points and the installation of more energy efficient HVAC equipment.

### Governance

The Board has ultimate responsibility for our Environmental Policy and performance. David Bower, CFO, is the nominated Director for activity on an operational basis. He is supported by the newly formed Group Corporate Responsibility Committee which is chaired by the Chairman of the Board and comprises representatives from our operating businesses and from a number of Group functions. The Committee reports regularly to the Board and in respect of risks, to the Audit & Risk Committee of the Board.

### Greenhouse Gas Emissions

We have reported on all of the emission sources required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 as amended in August 2013. The reporting boundary used for collation

Greenhouse Gas Emissions	Group		UK	
	Tonnes of CO <sub>2</sub> e FY21	Tonnes of CO <sub>2</sub> e FY20	Tonnes of CO <sub>2</sub> e FY21	Tonnes of CO <sub>2</sub> e FY20
Combustion of fuel and operation of facilities	13,698	12,028	6,181	7,207
Electricity, heat, steam and cooling purchased for own use (location-based)	1,574	2,402	347	909
Electricity, heat, steam and cooling purchased for own use (market-based)	1,995	2,817	561	1,340
<b>Total (location-based)</b>	<b>15,272</b>	<b>14,430</b>	<b>6,528</b>	<b>8,116</b>
Tonnes of CO <sub>2</sub> e per employee	2.05	2.11	2.13	2.39

	Group		UK	
	Kwh FY21	Kwh FY20	Kwh FY21	Kwh FY20
Combustion of fuel and operation of facilities	59,359,630	49,873,203	26,745,195	29,793,806
Electricity, heat, steam and cooling purchased for own use	5,256,707	7,556,054	1,489,254	3,555,306
<b>Total</b>	<b>64,616,337</b>	<b>57,429,257</b>	<b>28,234,449</b>	<b>33,349,112</b>



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.

Both our FY20 and FY21 Scope 1 and 2 carbon footprints have been verified by The Carbon Trust to the ISO 14064-3 standard.

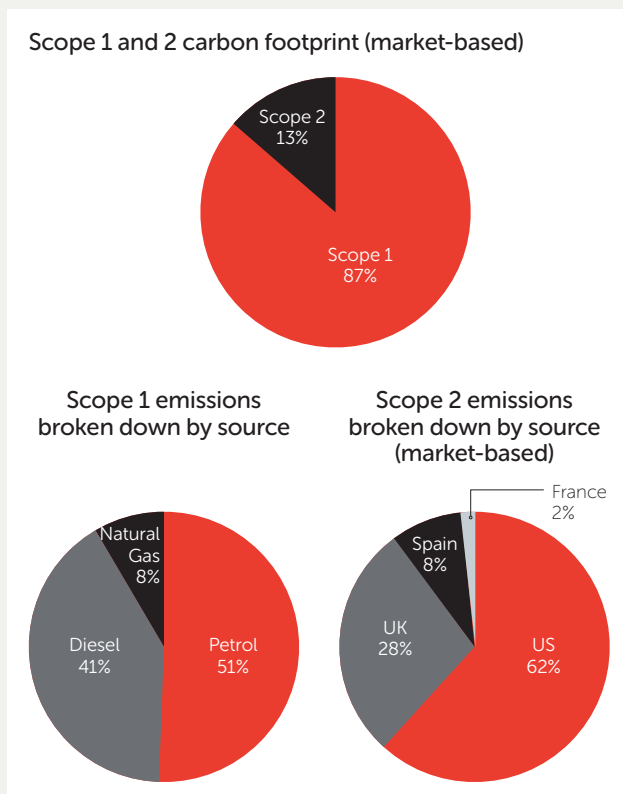


**Moving forward**

We are currently in the process of assessing and verifying our Scope 3 emissions and intend to be in a position to report on them next year.

We are aware that the requirements of the Taskforce on Climate-related Financial Disclosures will apply to us from FY22 and we are actively working through the framework in order to report in accordance with it next year. We are also preparing to report to CDP for the first time in 2021.

**Emissions Breakdown**



**FY21 CASE STUDY**

**Relationships with regulators – North America**

Our North American business has a strong culture of compliance to ensure that we adhere to all applicable federal and state laws and regulations. As the business has expanded across the United States, so too has our understanding of the regulatory landscape. This is especially important since we now operate in 48 continental states with each having its own unique set of requirements. In addition to all the standard state licensing and registration requirements in each of the Departments of State and Insurance, our US based team keeps a close eye on legislative and regulatory activities that might impact consumers and our partnerships with investor owned and municipal utilities.

Within each state, the office of the attorney general has, among other duties, consumer protection oversight. Like other businesses operating nationally, HomeServe has joined trade associations that represent attorneys general to stay up to date on issues of common interest and to educate them and their staff on our business, and commitment to delivering on our customer promise. Over the last eight years, the company has had the opportunity to meet with many current and former attorneys general and their staff. These meetings have been instrumental in ensuring that our product propositions and communications across all channels incorporate the very best compliance practices. We believe that continuing to engage in dialogue with this important stakeholder group will ensure continued high levels of compliance and customer satisfaction, which are inextricably linked to the success of our business.

One key to our growth in North America is partnering with energy utilities to access larger numbers of households that could benefit from our products. Investor-owned utilities are regulated by state level public utility commissions (PUCs). Like the attorneys general, the public utility commissioners and staff also participate in their own national associations that provide industry participants like HomeServe a forum for engagement. The company has been increasing its focus on PUCs in recent years, starting by attending association events to learn, engaging former commissioners as advisors, and meeting with individual commissioners and staff to discuss our programs within their states. These initiatives combine to help PUCs understand how our programs benefit utilities, their customers, and the communities they serve. During FY21, the business expanded this focus by adding its first in-house regulatory counsel, the former chief of staff at the New Jersey Board of Public Utilities.

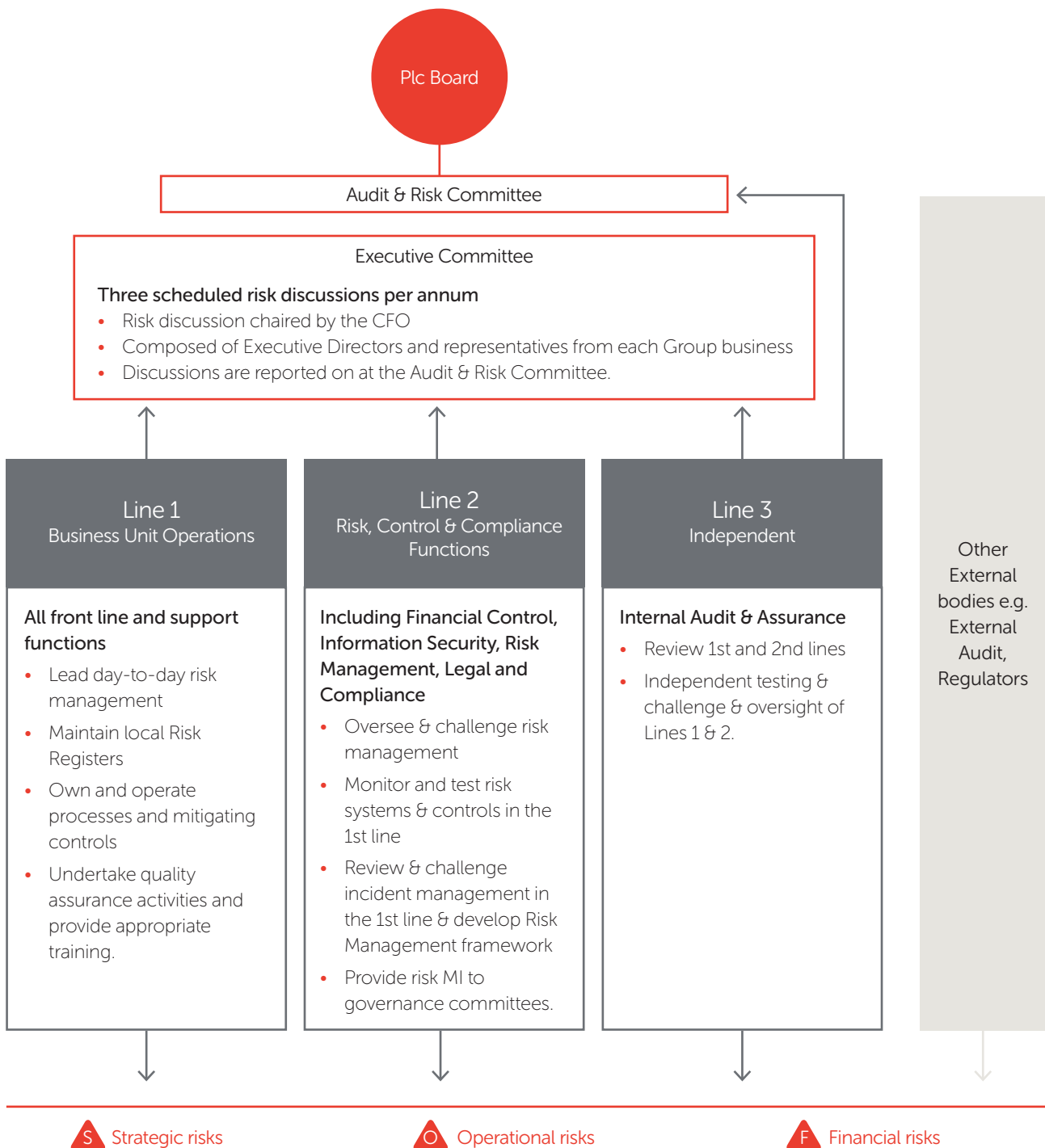
The energy utility landscape is continuing to evolve towards a more environmentally friendly future where decarbonisation, electrification and energy efficiency initiatives are more important than they have ever been. HomeServe has an opportunity to increase its value to these utilities as a partner in meeting their goals. This will make engaging and building relationships with state regulatory bodies more important and we are positioned to do so from a strong foundation.

# Principal risk and uncertainties

## Risk framework

HomeServe has a robust risk management framework which encompasses the Group's Risk Policy and overall risk appetite. The framework utilises the three lines of defence model which is recognised as best practice across the industry. It provides a disciplined and consistent approach across all of HomeServe, ensuring a structured response at all levels throughout the Group and across all businesses and geographies.

This structured approach is aimed not only at monitoring and mitigating identified risks but also aims to capture and escalate emerging risks and opportunities. The effectiveness of this approach was demonstrated in HomeServe's response to the pandemic, with a rapid move to home working for all office based staff and initiatives in the field to ensure a safe continuity of service for HomeServe's customers.



### Changes in FY21

Group Enterprise Risks ("GERs") are considered to represent the most significant threats to HomeServe's ongoing strategy and operations. Risk registers continue to be maintained at a local level in every business and are formally reviewed by the Audit & Risk Committee at each of its meetings together with GERs.

During the prior year, and for the first time, Sustainability was reported separately as a GER. This reflected the growing focus on the potential risks and opportunities of climate change and other environmental considerations on HomeServe's business model. In FY21, there has been further attention given to this issue, part of which is detailed on page 30 of the Responsible business section. Environmental considerations are integral to the risk frameworks managed by each of the Group's businesses, and the focus of the Board on these matters was formalised during the year in the adoption of a Group Environment Policy. The Group notes that the requirements of the Taskforce on Climate-related Financial Disclosures (TCFD) will apply from FY22 and intends to use its disclosures under this framework to report its progress. As such, Sustainability is no longer reported separately as a GER.

During FY21 a new GER was introduced regarding the potential to fail to deliver the desired level of strategic growth. This risk is being mitigated by proactive planning on which opportunities to target resources and attention, thereby ensuring focus and that individual businesses pursue avenues for growth consistent with the appetite of the Group.

During FY21 the risk management framework was enhanced further as the Group identified a number of risks whereby failures in any one of the business units would result in a change in the risk environment at a Group level. As such, these risks are deemed critical to the success of the Group. For these critical risks, compliance with a minimum control level set at the Group-wide level is deemed non-negotiable. The Group risk team operate an approach for these risks that encourages the sharing of best practice across the Group to strengthen the overall control framework. The critical risks identified are detailed below:

- Health & Safety
- Data Protection
- Information Security
- Customer Culture and Regulation
- Financial Misstatement
- Corporate Governance.

### Risk Appetite

In accordance with the Group's Risk Management Policy, the Group's risk appetite is subject to an annual review of its definition, content and criteria for assessment scores.

The Board's assessment of risk appetite is guided by our vision to become the world's most trusted provider of home repairs and improvements and by our purpose to make home repairs and improvements easy. HomeServe's values reflect our commitment to our customers, our people, to innovation and integrity and being the best at what we do.

HomeServe's risk appetite is comparatively low, recognising firstly, our status as a plc which requires strong governance and reputation, together with delivering returns for our shareholders and, secondly, our regulated status which requires compliance with local laws, rules and guidance.

Risks are assessed at a local level on a gross basis using a matrix approach, to score likelihood and impact, and on a net basis after considering any mitigations which have been applied.

### Brexit

Brexit has never featured as one of HomeServe's enterprise risks, but it continued to be monitored at a local and a Group level up until the end of the transition period on 31 December 2020. The Group notes the Trade and Cooperation Agreement reached between the UK and the EU at the end of 2020. Although the full range, scale and timing of outcomes of the UK leaving the EU continue to be somewhat uncertain, as expected, the impact on the underlying performance of the Group has, to date, been limited and is expected to remain so.

### COVID pandemic

Through FY21, trading in the Group's Membership businesses remained very resilient against the backdrop of the COVID pandemic, with the Group retention rate increasing compared to FY20. The initial impact of stay-at-home restrictions on the Group's Home Experts businesses was more pronounced, with the core customer base – tradespeople providing largely non-emergency services – unable to access homes, and therefore work. However, whilst the Group's territories have subsequently seen further rolling stay-at-home restrictions since the initial lockdown measures of spring 2020, tradespeople have been able to access homes to perform non-emergency services. Coupled with this, consumer demand in the Group's Home Experts businesses returned very strongly through summer 2020 and onwards.













Nevertheless, uncertainty related to the future course of the pandemic, and indeed future public health crises, remains an area of focus. With respect to the current COVID pandemic, due to differences by country in impact and restrictions, the risk and response is being managed locally with consideration on the specific risk environment for each business. Any impact seen is then reported to both the Executive and Audit & Risk committees.

### Group Enterprise Risks

The following table sets out what the Board believes to be the principal risks and uncertainties facing the Group, the mitigating actions for each and, where applicable, updates on any change in the profile of each risk during the past year. All risks carry equal importance and weighting for the Board, however additional focus and priority may be given to specific risks for a period of time in certain circumstances e.g. following a material acquisition or to implement plans to reduce any risk which exceeds the appetite threshold.

The principal risks and uncertainties should be read in conjunction with the Operating review and the Financial review. Additional risks and uncertainties of which HomeServe is not currently aware or are believed not to be significant may also adversely affect strategy, business performance or financial condition in the future.



<p><b>Strategy</b></p> 	<p><b>Strategy elements</b></p> <ul style="list-style-type: none"> <li> The best products to match customer needs to trades</li> <li> Generate repeat and recurring revenues</li> <li> Invest in partnerships, marketing, technology and innovation</li> <li> Attract and retain more customers, trades and partners</li> <li> Develop the world's largest trades network</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li> Strategic risks</li> <li> Operational risks</li> <li> Financial risks</li> </ul> <hr/> <p><b>Movement</b></p> <ul style="list-style-type: none"> <li> Increased risk</li> <li> No change</li> <li> Reduced risk</li> </ul>
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Overview	Mitigations	FY21 update	Movement
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**1 Competition **

In all of our 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 lower customers, retention rates, revenue and profitability.

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

Competitive threats today include, but are not limited to;

- Utilities running Membership programmes in-house
- Adjacent products e.g. Whole Home Warranty
- 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

We demonstrate to utilities that they can benefit more by partnering with HomeServe due to our long-term investment horizon.

Regular market reviews in each business identify new entrants and increases in competitor activity e.g. aggressive pricing initiatives.

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


We believe we have the winning Home Experts model in Directory Extra, which Habitissimo has recently followed Checktrade in starting to implement. Continued learning and idea-sharing happens between our Home Experts businesses, which are liaising more frequently with our Membership businesses to develop the range of services that customers want and the best means of accessing them.

**The Group observes increased activity by Google, mainly in North America, in the Home Experts space.**

**The impact of players like Google is already documented within the risk registers of our Home Experts businesses.**


**2 Information security & cyber resilience **




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 a number of defensive and proactive practices across the Group to mitigate this risk. There is a detailed Information Security Policy, which is communicated across the Group and training is provided as required. Regular penetration testing is in place to assess defences and HomeServe continues to invest in IT security, ensuring a secure configuration, access controls, data centre security and effective communication of policies and procedures to all employees.

**Cyber continues to be a key area of focus for the Group with emphasis on both maintaining and increasing the maturity and capabilities of our controls and countermeasures. A single team was created during FY20 to bring together those people with a primary cyber security responsibility, who had previously operated with a degree of independence within individual Group businesses.**

**The continued arrangements at the time of writing whereby a substantial number of the Group's employees are working from home, and the likely permanence with which "hybrid" working arrangements are adopted in future has seen a number of the Group's businesses increase their scoring of this risk.**

**3 M&A strategy **

HomeServe has an active M&A strategy focused on two primary areas; Membership policy books and a buy-and-build strategy to grow the HVAC business line.

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.

Strong track record and experience of acquiring and growing policy books.




Local management expertise with oversight from central plc function.

Clear investment hurdles and completion of post-investment reviews.

All investments require local and, where applicable, plc Board approval.

**There has been increased HVAC M&A expenditure this year (see note 16) but no change to the underlying risk. All acquisitions continue to be appraised by dedicated M&A teams, and transactions approved by local and/or Group Board.**

**After pausing at the initial onset of the pandemic in spring 2020, the Group's HVAC buy-and-build strategy recommenced during the summer of 2020. We note some increased competitive activity in this space, particularly from private equity purchasers, and retain an even keener focus on valuation multiples.**

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**4 Underwriting capacity & concentration**

The Membership business line markets and administers policies that are underwritten by independent third-party underwriters. 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 FY21.

The two largest underwriters across the Group (Aviva and Amtrust) are in a strong financial position, and, as expected, all our underwriting relationships have remained strong during the pandemic.

With the increased amount of time spent in homes across our Membership territories due to measures to control the pandemic, we continue to monitor the impact this is having on customer behaviour.



**5 Regulation**

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/governance/policies](http://www.homeserveplc.com/who-we-are/governance/policies)

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

Much regulation is intended to protect customers and failure to adhere to the high expectations customers have 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.

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

Best practice shared across the Group.

Regulatory specialists, compliance teams and Non-Executive Directors in each business.

HomeServe maintains regular dialogue with the FCA in the UK. In North America, there is regular contact with the Attorneys General.

In the UK, the FCA published its final report analysing pricing practices across the general insurance industry. HomeServe is out of scope of the main remedy requiring pricing parity between returning and brand new customers.

The FCA continues to be active in seeking optimal outcomes in the interests of consumers, and HomeServe maintains regular dialogue with the FCA to support these aims. One example was an exercise undertaken during the year to re-contact customers regarding disclosure of prior year prices on written communications, to ensure these were sufficiently prominent.

There has been no material change in the regulatory environments in which our other businesses operate.



**6 Digital transformation**

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.

In Home Experts, a chief technology officer has been recruited to develop requisite system enhancements across the Home Experts businesses.



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## 7 Technology Investment

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.

Home Experts, particularly Checktrade, is well progressed with a programme of transformation to ready the business for its ambitious growth plans.

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.

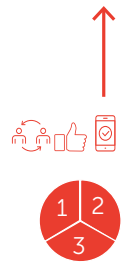
All decisions are subject to the Group's strict investment criteria and hurdles. Major IT programmes are allocated specific governance structures and oversight with members of senior management sitting on the Programme Board. HomeServe engages a number of external advisers on large software projects 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.

In the UK, the eServe CRM system was fully impaired, incurring an exceptional charge of £84.8m. eServe was highly configured and became costly and inflexible to implement, with further configuration issues emerging as implementation progressed. As a result of this customisation, the system exhibited high operating costs and a high cost of change. During the second half of FY21 additional capability issues came to light as more policies were introduced onto the system, meaning that the duration of the parallel run period alongside the legacy system would need to be extended. Following an extensive review of system capability and robustness and the ongoing operational needs of the business, the difficult decision was taken to revert the minority of customers on this platform back to the existing Ensura CRM system, which is the proven system of record in North America. Following a period of decommissioning, eServe will be replaced by a flexible, cloud-based solution. Current planning suggests this will be a Salesforce solution, similar to those implemented successfully in France and which is planned for implementation in North America.

In France, a Salesforce CRM system was implemented successfully, which included the migration of the entire 1m+ customer base in August 2020.

At Checktrade, new system enhancements to both trades vetting and billing went live during the year.

The benefit of technology investments made in the recent past continue to be seen in enabling effective remote working practices for c.6,400 employees.



## 8 HVAC Integration

The higher volume of HVAC acquisitions requires disciplined and often standardised processes to ensure successful integration into HomeServe, creating strong links to the Membership business and achieving synergies with e.g. 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 with a central global team to coordinate and ensure consistent application of best practice.

A total of 24 HVAC acquisitions were made in FY21 across the US, France, Spain and the UK.



## 9 Partner loss

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

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

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

A portfolio of partners in each business diversifies risk.

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

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

Regular dialogue with all partners, particularly in markets with more concentrated partner relationships e.g. France.

In North America we continued to sign new partners at the rate of 2-3 per week. During the year we exited relationships with some legacy partners to drive higher returns elsewhere from the marketing expenditure.

In the UK, the relationship with Thames Water came to an end at the close of the year, however this relationship represented a modest proportion (<5%) of yearly new customer adds. Meanwhile, long term renewal agreements were signed with four existing partners.

In Japan, a second partner relationship was signed with Tohoku Electric, meaning HomeServe now has access to around 7m households in that territory.





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10 People 

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 a lot of growth opportunities and ensuring appropriate bandwidth at the top of the organisation is key to maintaining effective control and oversight.

Gender Pay disclosures in the UK and reviews such as Hampton Alexander also 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 fulfilling careers, and HomeServe is managing succession planning effectively.

HomeServe employs c.7,400 people globally. 88% of those people completed our Global People Survey, returning an engagement score of 78%, up 7 percentage points on pre-pandemic levels.

Furthermore, FY21 saw all the Group's businesses attain 'Great Place to Work' accreditation.

Tom Rusin, previously Global Membership CEO, is now focussing full-time on realising the substantial growth opportunities still ahead in North American Membership & HVAC, whilst a CEO EMEA, Ross Clemmow, has joined to lead the Membership & HVAC businesses outside of North America.

There has been an increased focus across the Group to ensure the best people are in the right roles to deliver current and future growth plans.

Annual and long-term performance plans have been reviewed and changes are being implemented to achieve clearer alignment between our KPIs and our reward strategy.

11 International 

HomeServe has enjoyed success with its Membership model in markets outside of the UK and intends to expand to other regions, with a renewed focus on those adjacent to our existing territories.

HomeServe has enjoyed success in France, Spain and North America but has been unsuccessful in past attempts to enter Australia, Belgium and Germany.

Failure to succeed could divert investment and management time incurring not only losses in the new country but also reduced performance (including, for example, loss of customers, lower profitability) in the core markets.

Strict criteria to identify attractive markets.

Joint venture structure, such as that employed to enter Japan, diversifies risk and minimises investment.

JV partner brings local market knowledge and contacts.

HomeServe brings Membership model systems and process expertise.

Signed second utility partnership in Japan, with products seeing a good reception.

During the year HomeServe narrowed focus for international development to "near neighbours". A partnership was signed with Eneco in Belgium, supported by the French business, and the acquisition of a claims handling business with operations in Portugal gives exposure to that market.

Additionally, the Group decided not to proceed with entering other markets further afield.

12 Failure to deliver strategic growth 

HomeServe continues to have a number of opportunities to develop its businesses. There is a risk that it fails to determine where to focus energy, time and resources and, as a result, misses opportunities or does not deliver strategic growth targets or achieve the expected or desired outcomes.

Potential strategic ventures are all considered at a newly formed cross-functional committee, chaired by a senior executive and with relevant subject matter experts, to ensure they align with the Group's core competencies and value drivers.

HomeServe seeks to drive the sharing of best practice across the Group and adopts a test and learn approach to new initiatives.

As a newly documented risk the individual businesses have considered their own level of risk.

This is considered to be a greater risk in the Home Experts businesses which are by nature less mature in their role within the Group.

New this year

13 Financial 

Key financial risks include the availability of short-term and long-term funding to meet business needs and take advantage of strategic priorities such as M&A opportunities, the risk of policyholders not paying monies owed, and fluctuations in interest rates and exchange rates.

**Interest rate risk**

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

**Credit risk**

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

**Liquidity risk**

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

**Foreign exchange risk**

Short-term foreign exchange risk is mitigated with the natural hedging provided by the geographical spread of the businesses. While this will protect against some of the transaction exposure, HomeServe's reported results would still be impacted by the translation of non-UK operations.

In July 2020, HomeServe successfully raised an additional \$250m and £54m via the US private placement market. The proceeds were used to clear headroom on the RCF. As at year end HomeServe had gross debt of £634m against its gross debt facilities of £1,036m, which combined with a cash balance of £171m gives a total headroom of £573m. Of the total debt facilities of £1,036m, only £26m is due within the next 12 months.



# Operating review

## Financial performance

Emillion	Revenue		Statutory operating profit/(loss)		Adjusted operating profit/(loss)	
	2021	2020	2021	2020	2021	2020
Membership & HVAC – North America	506.4	429.5	82.2	67.6	105.0	85.4
UK	338.9	372.9	(18.5)	62.8	72.5	81.0
France	132.6	111.8	28.4	26.9	35.6	33.8
Spain	195.7	154.1	14.7	19.6	17.7	20.1
New Markets	—	—	(10.0)	(0.9)	(6.3)	(4.7)
Membership & HVAC – EMEA	667.2	638.8	14.6	108.4	119.5	130.2
Home Experts	139.8	71.8	(25.0)	(17.4)	(10.2)	(13.9)
Inter-segment <sup>1</sup>	(8.7)	(7.8)	—	—	—	—
Group	1,304.7	1,132.3	71.8	158.6	214.3	201.7

## Key performance indicators

### Membership

A resilient operational performance saw the Membership retention rate increase on the prior year

### Income per customer

	2021	2020
North America	\$108	\$102
UK	£144	£140
France	€109	€108
Spain	€60	€61
Group	n/a	n/a

### Customer numbers (m)

	2021	2020
North America	4.7	4.4
UK	1.6	1.8
France	1.2	1.1
Spain	0.9	1.0
Group	8.4	8.3

### Policy retention rate

	2021	2020
North America	85%	83%
UK	78%	78%
France	88%	89%
Spain	83%	83%
Group	83%	82%

### Home Experts

Against a challenging backdrop, the Home Experts businesses grew consumer demand, with Checktrade particularly notable.

### Webs visits (m)

	2021	2020
Checktrade	29.0	23.6
eLocal	n/a	n/a
Habitissimo	89.0	87.3
Group	118.0	110.9

### Paying trades (tradespeople) (000)

	2021	2020
Checktrade	44	39
eLocal	n/a	n/a
Habitissimo	20	24
Group	64	63

### Contacts (m)

	2021	2020
Checktrade <sup>2</sup>	8.1	n/a
eLocal <sup>3</sup>	3.6	2.7
Habitissimo	n/a	n/a
Group	11.7	n/a

<sup>1</sup> Inter-segment revenue includes transactions with other Group companies removed on consolidation and principally comprise royalty and other similar charges. <sup>2</sup> Checktrade commenced capturing contacts partway through FY20, hence a comparative for FY20 is not available. <sup>3</sup> For eLocal, contacts represents the total number of monetised calls.

The net impact of changes in the Euro and USD exchange rates between FY20 and FY21 resulted in a £12.4m decrease in the reported revenue and a £3.3m decrease in adjusted operating profit.



## MEMBERSHIP &amp; HVAC – NORTH AMERICA



North American Membership and HVAC had a great year, despite much reduced marketing volumes in the first few months of the pandemic.

Customers

4.7m

↑7% from 4.4m

Income per customer

\$108

↑6% from \$102

Policies

8.2m

↑10% from 7.5m

Adjusted operating profit

\$137.9m

↑27% from \$108.6m

Retention rate

85%

↑2pts from 83%

Affinity partner households

66m

↑3% from 64m

## Financial performance

FY21 saw North America take further strides towards all of the medium term milestone targets set out at the June 2019 investor day, notably \$230m of adjusted operating profit.

Total revenue growth of 22% was an extremely strong performance in the pandemic environment, and was underpinned by continued strong organic revenue growth of 9%. Net policy income rose 13%, with 10% growth in the number of policies seeing it break through the eight million mark, whilst income per customer grew by 6%.

\$million	2021	2020	Change
Revenue			
Net policy income	510.7	451.2	13%
Repair network	74.9	39.5	90%
Membership	585.6	490.7	19%
HVAC installations	76.0	53.3	43%
Other	4.2	2.1	101%
Total revenue	665.8	546.1	22%
Adjusted operating costs	(527.9)	(437.5)	21%
Adjusted operating profit	137.9	108.6	27%
Adjusted operating margin	21%	20%	1ppt

£million	2021	2020	Change
Revenue			
Net policy income	388.1	354.9	9%
Repair network	57.1	30.6	87%
Membership	445.2	385.5	16%
HVAC installations	57.9	42.4	37%
Other	3.3	1.6	101%
Total revenue	506.4	429.5	18%
Adjusted operating costs	(401.4)	(344.1)	17%
Adjusted operating profit	105.0	85.4	23%
Adjusted operating margin	21%	20%	1ppt

Revenue from the repair network and HVAC installations both grew strongly. Repair network revenue largely derives from jobs completed for Membership policyholders by

the directly employed engineers within North America's portfolio of HVAC businesses and, like HVAC installations revenue, benefited from FY21 acquisitions as well as a full year run rate from prior year acquisitions.

Adjusted operating margin rose by 1 percentage point, as good progress on leveraging the fixed cost base in Membership was partially offset by the dilutive impact of continued growth in HVAC.

## Operational performance

North America is the Group's key driver of near term growth, based on the substantial opportunity to further penetrate a vast and early stage market, and the strong position HomeServe has today as market leader. FY21 saw further progress in capturing this growth opportunity.

Top line growth in North America continues to be driven by partnerships with water and energy utilities, with the development of existing partnerships just as material as the signing of new ones. The pipeline for signing new utilities is the strongest it has ever been, and the addition of 6m gross new households was 58% ahead of FY20. The total number of households to which the business has access rose to 66m. Net growth was 2m after three utilities, accounting for 4m households, were removed from the base as the partnerships were inactive.

In contrast to the tens of thousands of utilities and municipal providers responsible for water, the structure of the North American energy utility landscape is far more concentrated, with the top 10% of energy utilities together serving a combined 94m households. Energy efficiency and decarbonisation is increasingly top of mind for these utilities and their customers, and HomeServe recognises the potential to partner with utilities to add value for their customers in this area. The business saw good early traction during the second half as it launched an electric vehicle charging maintenance product with one of its largest energy partners. This product is already proving to be a differentiator in opening up utility conversations more quickly.



## MEMBERSHIP & HVAC – NORTH AMERICA CONTINUED

Whilst adding new utility partnerships and new households drives the long-term potential size of the North American business, near term growth in customers, revenue and profit continues to be largely driven by existing partnerships. Some of North America's longest-standing partners continue to be a source of the best customer growth. This gives excellent opportunities to invest marketing dollars both with existing partners, and also in fresh new territories which have never previously seen a HomeServe type offer.

FY21 saw further good growth in customers, up 7%, with more than 6 percentage points of this driven organically. The slight slow down from the prior year (FY20: 9% customer growth) reflects the decision to reduce marketing spend during the first half given the onset of the COVID pandemic. This marketing spend was subsequently deployed in the second half, during which the sequential customer growth accelerated to 5% (first half of FY21: 2% customer growth) - the fastest since the second half of FY19 - as campaigns continued to see good take-up rates.



A base of highly satisfied customers who derive value from their membership and renew their policies continues to provide a solid foundation towards the Milestone 2 target of between 6-7m customers. Customer satisfaction improved on the prior year. Against a backdrop where pandemic restrictions have prompted renewed focus on homes, thereby highlighting the value of HomeServe's proposition, the importance of great customer service to HomeServe's model was seen in the materially higher retention rate, which rose by 2ppts to 85%.

The Group's HVAC buy-and-build strategy is most advanced in North America, and here too FY21 saw further progress towards the Milestone 2 target of HVAC contributing \$30-45m of adjusted operating profit to the overall \$230m target. There was a profitable in-year contribution from a further seven acquisitions, with North American HVAC operating profit now around \$10m, and margins approaching the 10-15% range being targeted globally.

A significant element of recent historical capital expenditure has been to embed further automation and digitisation in Membership. This is now reducing and in some cases largely eliminating the need for human intervention in the claims process - bringing cost benefits whilst also driving a superior customer experience. Progress during the second half has given confidence on the role this programme will play as a component of the remaining bridge to the milestone targets for adjusted operating margin of 24-26%.



## MEMBERSHIP & HVAC – EMEA



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

£million	2021	2020	Change
Total revenue	<b>667.2</b>	638.8	4%
Adjusted operating costs	<b>(547.7)</b>	(508.6)	8%
Adjusted operating profit	<b>119.5</b>	130.2	(8%)

## UK



### Policies

**4.4m**

↓11% from 4.9m

### Income per customer

**£144**

↑3% from £140

### Retention rate

**78%**

unchanged from prior year

### Affinity partner households

**26m**

unchanged from prior year

### Financial performance

Net policy income declined by 6% as the UK business continued to focus on fair pricing outcomes for customers and marketed at lower levels than it has historically. The shift away from renewal discounts for early vintage customers is well established and drove a further reduction in the number of customers (down 10%), which was only partially offset by a 3% rise in income per customer.

£million	2021	2020	Change
Revenue			
Net policy income	<b>233.2</b>	249.4	(6%)
Repair network	<b>80.3</b>	89.5	(10%)
Membership	<b>313.5</b>	338.9	(7%)
HVAC installations	<b>12.1</b>	21.2	(43%)
Other	<b>13.3</b>	12.8	4%
Total revenue	<b>338.9</b>	372.9	(9%)
Adjusted operating costs	<b>(266.4)</b>	(291.9)	(9%)
Adjusted operating profit	<b>72.5</b>	81.0	(10%)
Adjusted operating margin	<b>21%</b>	22%	(1ppt)

The lower customer base also impacted repair revenue, as the UK directly employed engineer network completed a lower number of jobs (FY21: 0.8m, FY20: 0.9m) than the prior year. This was intensified in the first half as pandemic restrictions limited the range of jobs that the directly employed network was permitted to complete.

HVAC installations was the area most impacted by the pandemic in the UK. Revenue declined sharply year-on-year; installations are largely discretionary and non-emergency in nature meaning demand was heavily dampened by stay-at-home restrictions in the first half, and particularly the first quarter. Whilst installation volumes were down around 60% on the prior year in the first half, greater access to homes and a pivot to video survey technology in the second half resulted in a rebound such that installation volume during Q4 was higher year-on-year.

Adjusted operating costs fell in line with revenues, reflecting the elements of the cost base (partner commissions and marketing) that flex with customer acquisition and retention, leaving the adjusted operating margin broadly unchanged from the prior year.

## MEMBERSHIP & HVAC – EMEA CONTINUED

### UK continued

#### Operational performance

On a statutory basis the UK business recorded an exceptional charge of £87.8m, principally in relation to the full impairment of its eServe CRM system. eServe was highly configured and became costly and inflexible to implement, with further configuration issues emerging as implementation progressed. As a result of this customisation, the system exhibited high operating costs and a high cost of change. During the second half of FY21 additional capability issues came to light as more policies were introduced onto the system, meaning that the duration of the parallel run period alongside the legacy system would need to be extended. Following an extensive review of system capability and robustness and the ongoing operational needs of the business, the difficult decision was taken to revert the minority of customers on this platform back to the existing Ensura CRM system, which is the proven system of record in North America. Following a period of decommissioning, eServe will be replaced by a flexible, cloud-based solution. Current planning suggests this will be a Salesforce solution, similar to those implemented successfully in France and which is planned for implementation in North America.

The transformation of the UK business accelerated in the second half, with new management focused on embedding the operational processes and technology that have supported growth in North America. Key initiatives include implementation of a cloud-based integrated claims and field management application which enables real-time status updates and best-in-class route optimisation. Nearly all directly employed engineers were migrated onto this platform in the second half and migration of the contractor network is underway. Looking forward, a natural language call automation platform, which enables customers to claim and book an appointment all within the application, will be rolled out in FY22.

These transformational technologies significantly enhance customers' experience and will drive efficiency gains in the coming year.

Alongside the transformation of operational processes and technology, the UK team are developing several routes to growth including significant new energy partnerships and acquiring more customers through digital channels. The UK team has also started to execute the HVAC buy-and-build strategy successfully deployed in the US, France and Spain.

In energy, the UK business strengthened its relationship with E.On, a 'Big 6' energy player. E.On will commence a call transfer program with HomeServe in the first half of FY22, in addition to the digital program already in place. Last week, a partnership was signed with Shell Energy to

offer HomeServe's home assistance products to their 1m customers. The UK business has been encouraged by early engagement and collaboration with other energy players in the UK market who seek to offer consumers a seamless, digitally-led way to manage their home assistance needs.

Water partnerships remain the largest customer acquisition channel and the UK business remains focused on maximising these relationships. In the second half, long-term renewal agreements were secured with five water utility partners. Periodically, management focus and marketing spend is reviewed and re-deployed into more attractive acquisition opportunities, as was the case with Thames Water, where the partnership expired on 31 March 2021. HomeServe retains exclusive renewal rights on the 0.1m customer book built through the Thames partnership.

Digital customer acquisition accelerated in FY21 in all branded channels – water, energy and HomeServe directly owned digital channels – helped by a redesigned, simplified website with improved conversion. Web traffic significantly increased as the improved conversion resulted in more effective paid marketing. High quality optimised content also helped to drive growth in organic search traffic. In total, acquisition through digital channels increased by 33% year-on-year, with digital accounting for a quarter of gross new customer additions. The digital channel remains a key focus area for further improvements in FY22 and beyond.



Within HVAC, the legacy installation business has been re-structured and improved. Alongside this, the UK joined the other HomeServe territories in deploying an HVAC buy-and-build strategy. North America, France and Spain developed a successful model focussed on acquiring smaller HVAC businesses founded on strong local reputations. The first UK acquisition as part of this strategy completed partway through the second half and made a profitable in-year contribution. Looking ahead, an attractive pipeline of other opportunities is now in place.



## France



Customers

**1.2m**

↑5% from 1.1m

Policies

**2.4m**

↑3% from 2.4m

Affinity partner households

**19m**

↑4% from 18m

Retention rate

**88%**

↓1ppt from 89%

Income per customer

**€109**

↑1% from €108

**Financial performance**

France saw continued growth in FY21, surpassing the previous records attained in FY20 for the highest ever revenue and operating profit.

Net policy income increased by 5% to €126.6m, driven by further strong growth in customer numbers which rose 5% on the prior year. HVAC installations revenue increased 129% to €17.9m, with contribution from a further ten FY21 acquisitions and the annualisation of prior year acquisitions.

€million	2021	2020	Change
Revenue			
Net policy income	<b>126.6</b>	120.1	5%
Repair network	<b>0.3</b>	0.4	(14%)
Membership	<b>126.9</b>	120.5	5%
HVAC installations	<b>17.9</b>	7.8	129%
Other	<b>3.7</b>	0.1	n/a
Total revenue	<b>148.5</b>	128.4	16%
Adjusted operating costs	<b>(108.7)</b>	(89.4)	22%
Adjusted operating profit	<b>39.8</b>	39.0	2%
Adjusted operating margin	<b>27%</b>	30%	(3ppts)

€million	2021	2020	Change
Revenue			
Net policy income	<b>113.0</b>	104.5	8%
Repair network	<b>0.3</b>	0.4	(23%)
Membership	<b>113.3</b>	104.9	8%
HVAC installations	<b>16.0</b>	6.8	135%
Other	<b>3.3</b>	0.1	n/a
Total revenue	<b>132.6</b>	111.8	19%
Adjusted operating costs	<b>(97.0)</b>	(78.0)	24%
Adjusted operating profit	<b>35.6</b>	33.8	5%
Adjusted operating margin	<b>27%</b>	30%	(3ppts)

The adjusted operating margin of 27% (FY20: 30%) is indicative of the targeted level over the medium term and reflects the investment in the growth opportunities open to the French business including a renewed partnership with Veolia and accelerated customer acquisition via digital channels.

**Operational performance**

Gross customer additions of 0.2m were the best ever in the 20 year history of the French business, up by 10% on the prior year and helping drive the period end total customer number to 1.2m. This was underpinned by continued

acquisition through the long-standing relationship with Veolia (where customer additions grew 13% on the prior year) and also developing activity in newer channels such as through online aggregators in the home moving process like Papernest (where customer acquisition almost trebled compared to the prior year). The French business recognises the opportunity to drive further customer growth through non-utility channels, and was pleased to extend the partnership with Papernest by a further two years during the year, as well as launch partnerships with three new energy retailers.

During the year the French business invested in its IT capabilities in order to provide a robust platform for further profitable growth. The legacy policy management and customer service systems used in Membership were replaced by a cloud-based Salesforce CRM system, and in the second half the first HVAC business was successfully migrated to a Salesforce system which will, amongst other benefits, aid policy upsell initiatives. More businesses in the HVAC portfolio will migrate to this operating platform through FY22.

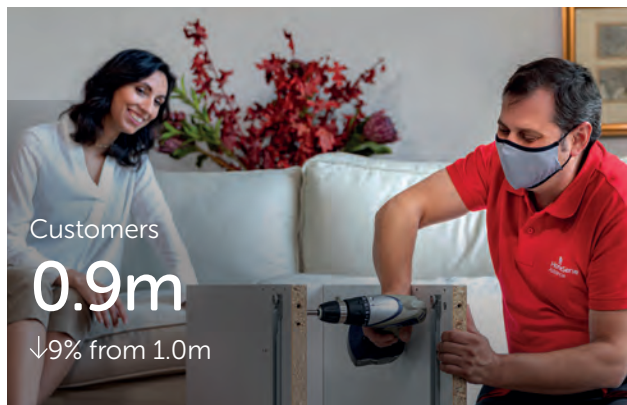
The buy-and-build strategy continued in HVAC with ten acquisitions completed during the year. The migration of these HVAC businesses to a common operating system will, over time, maximise the cross-selling opportunity between installations and Membership cover, and the additional policies from the ten in-year acquisitions now means the French HVAC portfolio has in excess of 50,000 policies.

Reflecting the Group's decision to focus its international expansion efforts in Membership on adjacent territories, the French business signed a new five year affinity partnership with Eneco Belgium N.V., the third largest energy provider in Belgium, at the beginning of the second half. A Belgium-based managing director is now in role and has joined the management team of the wider French business, as marketing activity begins to scale up in step with the easing of pandemic restrictions.

Customer satisfaction drives the recurring revenue model in Membership and the French business was delighted to receive high profile awards in recognition of the customer-centric culture. The French team were awarded Élu Service Client de l'année for the fifth consecutive year, and also won the Gold Trophy at the CX Awards.

## MEMBERSHIP & HVAC – EMEA CONTINUED

### Spain



#### Policies

**1.1m**

↓4% from 1.1m

#### Income per customer

**€60**

↓2% from €61

#### Retention rate

**83%**

unchanged from prior year

#### Financial performance

Total revenue in Spain grew by 24% to €219.0m, as expansion in Claims and HVAC operations continued. Revenue growth in the Claims business (captured in the Repair network line) was driven by the contribution of a first half acquisition (Mesos) and continued growth in job volumes in the existing business. Meanwhile HVAC installations revenue grew strongly driven by contribution from FY21 acquisitions as well as a full year's benefit from prior year M&A. As expected, net policy income declined by 3% as the Endesa back book continues to run off.

€million	2021	2020	Change
Revenue			
Net policy income	<b>54.8</b>	56.3	(3%)
Repair network	<b>146.8</b>	108.2	36%
Membership	<b>201.6</b>	164.5	23%
HVAC installations	<b>17.4</b>	12.1	44%
Total revenue	<b>219.0</b>	176.6	24%
Adjusted operating costs	<b>(199.2)</b>	(153.5)	30%
Adjusted operating profit	<b>19.8</b>	23.1	(14%)
Adjusted operating margin	<b>9%</b>	13%	(4ppts)

€million	2021	2020	Change
Revenue			
Net policy income	<b>48.9</b>	49.2	(1%)
Repair network	<b>131.2</b>	94.4	39%
Membership	<b>180.1</b>	143.6	25%
HVAC installations	<b>15.6</b>	10.5	49%
Total revenue	<b>195.7</b>	154.1	27%
Adjusted operating costs	<b>(178.0)</b>	(134.0)	33%
Adjusted operating profit	<b>17.7</b>	20.1	(12%)
Adjusted operating margin	<b>9%</b>	13%	(4ppts)

Adjusted operating costs rose by 30% as direct costs in both the Claims and HVAC businesses grew in line with revenue. Operating margins in the second half were broadly in line with the prior year, though this was offset by the first half impact of largely fixed employment costs in the Claims business being covered by lower than expected job volumes in the initial stages of the pandemic.

#### Operational performance

The Claims business saw a noticeable impact from the pandemic but responded robustly to close out the year well. Strict stay-at-home measures in the April-June quarter of calendar year 2020 meant a significant volume of jobs could not be completed, with completed job volumes running at less than 50% of expected levels. The business supported its people through this period and retained headcount levels and activity returned to more normal levels during subsequent lockdowns. Mesos, the claims handling business acquired during the first half, continues to be integrated and made a good profitable in-year contribution of €2.2m. Mesos expands the service capabilities of the Claims business, diversifies the customer base and also provides entry into the adjacent territory of Portugal.

In Membership, gross customer wins of 65k rose by 84% on the prior year, with particularly good growth in acquisition through the retail energy channel. Though this was more than offset by churn in the customer base, good progress was made during the second half in advancing engagement with potential future partners, particularly in the retail energy space, giving a firm base for continued growth in customer acquisition in FY22.

In HVAC, Spain made a further four acquisitions during the second half, bringing the total to six for the full year. The HVAC buy-and-build strategy prioritises well-run businesses with strong local reputations, and the six acquisitions enabled entry into new territories of strategic importance, including the Madrid urban area. An exciting pipeline of opportunities remain of both new "hub" acquisitions, as well as smaller bolt-ons.



## New Markets



Of the £6.3m operating loss in New Markets in FY21, two thirds was driven by continuing investment in the joint venture with Mitsubishi Corporation in Japan, and one third by costs associated with prospecting activity for new Membership territories, which has now concluded.

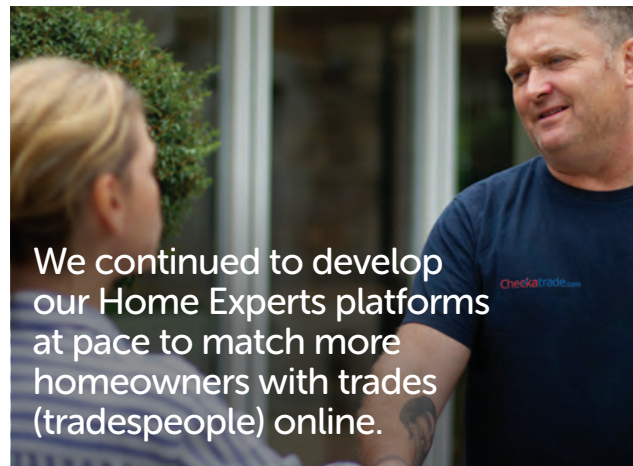
£million	2021	2020	Change
Adjusted operating loss	<b>(6.3)</b>	(4.7)	34%

After two years of the Japanese joint venture with Mitsubishi Corporation, there has been good progress. A number of marketing campaigns have been executed with the customer base of the first utility partner, Chugoku Electric. Take-up rates on these campaigns have performed well, with payback on the marketing spend towards the shorter end of the 18-36 month range observed across the established Membership territories.

HomeServe Japan now has over 17,000 customers, and is focused on increasing marketing activity to accelerate customer growth. Early data on retention rates of the first policies coming up for renewal are very promising.

Towards the end of the year Tohoku Electric Power became the second utility partner signing for HomeServe Japan, adding a further 3.9m households to the 2.9m covered by Chugoku, and the pipeline of further opportunities is attractive.

## HOME EXPERTS



Home Experts comprises the group's online platform businesses, being Checkatrade in the UK, eLocal in North America and the group's interests in other geographies. This division is expected to achieve profitability in FY22.

£million	2021	2020	Change
Revenue			
Checkatrade	<b>38.9</b>	38.5	1%
eLocal	<b>91.3</b>	22.1	313%
Habitissimo	<b>9.6</b>	11.1	(14%)
France	—	0.1	(93%)
Total revenue	<b>139.8</b>	71.8	95%
Adjusted operating costs	<b>(150.0)</b>	(85.7)	75%
Adjusted operating loss	<b>(10.2)</b>	(13.9)	(28%)



## HOME EXPERTS CONTINUED



## Financial performance

At Checkatrade, the key dynamic impacting the top line was the support given to the trades base at the onset of the first UK national lockdown. Trades had the option of either a 50% discount or zero-cost "affiliate" membership for the first three months of the financial year. 80% of the trades base opted for the half-price discount, with 20% taking the affiliate membership option, measures costing around £5m of revenue. This saw average revenue per trade decline 8% on the prior year. However the higher number of trades offset this to leave total revenue broadly flat.

£million	2021	2020	Change
Total revenue	<b>38.9</b>	38.5	1%
Adjusted operating costs	<b>(54.9)</b>	(48.9)	12%
Adjusted operating loss	<b>(16.0)</b>	(10.4)	54%

Alongside a slightly higher depreciation charge as new technology systems went live, the revenue impact of the pandemic subscription relief was the big driver of the higher adjusted operating loss for Checkatrade.

## Operational performance

Despite the challenging backdrop caused by the pandemic, FY21 saw Checkatrade make substantive progress in readiness to achieve the scale set out in its milestone targets.

In a year which saw significantly reduced access to consumers' homes due to lockdown restrictions, Checkatrade grew the base of paying trades by 11% - a very pleasing result. Furthermore, the second half saw a pick-up in the sequential half-on-half growth rate in trades, setting the business up strongly as it entered FY22.

The key headwind to faster growth in the trades base over the last couple of years has been member churn, particularly among newer members. FY21 saw continued efforts to tackle this. The introduction of 'request a quote' and additional search functionality has delivered a more even distribution of consumer contacts amongst trades. The 'request a quote' function, where the consumer wishes Checkatrade to find them a trade, was introduced at the end of the first half and now accounts for a significant proportion of total contacts on the platform. The business is focussed on moving trades growth materially above the 11% delivered in FY21 through strong acquisition and improvements in early life retention.

Paying trades

**44k**

↑11% from 39k

Average revenue per trade

**£939**

↓8% from £1,023

Contacts

**8.1m**

from n/a

Web visits

**29.0m**

↑23% from 23.6m

On the consumer side, FY21 saw Checkatrade strengthen its position as the clear market leader among UK consumers searching for a trade online. Of those consumers searching for a trade through both online and offline channels in the 12 months ending February 2021, 16% did so with Checkatrade – significantly ahead of the second online player in the market at 6% and meaning Checkatrade gained share over that time period (+4ppts v. February 2020). This provided an optimal platform for Checkatrade to further assert its brand leadership during the second half as it executed its "Julius Caesar" themed advertising campaign across TV, radio and social media. Results from the first leg of the campaign were very strong, driving an increase of 6ppts in spontaneous brand awareness to 57% of consumers – again significantly ahead of the nearest competitor.

Checkatrade is clear on its roadmap to drive top line growth and, as the FY23 profitability target comes further into view, it is also focussed on driving this growth profitably. The June 2019 investor day set out how technology investment would be key to this, and FY21 saw the successful execution of two major technology programmes. Firstly, vetting automation has markedly reduced the levels of human intervention and time needed for a trade to proceed through the 12 different checks required to gain 'recommended, vetted and monitored' (RVM) status on the platform down to just three days as at March 2021 (March 2019: 14 days). Secondly, a new billing engine went live at Checkatrade in March. All new trades joining the platform now do so onto this billing engine, whilst existing members will be migrated during FY22. The billing engine will ensure the business scales in an efficient manner, delivering cost savings as well as revenue optimisation by providing a platform for automating new product initiatives.

In summary, FY21 saw further real progress by Checkatrade as it seeks to become the reference point in the UK for sourcing qualified and vetted tradespeople online, and the model for the Group's Home Experts' marketplaces.

Monetised calls<sup>1</sup>**3.6m**

↑32% from 2.7m

**Financial performance**

At eLocal, where the different model means calls rather than subscriptions are the key monetisable unit, a 32% increase in leads drove a similar level of revenue growth compared to the prior 12 months of FY20. HomeServe acquired its 79% stake in eLocal in November 2019, meaning only four months' contribution to the FY20 comparative number.

Emillion	2021	2020	Change
Total revenue	<b>91.3</b>	22.1	313%
Adjusted operating costs	<b>(78.1)</b>	(20.3)	284%
Adjusted operating profit	<b>13.2</b>	1.8	634%

eLocal saw a strong adjusted operating profit performance for the year of c.\$18m equivalent.

**Operational performance**

Despite the impact of the pandemic, eLocal maintained its impressive growth momentum in its first full 12 months of HomeServe majority ownership. Stay-at-home restrictions across the US during the April-June 2020 calendar year quarter impacted consumer demand, particularly in categories such as locksmiths, however the easing of restrictions during Q2 saw consumer demand recover quickly, indeed to record levels, during the summer months.

Monetised calls, the number of consumer telephone calls which eLocal can sell to trades, grew by 32% across the year, broadly in line with revenue growth had eLocal been majority owned by HomeServe throughout FY20.

eLocal continues to see strong growth prospects ahead based on driving penetration in its existing categories, as well as entering new ones.

## Other - Habitissimo and France

Emillion	2021	2020	Change
Total revenue	<b>9.6</b>	11.2	(15%)
Adjusted operating costs	<b>(17.0)</b>	(16.5)	3%
Adjusted operating loss	<b>(7.4)</b>	(5.3)	41%

## habitissimo

Trades

**20k**

↓18% from 24k

Web visits

**89.0m**

↑2% from 87.3m

**Financial performance**

Habitissimo saw a larger and more sustained impact from the pandemic, particularly in its Latin American markets of Brazil, Mexico and Chile, resulting in a 15% decline in revenue on the prior year. Adjusted operating costs flexed down slightly, however the top line impact still drove a higher adjusted operating loss than the prior year.

**Operational performance**

FY21 saw Habitissimo further sharpen its focus on its key markets, whilst launching the Directory Extra model.

The second half launch of the Directory Extra model, meant a pause in new trades joining the platform and a conversion of existing trades to an automatic model of purchasing contacts (calls and quote requests).

Habitissimo's exposure to the Latin American markets of Brazil, Mexico and Chile meant it saw the most pronounced impact from the COVID pandemic of the Home Experts businesses. The greater focus on its European markets saw Habitissimo purchase an online platform player in Italy during the second half, and Habitissimo will now be the market leader in Italy on a combined basis.

## France

Home Experts activities in France relate to Maison.fr, in which HomeServe retains a 20% stake following the sale of 80% of the test operation in Lyon to the Maison.fr management team during the first half.

<sup>1</sup> FY20 comparative for monetised calls represents full 12 months.

## Financial review



The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international Financial Reporting Standards (EC) No 1606/2002 as it applies in the European Union.

### Group statutory results

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

£million	2021	2020
<b>Total revenue</b>	<b>1,304.7</b>	1,132.3
<b>Operating profit</b>	<b>71.8</b>	158.6
Net finance costs	(24.6)	(20.7)
Adjusted profit before tax	<b>191.3</b>	181.0
Amortisation of acquisition intangibles	(45.0)	(35.5)
Certain transaction related costs	(6.7)	—
Exceptional items	(92.4)	(7.6)
<b>Statutory profit before tax</b>	<b>47.2</b>	137.9
Tax	(15.4)	(32.1)
<b>Profit for the year</b>	<b>31.8</b>	105.8
<b>Attributable to:</b>		
Equity holders of the parent	<b>31.1</b>	106.0
Non-controlling interests	<b>0.7</b>	(0.2)
	<b>31.8</b>	105.8

### Profit before tax

Adjusted profit before tax rose by 6% to £191.3m, with continued strong growth in North America, good profit growth in France and the narrowing of losses in Home Experts more than offsetting lower profits in the UK and Spain.

“Adjusted profit before tax rose by 6% to £191.3m, with continued strong growth in North America, good profit growth in France and the narrowing of losses in Home Experts more than offsetting lower profits in the UK and Spain.”

Statutory profit before tax is reported after the amortisation of acquisition intangibles, exceptional items and certain transaction related costs. On this basis profit before tax was £47.2m, as underlying profit growth was significantly offset by exceptional charges of £92.4m, mainly in relation to the full impairment of the eServe CRM system in the UK (see below).

### Net finance costs

Net finance costs rose to £24.6m (FY20: £20.7m) due to the higher average net debt balance year-on-year combined with the unwinding of interest on contingent consideration in relation to previous M&A activity.

### Amortisation of acquisition intangibles

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

The amortisation of acquisition intangibles of £45.0m (FY20: £35.5m) increased principally due to charges relating to prior year M&A activity.

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

### Certain transaction related costs

Certain transaction related costs of £6.7m (FY20: nil) were incurred mainly in respect of put options associated with the remaining c.21% of eLocal which the Group does not currently own.



### Exceptional items

The Group incurred net exceptional charges of £92.4m during the year (FY20: net charge of £7.6m), of which £84.8m was due to the full impairment of the UK's 'eServe' CRM system and related exceptional provisions on onerous contracts. eServe was highly configured and became costly and inflexible to implement, with further configuration issues emerging as implementation progressed. As a result of this customisation, the system exhibited high operating costs and a high cost of change. During the second half of FY21 additional capability issues came to light as more policies were introduced onto the system, meaning that the duration of the parallel run period alongside the legacy system would need to be extended. Following an extensive review of system capability and robustness and the ongoing operational needs of the business, the difficult decision was taken to revert the minority of customers on this platform back to the existing Ensura CRM system, which is the proven system of record in North America. Following a period of decommissioning, eServe will be replaced by a flexible, cloud-based solution. Current planning suggests this will be a Salesforce solution, similar to those implemented successfully in France and which is planned for implementation in North America. An additional impairment charge of £2.1m was also recorded in relation to other intangible software assets in the UK, bringing their carrying values to nil.

During the year the Group reviewed international development opportunities in Membership & HVAC and considered where capital allocated to this activity would create the most value for shareholders. This saw the Group adopt a 'near neighbour' strategy, focussing on territories adjacent to the existing businesses. As a result, the central International Business Development team was streamlined, resulting in an exceptional charge of £3.7m. This refocusing exercise also saw additional redundancy charges of £1.8m, as the Group sought to align some corporate functions more closely with the federated businesses.

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

### Tax strategy

The Group has continued to operate within the tax strategy approved by the Board in May 2020. The tax strategy is subject to annual review and reflects HomeServe's status as a plc, and the regulated nature of its business which requires strong governance and consideration of reputation as well as compliance with local laws, regulations and guidance. The UK elements of the tax strategy document are publicly available on the HomeServe plc website as required by UK legislation.

The Group tax strategy covers how HomeServe:

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

### Tax charge and effective tax rate

The Group's tax charge in the financial year was £15.4m (FY20: £32.1m). The pre-exceptional effective tax rate for the year ended 31 March 2021 was 24% (FY20: 23%). The post-exceptional effective tax rate for the same period was 33% (FY20: 24%).

UK corporation tax is calculated at 19% (FY20: 19%) of the estimated assessable profit for the year. In its 2021 Budget, the UK Government announced that the main UK corporate rate would be maintained at 19% until 31 March 2023, before being increased to 25% from 1 April 2023. This proposal is expected to be substantively enacted over the coming months whereby our UK deferred taxes will be re-measured accordingly. However, based on our current UK deferred tax position we have estimated that this UK tax rate increase will not give rise to a material effect.

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

### Other comprehensive income

Included within other comprehensive income is £4.5m of remeasurements on defined benefit pension schemes and a £27.5m foreign exchange loss on translation.

At 31 March 2021 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 £4.4m. This movement, net of the recognition of a £1.3m associated deferred tax liability, was recorded in the investment revaluation reserve.

### Cash flow and financing

HomeServe's business model continues to be highly cash generative with free cash flow in FY21 of £135.0m (FY20: £93.4m).

£million	2021	2020
<b>Adjusted operating profit</b>	<b>214.3</b>	201.7
Exceptional items	(92.4)	(7.6)
Certain transaction related costs	(5.1)	—
Amortisation of acquisition intangibles	(45.0)	(35.5)
<b>Operating profit</b>	<b>71.8</b>	158.6
Impact of exceptional items	92.2	7.6
Impact of certain transaction related costs	5.1	—
Depreciation and amortisation	123.5	109.1
Non-cash items	10.2	9.2
Increase in working capital	(25.1)	(44.1)
<b>Cash generated by operations</b>	<b>277.7</b>	240.4
Net interest and associated borrowing costs	(21.7)	(18.5)
Repayment of lease principal	(14.8)	(12.4)
Taxation	(35.1)	(30.2)
Capital expenditure - ordinary	(71.1)	(79.0)
Capital expenditure - acquisitions of policy books	—	(6.9)
<b>Free cash flow</b>	<b>135.0</b>	93.4
Acquisition of subsidiaries	(77.3)	(140.6)
Disposal of subsidiary	(3.9)	—
Acquisition of non-controlling interest	—	(7.7)
Contribution to equity accounted investee	(2.2)	—
Proceeds on disposal of equity accounted investment	—	8.4
Equity dividends paid	(80.5)	(73.5)
Purchase of own shares	—	(3.0)
Proceeds on issue of share capital	—	0.1
<b>Net movement in cash and bank borrowings</b>	<b>(28.9)</b>	(122.9)
Impact of foreign exchange and other non-cash items	23.1	(11.5)
Net debt acquired	(4.3)	(11.8)
IFRS 16 lease liabilities acquired	(4.0)	(3.4)
Lease liabilities – adoption of IFRS 16	—	(52.6)
Movement in IFRS 16 lease liabilities	9.4	(2.1)
Opening net debt	(509.0)	(304.7)
<b>Closing net debt</b>	<b>(513.7)</b>	(509.0)

### Working capital

Working capital absorption was £25.1m in FY21 (FY20: £44.1m) slightly lower than guided, reflecting the strengthening of sterling, with its impact on closing receivables in North America, as well as the timing benefit of partner payments around the year end.

### Capital expenditure

Total capital expenditure of £71.1m (FY20: £85.9m) included £12.8m (FY20: £21.0m) of payments made to partners who undertake marketing activity to acquire customers on HomeServe's behalf. This activity continued to grow in France, but was more than offset by declines in North America and Spain.

The balance of £58.3m (FY20: £64.9m) principally comprised technology investments in customer and network management systems in Membership, and investments to underpin efficient trades growth at Checkatrade.

### Acquisitions

M&A activity continued to support HomeServe's growth ambitions, incurring a cash outflow in the year of £77.3m (FY20: £140.6m). There were two material acquisitions in the year;

- Solusat Asistencia Técnica S.L., ("Solusat"), enhancing the scale and scope of HomeServe's HVAC capabilities in Spain
- Mesos Gestión y Servicios S.L., ("Mesos"), expanding the product range and customer base of the Spanish claims handling business, as well as bringing an entry into Portugal.

An additional 25 businesses were acquired for a net cash outflow of £41.0m as the Group continued the pursuit of its HVAC buy-and-build strategy in North America, France, Spain and the UK, and Home Experts completed an acquisition in North America to bring further technical capability and in Italy, to bring further scale in that market.

The total cash outflow on acquisitions of £77.3m consisted of £73.7m net cash outflow in the year, as well as £3.6m paid on deferred and contingent consideration relating to previous business combinations (FY20: £6.4m).

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

### Purchase of own shares

During the year no shares were repurchased (FY20: 249,975 shares repurchased at a cost of £3.0m). No shares were transferred to individuals to satisfy awards (FY20: nil).

### Earnings per share

Basic earnings per share for the year decreased by 71% to 9.3p from 31.7p due principally to the impact of the exceptional items discussed above. On an adjusted basis, earnings per share increased 3% from 41.3p to 42.7p. The weighted average number of shares increased from 334.2m to 335.8m principally due to new shares issued in fulfilment of share schemes that vested in the year.

### Dividends

Given the Group's resilient performance, and the Board's confidence in HomeServe's future growth prospects, the Board is proposing to increase the final dividend to 19.8p per share (FY20: 17.8p) to be paid on 2 August 2021 to shareholders on the register on 2 July 2021.

Together with the interim dividend declared in November 2020 of 6.2p (November 2019: 5.8p), this represents a 10% increase in the total ordinary dividend payment for the year of 26.0p (FY20: 23.6p), which is 1.64x covered by the FY21 adjusted earnings per share (FY20: 1.75x).

### Financing

In FY21 the Group continued to target net debt in the range of 1.0-2.0x adjusted EBITDA, measured at 31 March each year. With adjusted EBITDA of £292.8m and net debt of £513.7m, including c.£51m of lease liabilities at 31 March 2021, the Group was inside its target range at 1.8x. Due to the ordinary seasonality of the business, net debt is expected to increase at the next half year before declining, absent any future M&A.

During the year the Group raised an additional \$250m and £54m via the US private placement market. The proceeds were used to clear headroom on the revolving credit facility (RCF).

As at year end, HomeServe had gross debt of £634m against its gross debt facilities of £1,036m, which combined with a cash balance of £171m gives a total headroom of £573m. With this headroom, and with only £26m of the facilities due within the next 12 months, the Group is well positioned to take advantage of compelling growth opportunities.

Net interest and borrowing costs paid increased to £21.7m (FY20: £18.5m) principally due to the higher average net debt figure year-on-year.

### Foreign exchange impact

The impact of changes in the Euro and USD exchange rates between FY20 and FY21 resulted in a £12.4m decrease in the reported revenue and a £3.3m decrease in adjusted operating profit of the international businesses as summarised in the table below, largely as a result of an adverse movement in the US dollar/Sterling rate. The impact of foreign exchange on statutory operating profit was in line with this.

With an increasing proportion of HomeServe's profits generated overseas, the potential translation impact of foreign exchange movements on reported profits may have a larger impact. A ten cent movement in the FY21 average USD rate of 1.31 and the Euro rate of 1.12 would have had approximately a £9.1m and £5.9m impact respectively on full year adjusted operating profit.

With respect to HomeServe's joint venture in Japan, the impact of future movements in the Yen is not currently material.

### Customers

HomeServe Membership's growth strategy aims for the business to provide its products to more homeowners. It does this by successfully marketing its products to end consumers and by delivering high standards of service. HomeServe's customer KPI measures its success in achieving this aim.

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

		Effect on (£m)				
		Average exchange rate			Revenue	Adj. operating profit
		2021	2020	Change	2021	2021
North America <sup>1</sup>	\$	1.31	1.27	3%	(20.1)	(4.8)
France	€	1.12	1.15	(3%)	3.3	1.1
Spain	€	1.12	1.15	(3%)	4.2	0.5
Home Experts <sup>2</sup>	€	1.12	1.15	(3%)	0.2	(0.1)
<b>Total International</b>					<b>(12.4)</b>	<b>(3.3)</b>

<sup>1</sup> North America comprises US dollar denominated earnings from Membership & HVAC – North America and eLocal.

<sup>2</sup> Home Experts is reported in GBP due to the different currencies used by the operating businesses within the segment. This table shows the impact of foreign exchange movements in the Euro for the results of Habitissimo.



## Section 172(1) statement

### Duty to promote the success of the Company

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

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


#### Statement

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

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

Examples of matters discussed in the year by the Board and their impact on, amongst others, employees, customers and shareholders are included in the table below and discussed throughout the Strategic report and in the Governance section on pages 2 to 123.

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

THE BOARD HAS HAD REGARD TO THE FOLLOWING MATTERS:	WHERE YOU CAN FIND OUT MORE	
<p><b>Long-term results – the likely consequences of any decision in the long-term</b></p> <p><b>Example:</b> the Board reviewed the Group's strategy during the year and concluded that it remains appropriate to support the long-term success of the Company. Shorter-term expectations in respect of the strategy are approved as part of the budget process, against which performance is then monitored. Decisions taken during the year are made in the context of the strategy and with regard to the Group's capital allocation model.</p>	<p><b>STRATEGIC REPORT</b></p> <p>Chairman's statement 4</p> <p>Chief Executive's review 6</p> <p>Market overview 10</p> <p>Business model and strategy 12</p> <p>Key performance indicators 18</p> <p>Principal risk and uncertainties 32</p> <p>Viability statement 54</p> <p><b>GOVERNANCE</b></p> <p>Board leadership and company purpose 63</p>	
<p><b>Our workforce – the interests of our employees</b></p> <p><b>Example:</b> our people are critical to the success of our business and the Board has ultimate responsibility for ensuring the Group's decisions consider their interests. This has been particularly apparent over the last year in respect of our response to the COVID pandemic. We have been focused on the longer-term and none of our people has been made redundant as a result of the pandemic and we have not accessed any government assistance.</p>	<p><b>STRATEGIC REPORT</b></p> <p>Business model and strategy 12</p> <p>Responsible business 20</p> <p><b>GOVERNANCE</b></p> <p>Board leadership and company purpose 63</p> <p>Nomination Committee report 76</p> <p>People Committee report 79</p>	
<p><b>Our business relationships – the importance of developing the Group's business relationships with suppliers, customers and others</b></p> <p><b>Example:</b> managing these relationships is critical in ensuring the Group delivers on its strategy. These relationships were also tested by the COVID pandemic and steps taken to ensure that our Membership customers were supported if they were facing financial hardship. In addition, in respect of our trades (tradespeople), monthly subscriptions were suspended in the months when they were unable to work due to lockdown restrictions.</p>	<p><b>STRATEGIC REPORT</b></p> <p>Market overview 10</p> <p>Business model and strategy 12</p> <p>Responsible business 20</p> <p><b>GOVERNANCE</b></p> <p>Board leadership and company purpose 63</p>	

THE BOARD HAS HAD REGARD TO THE FOLLOWING MATTERS:	WHERE YOU CAN FIND OUT MORE	
<p><b>The community and our environment – the impact of the Group’s operations on the community and the environment</b></p> <p><b>Example:</b> the Group seeks to have a positive impact on the communities in which it operates and reduce its impact on the environment. During the year we established a new Group Corporate Responsibility Committee to assist in providing some focus to our strategy. The Board approved an Environment Policy and targets and also a Responsible Business Policy. In response to the pandemic, free emergency jobs were offered to NHS workers in the UK during the first lockdown.</p>	<p><b>STRATEGIC REPORT</b> Responsible business</p>	20
<p><b>Our reputation – our desire to maintain our reputation for high standards of business conduct</b></p> <p><b>Example:</b> during the year, the Group has reviewed its Code of Business Conduct and the Executive Committee and the People Committee have been closely involved in the development of the HomeServe Way.</p>	<p><b>STRATEGIC REPORT</b> Chairman’s statement Chief Executive’s review Responsible business</p>	4 6 20
<p><b>Our shareholders – the need to act fairly as between members of the Company</b></p> <p><b>Example:</b> the Board seeks to ensure that communications are clear and its actions are in accordance with the Group’s stated strategic aims to promote the long-term success of the Company. During the course of the pandemic, we have successfully adapted the way in which we engage with shareholders and as a result, have been able to engage with many more of our investors.</p>	<p><b>STRATEGIC REPORT</b> Chairman’s statement Responsible business</p> <p><b>GOVERNANCE</b> Chairman’s overview Board leadership and company purpose Directors’ report</p>	4 20 58 63 119

# Viability statement

In accordance with provision 31 of the UK Corporate Governance Code July 2018, the Directors have assessed the viability of the Group over a three-year period to 31 March 2024. The Directors believe that a three-year forward-looking period is appropriate as it is aligned to the timeframe that management focus upon, the performance period in respect of the long-term incentive scheme for senior management, and it is the period of assessment for recoverable values of cash generating units.

The Group has a formalised process of budgeting, reporting and review along with procedures to forecast its profitability, capital position, funding requirements and cash flows. These plans provide information to the Directors on a regular and timely basis and are used to ensure the adequacy of resources available for the Group to meet its business objectives, both on a short-term and strategic basis. The plans for the period commencing on 1 April 2021 were initially reviewed by the Executive Committee in February 2021 and subsequently approved by the Board in March 2021.

Through FY21, trading in the Membership and HVAC businesses remained very resilient against the backdrop of the COVID pandemic, with the Group retention rate increasing compared to FY20 and marketing activity resuming in early summer 2020 in all markets with take-up rates in line with the Directors' expectations.

The initial impact of stay-at-home restrictions on the Group's Home Experts businesses was more pronounced, with the core customer base - tradespeople providing largely non-emergency services - unable to access homes, and therefore work. However, whilst the Group's territories have subsequently seen further rolling stay-at-home restrictions since the initial lockdown measures of spring 2020, in all cases, tradespeople have been able to access homes to perform non-emergency services, which combined with strong consumer demand in the Group's Home Experts businesses since summer 2020 has seen these businesses return to good growth.

As such, though uncertainty related to the future course of the impact of the pandemic remains, which provides for a more cautious outlook, the operating environment for the Group's businesses has sufficiently stabilised such that the formal budgeting process for the period commencing 1 April 2021 proceeded without the need for further specific scenario modelling related to the pandemic.

In making this year's Viability statement, the Board also carried out a robust assessment of the principal risks facing the Group. The Principal Risk and Uncertainties set out the principal strategic, operational and financial risks which could threaten HomeServe's business model, future performance and growth plans and its liquidity or solvency. HomeServe has a robust risk management framework (See page 32 Principal risk and uncertainties) which addresses its risk appetite and Risk Policy and continues to review both emerging risks and opportunities.

One such evolving area, presenting both risks and opportunities, is that of climate change. National governments are increasingly considering the requirement to de-carbonise residential heating as part of their Net Zero commitments. This legislative agenda also brings opportunities however, as homeowners will require support and specialist technical skills - such as those offered by the UK Membership business - as they seek to transition to less carbon-intensive forms of residential heating.

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

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

- the impact of the loss of a key partnership in the Membership business
- the impact of reduced customer focus across the Group
- market disruption from a new competitor, with particular reference to North America, the Group's largest current opportunity
- the impact of new or amended regulation and legislation
- the impact of losing a key underwriting relationship in the Membership business
- the impact of further national lockdowns resulting from the continuation of the pandemic, in line with existing arrangements whereby trades are still able to work in consumers' homes.

## Going concern

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

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

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

- the geographical spread of HomeServe's operations
- a large and diverse portfolio of commercial partnerships
- high customer retention
- a strong financial position with over £570m of headroom in its debt facilities at 31 March 2021
- historic and ongoing compliance with all banking covenants
- a small, but increasing, contribution from other business lines with Home Experts and HVAC each growing revenues this financial year.

The business is geographically spread across the UK, Continental Europe, North America and has a developing presence in Japan. In each established territory, the business has long-term contractual relationships with utility businesses providing access to 118m households under Utility Partner brands. Retention rates are high across all established businesses, resulting in stable and recurring cash flows from a large, diverse base of 8.3m customers.

Considering the Group's current position, the principal risks and the Board's assessment of the Group's future, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a period of at least three years to 31 March 2024.

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

The Directors have reviewed the Group's budget, forecast and cash flows for 2022 and beyond, and concluded that they are in line with their expectations with regards to HomeServe's strategy and future growth plans. In addition, the Directors have reviewed the Group's position in respect of material uncertainties and have concluded that there are no items that would affect going concern or that should be separately disclosed.

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

### David Bower


Chief Financial Officer  
18 May 2021











# Non-financial information statement

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

Copies of policies referred to in the table can be accessed online:

 [www.homeserveplc.com/who-we-are/governance/policies](http://www.homeserveplc.com/who-we-are/governance/policies)

REQUIREMENT	OUR POLICIES	WHERE YOU CAN FIND OUT MORE
<b>Anti-bribery and anti-corruption</b>	Financial Crimes and Sanctions Whistleblowing	 See page 24 Responsible business.
<b>Employees</b>	Code of Business Conduct	 See page 24 Responsible business.
<b>Environment</b>	Group Environmental Policy	 See page 30 Responsible business.
<b>Human rights</b>	HomeServe does not currently have a human rights policy but all businesses are expected to comply with key policies regarding e.g. employment rights and equal opportunities.	 See page 24 Responsible business.
<b>Social activities</b>	Responsible Business Policy	 See page 24 Responsible business.
<b>Description of the principal risks and impact of business activity</b>	n/a	 See page 32 Principal risk and uncertainties.
<b>Description of the business model</b>	n/a	 See page 12 Business model and strategy.
<b>Non-financial Key performance indicators</b>	n/a	 See page 18 Key performance indicators.

## STRATEGIC REPORT 2021

For and on behalf of the Board

### RICHARD HARPIN

Founder and Chief Executive

18 May 2021

Using our skills to support the communities we touch



We want our people and partners to be proud to be associated with us

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# Chairman's overview



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"I feel proud to be handing over to Tommy Breen a Board that understands the need to be accountable to our shareholders for ensuring that governance processes are in place and are effective, and which is fully committed to meeting the required standards of corporate governance."

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Dear Shareholder

I am pleased to present this year's Corporate governance report which is my last as Chairman. As a Board, we continue to believe that good corporate governance and doing business responsibly underpin good business performance. I feel proud to be handing over to Tommy Breen a Board that understands the need to be accountable to our shareholders for ensuring that governance processes are in place and are effective, and which is fully committed to meeting the required standards of corporate governance.

## Purpose and Board focus

Our purpose is to make home repairs and improvements easy, and I believe that clarity of purpose makes it easier for the Board to operate and make decisions.

During the year the Board continued to focus on promoting a disciplined approach to investing for growth, guided by our purpose and our ambition to be able to do every job, in every home but we have also increasingly focused on our responsibilities, particularly in respect of our environmental impact. I was pleased to be able to take on the role of Chairman of a newly formed Group Corporate Responsibility Committee, made up of representatives from our operating businesses, which has been instrumental in developing our plans. The Board has now approved our Environment Policy and targets along with a Responsible Business Policy. I believe that formalising our ESG approach in this way is a positive step in demonstrating our commitment to these important issues.

Operational resilience and future growth have been key themes at our meetings during FY21. We are encouraged by the progress being made at Checktrade and continue to believe in our growth prospects in North America. Considerable time has been spent discussing international development and having carefully considered our options, the Board agreed that adopting a 'near neighbour' strategy focusing on adjacent territories such as Canada, Belgium and Portugal was the optimum way to proceed.

I feel it is always important to review past decisions as well as looking to the future. The Board's review of our investment in the eServe customer relationship management system in the UK led us to conclude that we should write down that investment and move forward in a different way, taking into account the learnings from our other Membership businesses.

## Leadership and board effectiveness

As a Board, we need to ensure that we have the right people and leadership to deliver our strategy and plans. Talent is an ongoing challenge in a growing business and the Board and the People Committee have encouraged management to ensure that we have the right resource to support our stretching plans for growth. We are making good progress in identifying new talent and in developing our internal talent.

I am proud of how the business has reacted to the COVID pandemic. The way in which the leadership team and the workforce rose to the multiple uncertainties presented by the crisis epitomised our three key cultural behaviours of courage, persistence and integrity.

It has been a testing year for all Boards and like others, we have had to change the way we operate to accommodate local lockdowns. Board meetings by video have been a real learning opportunity but I feel we have faced the change positively and have been able to maintain an engaged and supportive environment in our virtual Boardroom. It is a credit to the Board that we have been able to recruit a new Chairman, Tommy Breen, a new Executive Director, Ross Clemmow and a new Non-Executive Director, Roisin Donnelly, while working remotely. We are all looking forward to a time when we can meet together in one physical location.

During the year, a questionnaire-based review of the Board and its committees was facilitated by Lintstock Limited. Further detail on the review is provided on page 75. Based on this review and my experience as Chairman, I am satisfied that the Board and its Committees are performing efficiently and that there is an appropriate balance of skills, experience, knowledge and independence to enable the Board to discharge its duties effectively.

### Board changes

I will be stepping down as Chairman on 18 May 2021 and Tommy Breen will take over. He is an experienced non-executive director and until 2017 was Chief Executive of DCC plc, the FTSE 100 listed international sales, marketing and support services group, where he spent a highly successful 30 year career. A chartered accountant by training, Tommy brings to HomeServe an extensive track record of delivering sustainable growth in a diverse, international business, both organically and by acquisition. Tommy joined the Board on 27 January 2021 and he and I have been working closely together since then to achieve a smooth handover of responsibilities.

In March, we welcomed Ross Clemmow as CEO EMEA and Roisin Donnelly as a Non-Executive Director. Ross brings considerable digital and consumer expertise to HomeServe's Executive team. Since 2019, he has fulfilled the dual role of CEO of WiggleCRC, the international online sports retailer, and Managing Director within the Operational Support Group of Bridgepoint, where he has been responsible for improving digital capability across Bridgepoint's portfolio. Prior to this, Ross held senior retail management roles at Debenhams and Argos. Ross's appointment frees up Tom Rusin to focus on a US-based role as Chief Executive, North America, with responsibility there for Membership and HVAC. Tom retains global product responsibility for utility-based Membership.

Roisin spent 30 years with Procter & Gamble and has undertaken advisory roles with Facebook, John Lewis and Coca-Cola European Partners, along with non-executive positions with family owned, private equity backed and listed businesses and this has enabled her to add immediate value to our Board discussions.

### Future outlook

The COVID pandemic has created great uncertainty for businesses across the world and there will no doubt be further difficult times ahead. Our appreciation of our homes has never been greater which means our purpose of making home repairs and improvements easy has never been more relevant. I feel sure that continued discipline and focus at Board level will help HomeServe thrive despite the challenging environment and I wish all of my colleagues every success in the future.

### JM Barry Gibson

Chairman  
18 May 2021



# Compliance and other statements

## Compliance with the UK Corporate Governance Code

The principles set out in the UK Corporate Governance Code ('the Code') emphasise the value of good corporate governance to the long-term sustainable success of listed companies. These principles, and the supporting provisions cover five broad themes and the Board is responsible for ensuring that the Company has appropriate frameworks in place to comply with the requirements of the Code.

The Board believes that throughout FY21, the Company has applied the principles and complied with the majority of the relevant provisions of the Code. We did not comply with provisions 9 and 19 as our Chairman, Barry Gibson has served on the Board since 2004 and has been Chairman since 2010. Barry steps down from the Board on 18 May 2021 and will be replaced as Chairman by Tommy Breen who joined the Board in January 2021 and is independent. In addition, we did not comply with provision 38 as the pension contributions paid in respect of two of our Executive Directors are not aligned to those available to the workforce. Pension contributions for the Directors concerned will be reduced to the level of the workforce at the end of December 2022.

The Code is available at [www.frc.org.uk](http://www.frc.org.uk)

## Application of UK Corporate Governance Code Principles

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

### Board leadership and company purpose

#### Principle A

A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

Strategic report pages 2 to 56.  
Governance pages 57 to 123.  
Directors' remuneration report pages 92 to 118.

#### Principle B

The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

Strategic report pages 2 to 56.  
Board leadership and company purpose pages 63 to 66.  
Division of responsibilities pages 67 to 70.  
Directors' remuneration report pages 92 to 118.

#### Principle C

The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Responsible business pages 20 to 31.  
Principal risks and uncertainties pages 32 to 37.  
Section 172(1) statement pages 52 to 53.  
Audit, risk and internal control pages 81 to 83.  
Audit & Risk Committee report pages 84 to 91.

#### Principle D

In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

Responsible business pages 20 to 31.  
Section 172(1) statement pages 52 to 53.  
Shareholder relations page 66.

#### Principle E

The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

Responsible business pages 20 to 31.  
Section 172(1) statement pages 52 to 53.  
Board leadership and company purpose pages 63 to 66.  
Directors' remuneration report pages 92 to 118.

**Division of responsibilities****Principle F**

The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

Board leadership and company purpose pages 63 to 66.  
Division of responsibilities pages 67 to 70.

**Principle G**

The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

Division of responsibilities pages 67 to 70.  
Board biographies pages 71 to 72.

**Principle H**

Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

Board leadership and company purpose pages 63 to 66.  
Division of responsibilities pages 67 to 70.  
Audit & Risk Committee report pages 84 to 91.

**Principle I**

The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

Responsible business pages 20 to 31.  
Board leadership and company purpose pages 63 to 66.  
Division of responsibilities pages 67 to 70.  
Audit, risk and internal control pages 81 to 83.  
Audit & Risk Committee report pages 84 to 91.  
Directors' remuneration report pages 92 to 118

**Composition, succession and evaluation****Principle J**

Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Nomination Committee report pages 76 to 78.  
Composition, succession and evaluation page 71 to 80.

**Principle K**

The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

Board biographies pages 71 to 72.

**Principle L**

Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Nomination Committee report pages 76 to 78.  
Composition, succession and evaluation page 71 to 80.

**Audit, risk and internal control****Principle M**

The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

Audit, risk and internal control pages 81 to 83.  
Audit & Risk Committee report pages 84 to 91.

# Compliance and other statements

## Audit, risk and internal control

### Principle N

The board should present a fair, balanced and understandable assessment of the company's position and prospects.

Strategic report pages 2 to 56.  
Audit, risk and internal control pages 81 to 83.  
Audit & Risk Committee report pages 84 to 91.  
Financial statements pages 136 to 207.

### Principle O

The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

Principal risks and uncertainties pages 32 to 37.  
Viability statement pages 54 to 55.  
Audit, risk and internal control pages 81 to 83.  
Audit & Risk Committee report pages 84 to 91.

## Remuneration

### Principle P

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

Strategic report pages 2 to 56.  
Board leadership and company purpose pages 63 to 66.  
Directors' remuneration report pages 92 to 118.

### Principle Q

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

Directors' remuneration report pages 92 to 118.

### Principle R

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

Directors' remuneration report pages 92 to 118.

## Viability and going concern

Statements in respect of viability and going concern are set out on pages 54 to 55.

## Robust assessment of emerging and principal risks

The Board confirms that it has carried out a robust assessment of the emerging and principal risks facing the Group (including those which would threaten the business model, future performance, solvency, liquidity or reputation), its appetite with respect to those risks and the systems required to mitigate and manage them. Details on the review process are set out on pages 88. Further details on the emerging and principal risks and uncertainties can be found on page 32 to 37.

## Annual review of systems of risk management and internal control

The Board monitored the Group's systems of risk management and internal control and carried out a review of their effectiveness. The Board concluded that overall, these systems were effective. Details on the review process are set out on pages 81 to 83.

## Fair, balanced and understandable

The Directors consider that, taken as a whole, this Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. Details on the process for arriving at this conclusion are set out on page 88.

## Section 172(1)

The Directors have performed their duty under Section 172(1) of the Companies Act 2006. The statement on how this duty has been fulfilled is contained in the Strategic report on pages 52 to 53.

# Board leadership and company purpose

## The Board

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

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

HomeServe's business model is based on five key sources of value – partnerships, marketing expertise, customer service, local networks and financial resources and expertise. The Board discusses all of these, and their potential impacts, on a regular basis but the focus changes depending on business priorities and where the biggest potential lies. This year, the Board has spent time reviewing and challenging our growth plans, particularly in North America and Home Experts. There has also been continued focus on the plan to acquire HVAC businesses in each of our territories with the Board regularly reviewing the development of the strategy along with the performance of acquired businesses.

As well as looking for new opportunities, the Board also reviews existing activity and considers whether there is anything that the business should stop doing. During the year, having reviewed the international development opportunities and considered whether the capital allocation to this activity would create the most value for shareholders, it was agreed that international development should be limited in the near term to adjacent territories. As a result of this decision, the international business development team was disbanded.

There has been increased focus on our role as a responsible business over the last year and the Board has spent time discussing and agreeing a new Environment Policy and targets and a framework for a Responsible Business Policy. The Whistleblowing Policy has also been reviewed and a decision taken to move the reporting hotline to a new provider with the aim of making it easier for our people to access the service and share any concerns. In addition, a Group wide approach to Modern Slavery has been discussed and a new statement agreed.



# Board leadership and company purpose

## Continued

### Board activity in FY21

#### Strategy, operations and finance

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- Received regular updates from the Executives on trading performance
- Approved the annual budget and business plan
- Reviewed and approved the Group's FY20 and half year FY21 results (including dividends)
- Approved the FY20 Annual Report (including a fair, balanced and understandable assessment) and 2020 AGM Notice
- Reviewed the Group's debt, capital and funding arrangements including the US private placement funding
- Received updates on business plans and strategic initiatives (Checktrade, Membership, Habitissimo)
- Considered a number of international development opportunities and agreed to focus on adjacent territories.
- Discussed opportunities for automation
- Reviewed our investment in the eServe customer relationship management system and agreed to write it down
- Received regular updates on M&A activity
- Received updates on technology related developments
- Discussed and evaluated the ongoing delivery of the HVAC strategy
- Discussed the competitor landscape
- Reviewed and discussed customer insight from a number of the Group's businesses.

#### Leadership and people

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- Reviewed the succession plan for the Non-Executive Directors
- Considered organisational design and approved changes required to deliver the Group's strategy including the appointment of Ross Clemmow as CEO EMEA to allow Tom Rusin to focus on the growth opportunity in North America
- Discussed the talent pipeline and in particular, how diversity could be improved
- Received regular updates from the Chair of the People Committee
- Received updates on health & safety.

#### ESG

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- Approved a Responsible Business Policy
- Discussed environmental strategy and approved a new policy and targets for our scope 1 & 2 carbon footprint
- Received updates on ESG activity in each of the businesses.

#### Internal control and risk management

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

#### Governance and legal

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- Received updates on corporate governance developments
- Reviewed the matters reserved for the Board and the terms of reference of its Committees
- Received reports on engagement with investors and other stakeholders
- Conducted an externally facilitated evaluation of the Board's effectiveness and discussed the outcome
- Received regular reports from the Chair of the Audit & Risk Committee.

### Our purpose, values and culture

Our purpose is to make home repairs and improvements easy and this is underpinned by our values. The culture set by the Board is intended to deliver performance and growth whilst maintaining high standards of business conduct. Central to our focus on culture has been the development of the HomeServe Way (see page 25) which sets out the essential behaviours, skills and knowledge needed to be effective at HomeServe, based on the fundamentals of courage, persistence and integrity.

Stella David has been appointed as the designated workforce engagement Director and also chairs the People Committee. This activity is covered in the People Committee report on pages 79 to 80.

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

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

### Our stakeholders

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

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

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

The Board is advised of stakeholder views in a number of different ways:

- The monthly business review
- Business updates
- Presentations on strategic developments
- People Committee updates
- Succession plans
- Employee engagement survey results
- Annual General Meeting
- Corporate governance and regulatory development updates
- Presentations from external advisers and internal experts.

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

Matter discussed	Stakeholder groups considered	How the Board or Committee had regard to stakeholders	Decisions
<b>COVID pandemic response</b>	Shareholders, employees, customers, community, government	Consideration was given to: <ul style="list-style-type: none"> <li>• how we could maintain our services to customers (particularly vulnerable customers) during the crisis</li> <li>• how we could keep our workforce safe</li> <li>• how our core skills could be leveraged to support key workers</li> <li>• supporting our members and trades during financially uncertain times</li> <li>• the impact of these decisions on our ability to deliver our strategic plans and returns for shareholders.</li> </ul>	Decision taken not to furlough staff, to launch services to support health workers in the UK during the crisis, to provide support for Membership customers facing financial hardship and suspending payment of subscriptions for Home Experts trades who were unable to work during lockdown.

# Board leadership and company purpose

Continued

Matter discussed	Stakeholder groups considered	How the Board or Committee had regard to stakeholders	Decisions
<b>Reviewing the international development strategy</b>	Shareholders, employees	Consideration was given to: <ul style="list-style-type: none"> <li>investment opportunities elsewhere in the Group</li> <li>the use of people resources</li> <li>the risks in respect of entry into new countries</li> <li>use of our capital and the impact on returns for shareholders.</li> </ul>	Decision taken to focus international development on adjacent territories which can be managed by existing businesses.
<b>Agreeing the Environment Policy and targets</b>	The environment, shareholders, employees, government	Consideration was given to: <ul style="list-style-type: none"> <li>the impact of our operations on the environment</li> <li>government regulations and targets</li> <li>our reputation from a shareholder and employee perspective.</li> </ul>	A new policy was agreed along with a target in respect of our Scope 1 and 2 carbon footprint.

## Relations with shareholders

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

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

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

All resolutions were passed at the 2020 AGM with no significant adverse feedback received.

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

## Whistleblowing

A Whistleblowing Policy is in place and allows employees, franchisees and sub-contractors who wish to raise any issues of concern relating to the Group's activities to do so on a confidential basis by contacting an external hotline. The decision was taken during the year to change the provider of the external hotline with a view to making it easier to access and to raise concerns. The Policy was also reviewed during the year and is available on our website: [www.homeserveplc.com/who-we-are/governance/policies](http://www.homeserveplc.com/who-we-are/governance/policies)

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

# Division of responsibilities

The Chairman of the Board, Barry Gibson, is responsible for the effectiveness of the Board. He was independent on his appointment as Chairman in 2010 and will be stepping down on 18 May 2021. He will be succeeded by Tommy Breen who joined the Board as an Independent Non-Executive Director in January 2021.

The roles of the Chairman, Chief Executive and Senior Independent Director are clearly defined and written specifications are available on our website: [www.homeserveplc.com/who-we-are/governance](http://www.homeserveplc.com/who-we-are/governance)

Chairman	Chief Executive Officer	Senior Independent Director
<b>Key responsibilities</b>		
<ul style="list-style-type: none"> <li>• The effective running of the Board</li> <li>• Direction and focus</li> <li>• Guardian of the decision making process</li> <li>• Providing challenge</li> <li>• Ensuring the Board receives accurate, timely and clear information</li> <li>• Maintaining relationships with Executive and Non-Executive Directors.</li> </ul>	<ul style="list-style-type: none"> <li>• Management of the Group</li> <li>• Developing and proposing strategy</li> <li>• Implementing Board decisions</li> <li>• Maintaining an active dialogue with the Chairman</li> <li>• Leading shareholder communication.</li> </ul>	<ul style="list-style-type: none"> <li>• Supporting the Chairman on governance issues</li> <li>• Acting as a sounding board for the Chairman and a trusted intermediary for other Directors</li> <li>• Leading the annual review of the Chairman's performance</li> <li>• Leading the process to find a new Chairman.</li> </ul>

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

When Barry Gibson steps down as Chairman on 18 May 2021, there will be six Non-Executive Directors (excluding the new Chairman, Tommy Breen) and four Executive Directors.

Katrina Cliffe served as Senior Independent Director throughout the year.

All of the Non-Executive Directors provided independent challenge and oversight in respect of matters discussed at the Board and played an active role in the development of the strategy. As an example, they were instrumental in the decision taken to focus international development only in adjacent territories.

## The Board

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

Matters reserved to the Board include:

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

The full schedule is available on our website [www.homeserveplc.com/who-we-are/governance](http://www.homeserveplc.com/who-we-are/governance)

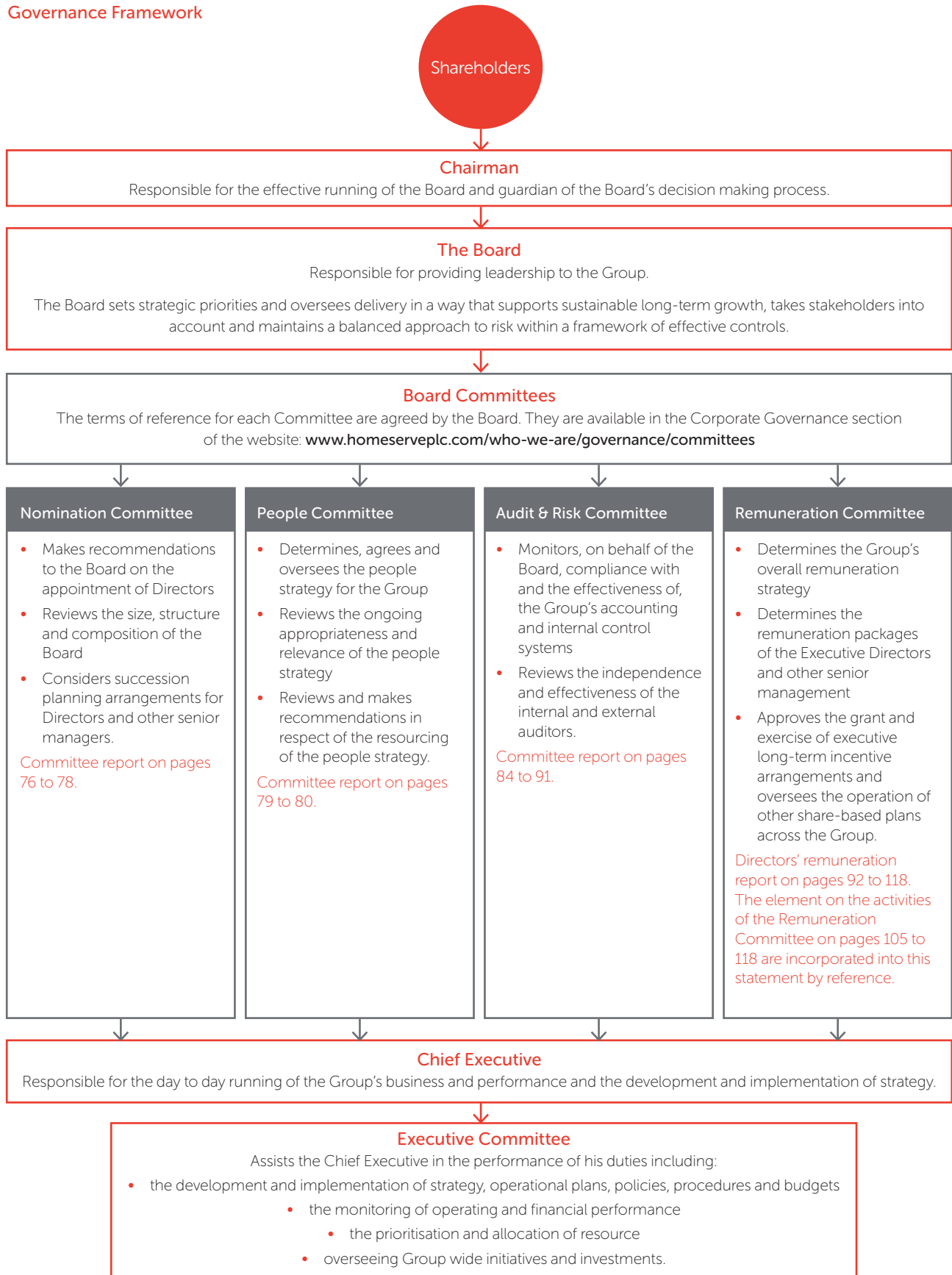
The Board has delegated certain of its responsibilities to the Committees of the Board. Further detail on the work of the Committees is provided later in the Annual Report. The terms of reference of each of the Board's Committees are available on our website [www.homeserveplc.com/who-we-are/governance/committees](http://www.homeserveplc.com/who-we-are/governance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



# Division of responsibilities

Continued

## Governance Framework



### Time commitment

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

During the year, having stepped down as Chairman of C&J Clark Limited, in March 2021, Stella David was appointed as a Non-Executive Director of Domino's Pizza Group Plc and as Senior Independent Director of Entain plc. Having joined the Board of N Brown plc in 2013 and served as Senior Independent Director and Chairman of the Audit Committee, Ron McMillan became Chairman in March 2021.

Stella and Ron both discussed the proposed appointments with the Board during the recruitment process and it was agreed that, taking into account their other commitments, both had sufficient bandwidth to take on the roles.

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

### Board and other meetings

Eight regular meetings are usually held each year to review and monitor current and forecast performance. Regular reports on monthly financial and operational performance and other matters of importance to the Group ensure that the Board is supplied in a timely manner with the information necessary to make informed judgements. In addition, the Board has an annual strategy meeting to devise and discuss the Company's medium and long-term strategic focus and management development strategy.

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

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

### Attendance at meetings

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

	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee	People Committee
D Bower	9/9				3/3
R Clemmow	2/2				
R Harpin	9/9				3/3
T Rusin	9/9				3/3
T Breen	3/3				
K Cliffe	9/9	3/3	6/6	3/3	3/3
S David	9/9		2/2	2/2	3/3
R Donnelly	1/1				
J M B Gibson	9/9		6/6	2/2	3/3
E Fitzmaurice	9/9	3/3	5/6	2/3	
O Grémillon	9/9		5/6		
R McMillan	9/9	3/3	6/6	3/3	2/3

# Division of responsibilities

## Continued

### Executive Committee

#### Members

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

### Responsibilities

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

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

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

Short biographies of the members of the Executive Committee who are not on the Board, are set out on page 73.

# Composition, succession and evaluation

## Board of Directors



### 1 JM Barry Gibson (69) Chairman

Appointed to the Board: April 2004

Appointed as Chairman: April 2010 (stepping down in May 2021)

Committee memberships: Nomination (Chair), Remuneration, People  
Barry was previously Group Retailing Director at BAA plc, Group Chief Executive of Littlewoods plc and Non-Executive Director of Somerfield plc, National Express plc, William Hill plc, SSP Group Ltd, bwin.party digital entertainment plc and Non-Executive Chairman of Harding Brothers Holdings Ltd.

Key areas of experience and contribution: Retailing, travel, leisure, general management with strong leadership skills

Principal current external appointments: Chairman of Entain plc

### 2 Richard Harpin (56) Chief Executive

Appointed to the Board: May 2001

Committee memberships: Executive, People

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

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

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

### 3 David Bower (49) Chief Financial Officer

Appointed to the Board: February 2017

Committee memberships: Executive, People

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

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

Principal current external appointments: None

### 4 Ross Clemmow (46) CEO, EMEA

Appointed to the Board: March 2021

Committee memberships: Executive

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

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

Principal current external appointments: London City Airport Limited



# Composition, succession and evaluation

## Board of Directors

### 5 Tom Rusin (52)

CEO, North America

Appointed to the Board: May 2017

Committee memberships: Executive, People

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

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

Principal current external appointments: None

### 6 Tommy Breen (62)

Non-Executive Director (Independent)

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

Committee memberships: Nomination, Remuneration, People

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

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

Principal current external appointments: Senior Independent Director of Essentra plc

### 7 Katrina Cliffe (54)

Senior Independent Director (Independent)

Appointed to the Board: May 2017

Committee memberships: Remuneration (Chair), Audit & Risk, Nomination, People

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

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

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

### 8 Stella David (58)

Non-Executive Director (Not Independent)

Appointed to the Board: November 2010

Committee memberships: People (Chair)

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

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

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

### 9 Roisin Donnelly (59)

Non-Executive Director (Independent)

Appointed to the Board: March 2021

Committee memberships: People

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

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

Principal current external appointments: Adviser to the Internet Advertising Bureau Ltd

### 10 Edward Fitzmaurice (58)

Non-Executive Director (Independent)

Appointed to the Board: May 2017

Committee memberships: Audit & Risk, Nomination, Remuneration

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

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

Principal current external appointments: None

### 11 Olivier Grémillon (41)

Non-Executive Director (Independent)

Appointed to the Board: March 2019

Committee memberships: Remuneration

Olivier is currently Vice President, Global Segments, at Booking.com. He was previously the Managing Director for Europe, the Middle East and Africa at Airbnb, having joined them as the Country Manager for France. He started his career in strategy consulting and worked for both Deloitte and McKinsey & Company.

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

Principal current external appointments: Vice President, Global Segments, Booking.com

### 12 Ron McMillan (68)

Non-Executive Director (Independent)

Appointed to the Board: October 2017

Committee memberships: Audit & Risk (Chair), Remuneration, Nomination, People

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

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

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

## Executive Team



**13 Bruce Aronow (55)**  
CEO, eLocal

Committee memberships: Executive

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

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

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



**14 Deb Dulsky (50)**  
Global CEO, HVAC

Committee memberships: Executive

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

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

Principal current external appointments: None



**15 Mike Fairman (54)**  
CEO, Checktrade

Committee memberships: Executive

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

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

Principal current external appointments: None



**16 Guillaume Huser (54)**  
CEO, HomeServe France

Committee memberships: Executive

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

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

Principal current external appointments: None



**17 Rob Judson (37)**  
Global Chief Automation Officer, Membership

Committee memberships: Executive

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

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

Principal current external appointments: Trustee for Walsall FC Community Fund



**18 John Kitzie (67)**  
CEO, HomeServe UK

Committee memberships: Executive

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

Key areas of prior experience: Retail, merchandise, service delivery, partner management

Principal current external appointments: None



**19 Anna Maughan (51)**  
Company Secretary

Appointed as Company Secretary: July 2008

Committee memberships: Executive

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

Key areas of prior experience: Company secretarial, pensions

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



**20 Fernando Prieto (55)**  
CEO, HomeServe Spain

Committee memberships: Executive

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

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

Principal current external appointments: Trustee of Fundación Area XXI

# Composition, succession and evaluation

## Continued

### Board composition

When Barry Gibson steps down on 18 May 2021, the Board will be comprised of seven Non-Executive Directors (including the Chairman) and four Executive Directors. The Non-Executive Directors have a diverse range of skills and experience which enables them to oversee business performance and provide constructive challenge. The Executive Directors have extensive commercial, financial and operational experience both within HomeServe and beyond.

Short biographies of each of the Directors, including their membership of Committees, are set out on pages 71 to 72.

### Board development

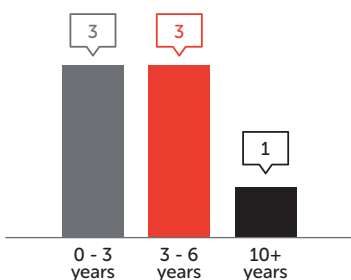
New members of the Board receive a tailored induction organised by the Company Secretary which usually includes visits to the different territories and operations. During the year, a comprehensive programme of video meetings was provided for new Directors and the intention is that once travel is once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

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

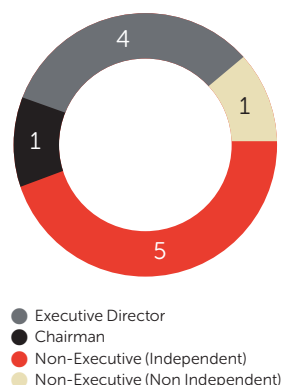
### Succession

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

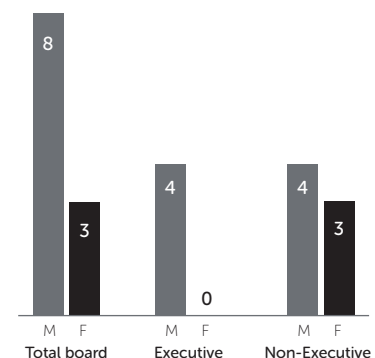
Length of tenure of Chairman and Non-Executive Directors



Board Independence



Board Gender Diversity



The data reflects the position as at May 2021 when JM Barry Gibson steps down.

### Board evaluation

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

Online questionnaires are completed by all Directors on an annual basis and responses are collated into a report which is discussed at a Board meeting. Every third year, Lintstock interview all of the Directors so that any themes can be developed and feedback investigated in more depth. Interviews were last conducted in FY18. The questionnaires cover topics such as board composition and dynamics, strategic and operational oversight, risk management and internal control, succession planning and human resources as well as priorities for change.

As a result of the FY20 review, the main areas identified by the Board for continued focus and the actions taken were as follows:

Area of focus	Actions taken
The process to identify a successor to the Chairman and implement a more formal succession plan for the Non-Executives	<ul style="list-style-type: none"> <li>Recruitment of a new Chairman was completed</li> <li>A succession plan was developed for the Non-Executives and discussed by the Board in July 2020</li> <li>A recruitment process was started in respect of new Non-Executives and one appointment was made.</li> </ul>
The monitoring and challenge of technological and digital programmes	<ul style="list-style-type: none"> <li>An external review was completed in respect of the programme to replace the customer relationship management system in the UK and presented to the Board</li> <li>Updates were provided to the Board in respect of the other technology programmes being delivered</li> </ul>
Ongoing, in-depth monitoring of the competitive environment and the changing needs of customers.	<ul style="list-style-type: none"> <li>A detailed review of the competitive environment was discussed at the Board Strategy Meeting and actions agreed in respect of ongoing monitoring</li> <li>An interactive session on customer needs was presented at the Board Strategy Meeting.</li> </ul>

In FY21, Directors completed online evaluation questionnaires in December 2020 and Lintstock compiled a formal written report summarising the Directors' views. This report was discussed by the Board in February 2021. Key findings included:

- a high overall level of satisfaction with the functioning of the Board, the competence and capabilities of the Directors and the quality of relationships between members of the Board
- the level of support and challenge provided by the Board to management was viewed positively
- the performance of the Committees was rated positively including the nature of the work undertaken on behalf of the Board.

It was agreed that key priorities for FY22 should be:

- ensuring that the new Chairman was given the support needed to make his appointment a success
- continued focus on the Non-Executive pipeline including the need for increased diversity
- continued provision of insight in respect of the less prominent stakeholders.

It was acknowledged that the Board had not had the opportunity to engage as much as usual with the workforce and management below Board and it was agreed that once lockdowns across the world were eased and travel was permitted again, meetings in different locations would be arranged.



# Composition, succession and evaluation

## Nomination Committee report



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“This has been a busy year in respect of board appointments and our efforts to improve the diversity of the Board will continue into FY22.”

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I am pleased to present the Nomination Committee report for the year ended 31 March 2021. This has been a busy year in respect of board appointments and our efforts to improve the diversity of the Board will continue into FY22.

### Members

J M Barry Gibson (Chairman – stepping down on 18 May 2021)  
Tommy Breen (appointed 26 March 2021, Chairman from 19 May 2021)  
Katrina Cliffe  
Edward Fitzmaurice  
Ron McMillan

### Responsibilities

The primary responsibilities of the Committee are to:

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

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

### Key issues considered during the year

Three searches were undertaken during the year and three appointments were made.

A specific sub-committee of the Board was appointed in FY20 to commence a search for a new Chairman. The process was led by Katrina Cliffe, our Senior Independent Director and the other members of the sub-committee were Ron McMillan, Stella David, Edward Fitzmaurice and Richard Harpin. The relationship between Chairman and Chief Executive Officer is of paramount importance and it was therefore agreed that it was vital to ensure that Richard's views could be considered early in the process.

Three leading consultants were interviewed and Spencer Stuart were selected to assist in the search. Spencer Stuart has undertaken both non-executive and executive searches for the Group. It has no other current connection to HomeServe or to individual Directors. Spencer Stuart is a signatory to the Voluntary Code of Conduct for Executive Search Firms.

Spencer Stuart spoke to all members of the Board in order to inform the candidate specification which included having served as a chief executive of a substantial business, international exposure and non-executive experience. They then presented a long list of candidates for consideration. The sub-committee met to consider the long list and agree which potential candidates should be approached. A series of interviews were then held and the short-listed candidates met with all other Board members. Following this, the Nomination Committee met and agreed that a recommendation be made to the Board that Tommy Breen be appointed.

Tommy is an experienced non-executive director and until 2017 was Chief Executive of DCC plc, the FTSE 100 listed international sales, marketing and support services group, where he spent a highly successful 30 year career. A chartered accountant by training, Tommy brings to HomeServe an extensive track record of delivering sustainable growth in a diverse, international business, both organically and by acquisition. Tommy joined the Board on 27 January 2021 and he and I have been working closely together since then to achieve a smooth handover of responsibilities.

Our second key search during the year was in respect of the position of CEO, EMEA. The Board recognises the potential for growth in North America and it was felt that Tom Rusin's role as CEO for Global Membership meant that there was not enough dedicated focus on this important market. It was decided that it would be beneficial to allow Tom to focus purely on North America and to recruit someone to take responsibility for the UK, French and Spanish Membership businesses and any new territory openings.

Spencer Stuart led the search and potential candidates were interviewed by a cross section of the Board with the short-listed candidates also being given the opportunity to meet other Senior Executives. A recommendation was made to the Board that Ross Clemmow be appointed and he joined the Board on 22 March 2021. Ross brings considerable digital and consumer expertise to HomeServe's Executive team. From 2019, he fulfilled the dual role of CEO of WiggleCRC, the international online sports retailer, and Managing Director within the Operational Support Group of Bridgepoint, where he was responsible for improving digital capability across Bridgepoint's portfolio. Prior to this, Ross held senior retail management roles at Debenhams and Argos.

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

Having reviewed a long list, the Committee interviewed a number of candidates before selecting a small number for the short list. The short-listed candidates met with all Board members and the feedback was considered by the Committee. As a result of this process, a recommendation was made to appoint Roisin Donnelly and she joined the Board on 25 March 2021.

Roisin spent 30 years with Procter and Gamble and has undertaken advisory roles with Facebook, John Lewis and Coca-Cola European Partners, along with non-executive positions with family owned, private equity backed and listed businesses and this has enabled her to add immediate value to our Board discussions.

### Succession planning

We recognise the importance of ensuring that there is an appropriate pool of talented and capable individuals to fill senior roles and a succession planning process has been established across the Group to facilitate this. The process identifies emergency, short-term and long-term successors for each role. The Executive succession plan was considered by the Committee in January 2021.

The Board effectiveness survey in FY20 identified the need to develop a succession plan for our Non-Executive Directors to ensure that we could maintain the independence of the Board through a good balance of those individuals with some years of experience of HomeServe and those with a fresh perspective. A plan was therefore drafted and reviewed by the Board. We agreed that we needed to be more active in terms of managing the pipeline for Non-Executive Directors and we commenced recruitment activity which focused very much on improving the diversity of our Board. This activity continues.

### Diversity

We are committed to ensuring that our Board is appropriately diverse and that it reflects diversity in its broadest sense. A combination of demographics, skills, experience, race, age, gender, educational and professional background and other relevant personal attributes will ensure our Board is effective. We believe that diversity of experience and personal strengths are as important as diversity of gender and social and ethnic backgrounds. Our Board Diversity Policy is available on our website: [www.homeserveplc.com/media/ykdbtza0/homeserve-plc-board-diversity-policy.pdf](http://www.homeserveplc.com/media/ykdbtza0/homeserve-plc-board-diversity-policy.pdf)

# Composition, succession and evaluation

## Nomination Committee report continued

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

When I step down, 27% of the Board will be female. We recognise the target for FTSE350 companies to move towards 33% female representation and will use our best endeavours to further increase the number of female Board members over the next year. A recruitment process is under way.

Last year we committed to accelerating our focus on improving the gender balance of our global senior leadership team and we agreed to work towards 33% female representation on a combined basis across our Board, Executive Committee and their direct reports by March 2021, moving us towards the targets set out in the Hampton Alexander report. I am disappointed to report that at the year end, we had 27% female representation in that group but our efforts to improve the position will continue.

We appreciate that achieving the targets set out in the Hampton Alexander report is only a first step along the journey to a more diverse workforce and we recognise that we also need to take steps to achieve the targets set out in the Parker report. We are working with an external consultant to benchmark our performance and develop a rigorous strategic framework to improve our performance in respect of all forms of diversity.

More information on talent and diversity is provided in the Strategic report on pages 25 to 26.

**JM Barry Gibson**

Chairman

18 May 2021

# Composition, succession and evaluation

## People Committee report



STELLA DAVID

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"It has not been an easy year for our workforce; our office based staff have had to adapt to working remotely and our people in the field have faced their own challenges whilst continuing to support our customers."

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I am pleased to present the People Committee report in respect of the year ended 31 March 2021. It has not been an easy year for our workforce; our office based staff have had to adapt to working remotely and our people in the field have faced their own challenges whilst continuing to support our customers. From a Committee perspective, I have been keen to ensure that we were able to hear from the workforce about how they felt the business was handling the COVID pandemic whilst continuing to move forward with the matters on the People Committee agenda.

### Members

Stella David (Chairman)  
 Tommy Breen (appointed 26 March 2021)  
 Katrina Cliffe  
 Roisin Donnelly (appointed 26 March 2021)  
 J M Barry Gibson (stepping down on 18 May 2021)  
 Ron McMillan  
 David Bower  
 Richard Harpin  
 Tom Rusin

### Responsibilities

The primary responsibilities of the Committee are to:

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

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

### Key issues considered during the year

The People Committee met three times during the year. In addition to the members of the Committee, the Group People Director and the Company Secretary attended all Committee meetings.

Discussions during the year have been focused on the following:

- Our talent strategy including the development of apprenticeships through the HomeServe Foundation
- Diversity & inclusion
- Employee engagement including targets and action plans
- Leadership development including the embedding of the HomeServe Way.



# Composition, succession and evaluation

## People Committee report continued

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

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

The Committee has been closely involved in the UK team's plans to establish an apprenticeship academy under the auspices of the HomeServe Foundation. Skilled and experienced tradespeople are central to our purpose and there is currently a shortage of such people in all of our territories. Offering apprenticeships directly and in partnership with our trades and sub-contractors allows us to invest in the future and ensure that we can keep delivering the needs of our customers.

As the Group continues to expand through the acquisition of small HVAC businesses, the Committee also took the opportunity to consider how this activity is changing the make up of our workforce. 25% of our people now work in HVAC and for many of them, joining HomeServe is their first experience of the corporate environment. We want to ensure that the experience is a positive one where their businesses are supported to grow and prosper and are able to benefit from being part of a larger Group.

### Workforce engagement

I am the nominated Non-Executive Director in respect of workforce engagement and, to support me in that role, we have established an International People Forum. The Forum is made up of representatives from each of our businesses and it met twice during the year. The feedback from the Forum has been invaluable during this unusual year as they have been able to explain how people were feeling during the pandemic; initially while adjusting to working from home in many cases and more recently while facing a return to the office. Their thoughts and opinions have influenced the plans adopted by the Group in respect of remote working and have fed into the content and frequency of the communications issued throughout the year.

It was heartening to hear from the Forum that they all felt very positive about how HomeServe had handled the crisis and were grateful for the efforts made to ensure that everyone could keep working safely while supporting our customers.

The Forum received a presentation on the work being undertaken by an external consultant on diversity and inclusion and I fully expect to have an interesting debate with them when the results of the initial workstream are available.

The Forum was pleased to have the opportunity to discuss executive remuneration with Katrina Cliffe, the Chairman of the Remuneration Committee. Katrina explained the structure of executive remuneration packages and why the structure differed when compared to the remuneration packages offered to the rest of the workforce. They welcomed the transparency of the information provided and felt that they had gained a better understanding of the remuneration policy, particularly the requirement for Executive Directors to invest in HomeServe shares.

The Forum has now been established for well over a year and the hope is that we will be able to meet in person again during FY22. We will also be reviewing the membership of the Forum and considering whether we can extend it to ensure that frontline and operational roles are better represented.

### Stella David

Chairman  
18 May 2021

# Audit, risk and internal control

## Board assessment of risk management and internal control

The Board has overall responsibility for the Group's system of risk management and internal control including the setting of risk appetite. The Audit & Risk Committee has a key role to play in overseeing risk management and internal controls and advising the Board. More detail in respect of the role of the Audit & Risk Committee is provided in the report of that Committee on pages 84 to 91.

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

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

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

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

The relevant Board statements on these matters are set out on pages 54 to 55 and page 88. The principal risks and uncertainties are set out on pages 32 to 37.

## System of risk management and control

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

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

### 1st line of defence

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

### 2nd line of defence

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

### 3rd line of defence

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

# Audit, risk and internal control

## Continued

### Risk management cycle

#### Risk appetite

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

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

#### Risk framework

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

#### Risk assessment and risk registers

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

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

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

#### Risk oversight

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

### Internal control

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

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

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

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

### Financial reporting

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

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

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

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

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

#### **Viability statement**

The approach to the viability statement and the statement itself are set out on pages 54 to 55.



# Audit & Risk Committee report



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“The Audit & Risk Committee is an important element of the Group’s governance structure and embraces its role in protecting the interests of shareholders as regards the integrity of the published financial information and the effectiveness of audit.”

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I am pleased to present the Committee’s report for the year ended 31 March 2021. The Committee is an important element of the Group’s governance structure. Our role is to review and advise the Board on financial reporting including the various statements made in the Annual Report on viability, going concern, risk and controls and whether, when read as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s performance, business model and strategy.

## Members

Ron McMillan (Chairman)  
Katrina Cliffe  
Edward Fitzmaurice

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

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

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

## Board reporting

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

### Committee Effectiveness

The effectiveness of the Committee is reviewed as part of the annual Board review process facilitated by Lintstock. The FY21 review concluded that the Committee was operating effectively and benefited from a high quality cycle of work.

### Responsibilities

The primary responsibilities of the Committee are to:

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

The Committee has adopted formal terms of reference which are available on our website

[www.homeserveplc.com/who-we-are/governance/committees](http://www.homeserveplc.com/who-we-are/governance/committees)

# Audit & Risk Committee report

## Continued

### Summary of meetings in the year

The Committee usually meets three times in the year and did so in FY21. Details of meeting attendance are set out on page 69. The timing of Committee meetings is arranged to accommodate the release of financial information, the approval of the external and internal audit plans and the review of the outputs of those plans. In addition to scheduled meetings, I met with the CFO and members of his team, the Assurance & Risk Director and the external auditor on a number of occasions to receive updates on activity.

Items discussed	May 2020	November 2020	February 2021
<b>Financial Reporting</b>			
Full year results	●		
Interim results		●	
Review of critical judgements and sources of estimation uncertainty	●	●	
Fair, balanced and understandable conclusion in respect of the Annual Report	●		
Liquidity, viability and going concern	●	●	
Consideration of new accounting standards	●	●	●
<b>Internal Audit</b>			
Internal audit plan			●
Internal audit reports	●	●	●
Internal audit effectiveness and independence			●
<b>External Audit</b>			
External audit plan			●
External audit reports	●	●	
External audit effectiveness and independence	●		
Approval of fees and review of non audit services	●	●	●
<b>Risk</b>			
Risk appetite and the risk management framework	●		
Risk registers	●	●	●
<b>Other matters</b>			
Regulatory compliance activity	●	●	●
IT security		●	
Post investment reviews of acquisitions		●	

### Significant issues related to the financial statements

The Committee oversees the process used by the Board to assess the going concern and viability of the Group, the stress testing of key trading assumptions and the preparation of the viability statement which is set out on pages 54 to 55.

The Committee also satisfied itself that the disclosures in relation to accounting judgements and key sources of estimation uncertainty were appropriate and obtained, from the external auditor, an independent view of the key disclosure issues and risks. Management present reports to the Committee setting out the basis for the assumptions used and these reports are then discussed and challenged by the Committee. All of the issues were also discussed with the external auditor and their views taken into account. The Committee is satisfied that the judgements made are reasonable and appropriate disclosures have been included in the accounts.

The Committee assessed whether suitable accounting policies had been adopted and whether management had made appropriate estimates and judgements. The Committee also reviewed reports from the external auditor on the half year and full year results, which provided an overview of the audit work undertaken and highlighted any issues for discussion.

The Conduct Committee of the Financial Reporting Council (FRC) reviewed the FY20 Annual Report to assess compliance with reporting requirements. No questions or queries were raised as a result of the review but some improvements to disclosures were suggested. The FRC's letter and recommendations were considered by the Committee and the recommendations have been taken into account when drafting this year's Annual Report.

The significant issues considered in the year were:

Issue	How it was addressed by the Committee
<p><b>Revenue recognition</b> As an insurance intermediary, the Company is required to recognise revenue at the point at which a policy goes on risk. Some elements of revenue are deferred to cover future costs and also to provide for policies which may cancel mid term.</p>	<p>The Committee satisfied itself that the accounting policies for revenue are compliant with IFRS 15 and considered whether any changes were needed to take account of COVID.</p>
<p><b>Carrying value of goodwill</b> The total goodwill balance at 31 March 2021 of £564.3m has been allocated to the relevant cash generating units (CGUs) and tested for impairment by comparing the carrying value of net assets (including allocated goodwill and acquisition intangibles) with the value in use, defined as the present value of future cash flows attributable to the CGUs.</p>	<p>The Committee reviewed the 'headroom' to ensure that the value in use supported the carrying value of the net assets with particular regard to the actual and potential impact of COVID and satisfied itself that no impairment was required.</p>
<p><b>Business combinations</b> During the year the Group completed a number of acquisitions.</p>	<p>The Committee reviewed the Group's accounting for acquisitions and satisfied itself that it was appropriate.</p>
<p><b>eServe impairment costs</b> A review of the eServe system has been completed and having assessed the position, it was agreed that development should be halted and customers migrated back onto the legacy system, Ensura. As a result, an impairment review was completed which concluded that the carrying value of eServe and the associated asset was fully impaired.</p>	<p>The Committee considered the review of eServe and the impairment review and satisfied itself that carrying value was completely impaired.</p>
<p><b>Exceptional items</b> In addition to the impairment of eServe, redundancy costs have arisen as a result of the refocusing of the business including in respect of the change in strategy relating to international development.</p>	<p>The Committee considered the assumptions behind each of these judgements and satisfied itself that they were appropriate, and were indeed, exceptional in nature.</p>
<p><b>COVID impact</b> The COVID pandemic has had an impact in all of HomeServe's territories.</p>	<p>The Committee considered the impact of COVID on the financial sustainability and operational resilience of the business, taking into account the additional stress testing completed as part of the going concern and viability assessments. It satisfied itself that the business is well placed to face the ongoing challenges of the crisis.</p>
<p><b>Brexit impact</b> All of the HomeServe businesses trade exclusively within their own borders and the Group is not exposed to any cross border transactional currency risk.</p>	<p>The Committee considered the potential impact of the UK leaving the EU and the ongoing implementation delay and concluded that the impact on the underlying performance of the Group will be limited.</p>

## Board statements

### Critical judgements and key sources of estimation uncertainty

The Group has identified critical accounting judgements in relation to business ownership interests. Key sources of estimation uncertainty arise in relation to claims handling obligations in respect of revenue deferrals, pension valuation and the impairment of goodwill and acquisition intangibles. Other areas of focus include the valuation of acquisition intangible assets, the valuation of put options over non-controlling interests and policy cancellations.



# Audit & Risk Committee report

## Continued

The Committee discussed how these matters impacted on the financial statements with the auditor and reviewed the sensitivities considered by management.

Critical accounting judgements and key sources of estimation are set out on pages 150 to 151.

### Going concern

The Committee reviewed whether it was appropriate to adopt the going concern basis for the preparation of the Annual Report and considered a report from management. Consideration was given to the Group's three year forecasts, availability of committed bank facilities, expected headroom under the financial covenants and the impact of the COVID pandemic. The Committee ensured that the assumptions underpinning the forecasts were stress tested and that the factors which impact on risks and uncertainties were properly considered. Additional stress tests had been completed to take account of COVID.

Following the Committee's review, it recommended to the Board that it was appropriate to adopt the going concern basis. The going concern statement is set out on page 55.

### Viability statement

The Committee reviewed a report from management setting out the basis for the conclusions in the viability statement. The approach to the viability statement and the statement itself are set out on pages 54 to 55.

### Fair, balanced and understandable

The Committee considered whether:

- the Annual Report was clear and presented a balanced view of successes, challenges, opportunities and risks
- key messages were prominent and appropriate KPIs were disclosed
- reporting in respect of business segments, significant issues and key judgements were consistent with disclosures in the financial statements
- definitions provided were explained and Alternative Performance Measures (APMs) were reconciled with the closest IFRS measure in the financial statements
- adjusted profitability definitions were clearly explained and presented.

The Committee also noted that:

- key contributors to sections of the Annual Report (such as Executive Directors and local CEOs) had been asked to confirm the accuracy of the information provided
- an internal verification exercise had been completed in respect of the information contained in the Annual Report
- external support had been provided by FutureValue, a corporate reporting consultancy and Korn Ferry, who reviewed the Directors' Remuneration Report
- drafts of the Annual Report had been circulated to Committee Chairs and the full Board for review.

Having reviewed the Annual Report, the Committee and subsequently, the Board were satisfied that taken as a whole, the Annual Report was fair, balanced and understandable and provided the necessary information for shareholders.

### Robust assessment of emerging and principal risks

The Committee completed a robust assessment of the emerging and principal risks by reviewing the Group Enterprise Risks and the top ten risks in respect of each business. Particular attention was paid to any risk that was out of appetite and consideration was given to the mitigating actions being taken.

### Risk management and internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Audit & Risk Committee supports the Board by advising on the Group's overall risk appetite, tolerance and strategy, current risk exposures and future risk strategy. The Committee reviews risk registers produced by the management of each business and the plc function along with the Group Enterprise Risks at each of its meetings. On a periodic basis, we also review action plans in respect of significant risks.

The Committee also monitors, on behalf of the Board, the effectiveness of the Company's material accounting and internal control systems. In fulfilling this responsibility for FY21, the Committee considered reports from management and the internal and external auditors.

The Committee considers that appropriate controls are in place across the Group, that the Group has a well defined organisational structure with clear lines of responsibility and a comprehensive financial reporting system. The Committee also considers that the Group complies with the FRC guidance on risk management, internal control and related financial reporting.

Further details in respect of risk management and internal controls are set out on pages 81 to 83.

Details in respect of the principal risks and uncertainties are set out on pages 32 to 37.

### Regulation and compliance

The Group operates in a regulated market place and faces the challenges of regulatory requirements across its different territories. This creates risk for the business as non-compliance can lead to customer detriment, reputational damage, financial penalties and potential loss of licence to operate.

The Committee receives regular updates on legal and compliance from management and believes that key compliance indicators are strong across the Group. All Membership businesses are required to complete Annual Compliance Reports to confirm that the requirements of the Group Compliance Framework have been met and that processes and controls are sufficient to identify breaches in local law and regulations.

### External auditor

#### Effectiveness

The Committee is responsible for assessing the effectiveness of the external audit process, for monitoring the independence and objectivity of the external auditor and for making recommendations to the Board in relation to the appointment of the external auditor. The Committee is also responsible for developing and implementing the Group's policy on the provision of non-audit services by the external auditor.

Deloitte LLP has been the Group's auditor since 2002 and the lead audit partner rotates every five years. The current lead audit partner, Peter Birch was first appointed for FY20. The Committee sought and was provided with, assurance that all members of Deloitte's team had confirmed that they and their dependants were independent and that Deloitte, as a firm, was independent.

Prior to each audit or review, Deloitte presented their plan to the Committee for discussion. The Committee reviewed the reports prepared by Deloitte on key audit findings and any significant deficiencies in the control environment, as well as the recommendations made to improve processes and controls together with management's responses to those recommendations. Deloitte did not highlight any material internal control weaknesses in respect of the FY21 audit.

The Committee also discussed with Deloitte the results of the FRC's firm-wide review of Deloitte's audit quality and the proposed improvement plans arising from the report. The Committee noted that no firm inspected achieved the quality targets set by the FRC and will monitor progress against the improvement plans.

The Committee reviews the performance of the external auditor annually based on their understanding of the Group, their approach to key areas of judgement and the extent of challenge, the quality of reporting and the efficiency and conduct of the audit. Feedback is also sought from Group finance and local finance directors on the external auditor's performance. We also reviewed the external auditor's transparency report, which is intended to demonstrate the steps it takes to ensure audit quality with reference to the Audit Quality Framework issued by the Professional Oversight Board of the FRC. In addition, I meet with the external auditor outside of formal Committee meetings to ensure that there is an ongoing dialogue.

The Committee is satisfied that the audit continues to be effective and that Deloitte LLP continues to provide constructive and independent challenge to management and consistently demonstrates a realistic and commercial view of the business. On this basis, the Committee concluded that the needs of the Group would not be best served by putting the external audit out to tender at this time. The Committee has therefore recommended to the Board that the re-appointment of Deloitte LLP should be proposed at the forthcoming Annual General Meeting.

# Audit & Risk Committee report

## Continued

The Committee has noted the changes to EU audit legislation and the UK adoption of this legislation, which requires mandatory rotation for auditors of public interest entities at least every 20 years with a mandatory tender process being undertaken at the 10 year point. The transitional rules for this new legislation mean that the Group would be required to change its auditor after FY24. The Committee is mindful of the restrictions which now apply to firms providing non-audit services in the two year period prior to an audit appointment. We will closely monitor the implications of the BEIS White Paper with regards to restoring trust in audit and corporate governance and specifically, the likely implementation date thereof, and the Committee may review the timing of the tender as a result.

The Company confirms that it has complied with the provisions of the CMA's Statutory Audit Services Order for the financial year under review.

In accordance with International Standards on Auditing (UK & Ireland) 260 and Ethical Statement 1 issued by the Accounting Practices Board, and as a matter of best practice, the external auditor has confirmed its independence as auditor of the Company.

### Non-audit services

The Committee has approved a policy in respect of non-audit services which reflects the Ethical Standards. The policy sets out a list of prohibited services and in particular, prevents Deloitte LLP from providing almost all taxation services. The policy provides that the total fees payable to the auditor for non-audit related work in any financial year should not normally be more than 50% of the total fees payable in respect of audit and compliance services. In addition, any proposed spend over a predetermined limit must be approved by the Committee.

The fees payable to the auditor in respect of audit and audit-related assurance services totalled £1.4m and there were no fees incurred for non-audit related work (excluding audit-related assurance services). Further detail on the fees paid is provided in Note 5.

### Internal audit

The Committee reviews and approves the internal audit plan which is based on an assessment of the risks faced by the Group. The internal audit team undertakes an initial review of the risks and drafts a plan which addresses those risks while taking into account the need to review key control processes on a cyclical basis. The draft plan is then discussed with senior management in each business or territory before being presented to the Committee.

Progress in respect of the plan is monitored throughout the year and considered at each meeting of the Committee. Consideration is also given at each meeting as to whether there is sufficient resource to deliver the plan and whether the external resource available through the co-sourced arrangements needs to be adjusted. The audit plan may be reviewed during the year as a result of the ongoing assessment of the key risks or in response to the needs of the Group.

The Assurance & Risk Director reports ultimately to the Chairman of the Committee although he reports on a day-to-day basis to the Chief Financial Officer. He attends all meetings of the Committee and reports regularly to the Executive Committee. A report on completed internal audits is presented to each meeting of the Committee and, where appropriate, action plans are reviewed. In addition, all grade 1 audit reports are circulated to the Committee as soon as they are finalised so that any issues can be addressed in a timely manner. Reports are graded as 1 if the controls currently operated are inadequate and expose the business to significant loss or regulatory breach.

During the year, the Committee received 74 reports in respect of the following areas:

<b>Finance</b>	Key financial controls and processes including balance sheet control reviews, purchase to pay, order to cash and record to report cycles.
<b>Operations</b>	Key operations processes including fulfilment, contractor management, business continuity planning and disaster recovery, compliance and risk management.
<b>IT controls</b>	Key IT controls including disaster recovery, mobile device management and general controls such as logical access, back up and restore processes and controls.
<b>Information Security</b>	Developments in information and cyber security including penetration testing, firewalls, server security and crisis management.

In relation to each of the above, internal audit made recommendations for improvements, the vast majority of which have been, or are being implemented by management. Management's approach to internal audit is positive and there is a real desire to work collaboratively to continually improve the control environment. Action trackers are reported on at each Committee meeting.

The internal audit function continues to benefit from co-sourced arrangements with PwC and KPMG which are used to augment the internal skills and experience available and ensure that the Group can access appropriate technical and specialised resource on a global and flexible basis.

The Committee has discussed the performance of internal audit and believes that internal audit performs in a very professional manner, provides constructive challenge and demonstrates a realistic and commercial view of the business.

#### **Conclusion and looking ahead**

The Committee considers that it has acted in accordance with its terms of reference and that it has ensured the independence, objectivity and effectiveness of the external and internal auditors.

Going forward, I shall ensure that the Committee continues to acknowledge and embrace its role of protecting the interests of shareholders as regards the integrity of the published financial information and the effectiveness of audit. The outcome of the consultation on the government's proposals to restore trust in audit and corporate governance has recently been published and the Committee will monitor the progress of the proposals over the coming months and years.

I am available to speak with shareholders at any time. I would like to thank my colleagues on the Committee for their help and support during the year.

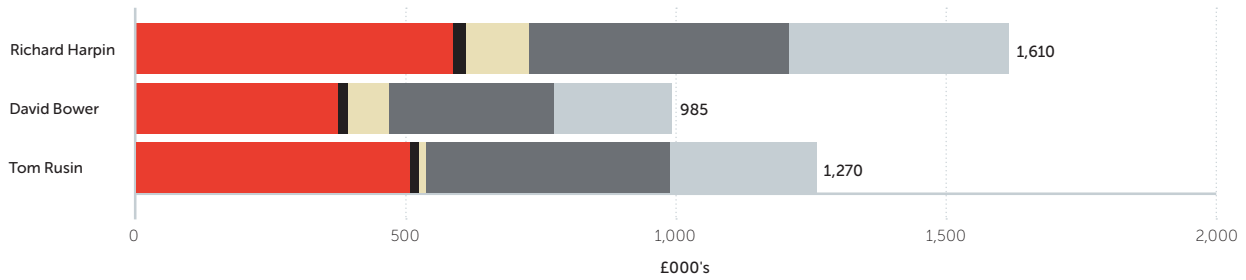
#### **Ron McMillan**

Chairman of the Audit & Risk Committee  
18 May 2021



# Remuneration at a glance

## Single Total Remuneration Figure (£000)



Key ■ Salary ■ Benefits ■ Pension ■ Annual Bonus ■ LTIP

## Annual Bonus Outcome

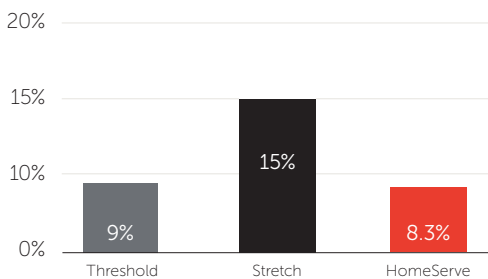
		Weighting	Maximum	Actual	% Payable
Financial measures	Adjusted Group profit before tax	40%	£184.0m	£191.3m	100%
Non financial measures	Customer growth	15%	8,163k	8,366k	100%
	Trades growth (Checkatrade)	5%	43.0k	43.6k	100%
	No. of leads (Habitissimo)	5%	2.1m	2.0m	94%
	Customer dissatisfaction (measured as a weighted average level of customer dissatisfaction across the UK, US, France and Spain)	15%	5.6%	5.5%	100%
	Personal targets	20%			100%

FY21  
**79.7%**<sup>1</sup>  
payout

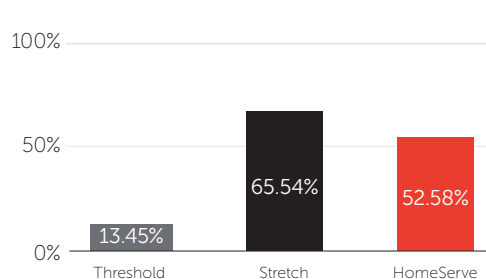
<sup>1</sup> Payout reduced to 79.7%. See page 93

## LTIP Outcome

### Adjusted earnings per share (75% weighting)



### Relative TSR (25% weighting)



**20.33%**  
vesting

# Annual statement



"It has been a challenging year for many remuneration committees given the uncertainties created by the pandemic. We have been fortunate in that HomeServe adapted promptly and successfully to a new way of working and we have been able to retain and support our workforce and maintain remuneration arrangements broadly unchanged across the business."

I am pleased to present the Remuneration report for the year ended 31 March 2021.

It has been a challenging year for many remuneration committees given the uncertainties created by the pandemic. We have been fortunate in that HomeServe adapted promptly and successfully to a new way of working, with employees across the business demonstrating tremendous resilience, despite considerable challenges.

We have been able to retain and support our workforce and maintain remuneration arrangements broadly unchanged across the business. As we come out of the worst of the pandemic the Committee continues to focus on ensuring that those arrangements are consistent with our company purpose and strategy with the aim of delivering reward that clearly links to the delivery of our long-term plans.

## FY21 in review

We delivered good financial results in respect of FY21 with 6% growth in adjusted profit before tax. There was also good performance in respect of our non-financial measures which, combined with excellent personal performance, resulted in a bonus outturn for the Executive Directors at 99.7% of the maximum available. However, following the decision to halt the implementation of eServe, the UK CRM solution, which resulted in an exceptional charge of £84.8m, the Committee agreed that it would be appropriate to exercise discretion to reduce the bonus for the Executive Directors. The payment in respect of the profit element of their bonus has been halved and, as a result, the Executive Directors will receive a bonus at 79.7% of the maximum.

In respect of longer-term performance, the LTIP awards granted in 2018 will only partially vest in July 2021. The awards were based 25% on relative total shareholder return (TSR) performance and 75% on adjusted earnings per share (EPS) performance. HomeServe's TSR performance to 31 March 2021 was excellent, at 53% (compared to the FTSE 250 Index TSR of 13%) which resulted in 81% vesting for the TSR element. Despite rising earnings over the three-year performance period, the rate of growth of 8.3% per annum fell short of the minimum 9% per annum threshold required for this portion of the award to start to vest. Accordingly, the overall level of vesting of the entire award was 20.33%. While we were disappointed to fall short of the stretching EPS performance threshold, which has resulted in lower LTIP payments compared to prior years, we believe that this demonstrates the highly performance orientated structure of our LTIP and is evidence of the remuneration policy operating as intended. The vested shares, net of tax, are subject to a two year post-vesting holding requirement.

As noted in last year's report, we took the decision to delay setting the performance conditions for the FY21 LTIP grant in order to assess trading in the early months of the financial year and how this would impact on the three-year plan. Historically, we have used a combination of EPS growth and relative TSR performance in respect of both the Performance and Matching Share elements of the LTIP but a number of investors had suggested that we review this approach. Having considered the feedback received, we decided that we would apply an EPS condition to the Performance Share element of the LTIP and a relative TSR condition to the Matching Share element, thus clearly differentiating the separate parts of the plan and providing a better balance by increasing the proportion of long-term incentives subject to TSR performance.

# Annual statement

## Continued

Having carefully considered our future growth trajectory and considered a number of scenarios in relation to how the pandemic could impact the Group, the Committee agreed that it would be appropriate to set the threshold for the FY21 grant for compound annual EPS growth at 7%, with the top of the range at 13%. Although this was a slight reduction on the EPS range in place for LTIP awards granted in prior years, the Committee took the view that the targets were appropriately challenging given the changes to the external business environment and recognised that this range was still very stretching by market standards. In respect of TSR, the Company's performance will be compared to the performance of FTSE companies ranked 31-200. The exact performance targets were announced to the market in July 2020 at the time the awards were granted, and the full details are set out on page 118.

We welcomed a new Executive Director to the Board at the end of the year, Ross Clemmow. Ross joined us on 22 March 2021 as CEO, EMEA. Details of his remuneration arrangements are set out on page 113. As part of Ross's recruitment package, we agreed a buyout award to compensate him for incentives forfeited when he left his previous employer. All elements of Ross's pay, including the buyout award, are consistent with the terms of the remuneration policy approved by shareholders at last year's AGM.

### FY22 – looking forward

The Committee has reviewed the salaries of the Executive Directors to apply with effect from 1 July 2021 and has agreed increases for Richard Harpin and Tom Rusin of 2% and 2.5% respectively, in line with the average level of increase for other employees in their home country. Ross Clemmow will not receive an increase as he has only recently been appointed.

For David Bower, the CFO, the Committee has agreed an increase in salary from £375,000 to £450,000. David was appointed to his current role in 2017 on a salary of £300,000, well below that of his predecessor and in the bottom quartile when measured against the salaries of CFOs of comparably-sized companies. This positioning reflected the fact that although he had demonstrated a strong level of performance during his time with HomeServe, having joined the business in 2005, the CFO role was his first plc Board position. The Committee wished to ensure he was the right person for the role and progress his salary over time on the basis of performance and experience. A step change in David's salary was made in 2018 to reflect the expansion of his responsibilities following the removal of the Board-level COO role and his performance and growth since initial appointment as CFO. He has received no further salary increases since then.

David has continued to perform at a very strong level and is an integral part of HomeServe's senior leadership team and central to the future growth strategy of the business. The Committee is aware that his current salary remains very significantly below market and is making the increase to move it to a position which accurately reflects David's performance, contribution and commitment to the business.

The other key consideration has been the growth in size and complexity of HomeServe and in particular the growing importance of the US part of the business. The Committee believes that David is vital to the continued expansion in the US. He was pivotal in raising finance in the US during FY21 and understands the US business intimately.

The final reference point is the growth of the wider executive team in recent years. This includes Ross Clemmow, noted above, and several below Board business unit and country heads who have been recruited on mid-market salaries. This has created a situation where David's salary is now out of kilter internally, something we are keen to fix.

The new salary of £450,000 is in line with what would be expected for a company at the top end of the FTSE 250 and is considered to be the absolute minimum we would need to offer if we were in the position of having to recruit a replacement of David's calibre.

We intend the bonus scheme for FY22 to operate in a similar way as for FY21, using broadly similar performance measures and weightings.

The FY22 grant of long-term incentives is intended to be made in June 2021. Executive Directors will again be offered the opportunity to participate in the Matching Share element of the LTIP, subject to the investment of their FY21 cash bonus into shares. Matching Shares will vest after three years subject to the same relative TSR performance conditions as applied for the FY21 grant noted above.

An award of Performance Shares will also be made. With this award, we wish to incentivise truly exceptional levels of performance from the Executive Directors as HomeServe continues to focus on growth. The Board has ambitious plans for the business for the next three years and we would like to ensure that if our current growth expectations are exceeded, then an appropriate level of reward is available.

As a result, we are increasing the size of the Performance Share award from 150% to 200% of basic salary. This higher award level is in line with the 200% limit set out in the Directors' remuneration policy, although we have chosen to grant at the lower 150% level in recent years. The last time this provision to grant at 200% was used was in 2015, following which there was the strongest period of growth in the Company's history. We believe that the higher award provided crucial additional focus to the executives at that time and we now wish to drive further outperformance through a higher award this year.

To reflect the higher potential reward, we are making a corresponding increase to the EPS targets. In practice, this will mean that the extra 50% of salary will only vest for the achievement of EPS growth over the performance period higher than that which would be required for full vesting under an award at 150% of salary. For vesting of the element of the award equivalent to 150% of salary, EPS growth of 7%-13% CAGR will be required, the same as applied to the FY21 Performance Share award discussed above. Vesting of the element above 150% up to 200% of salary will require EPS growth of 13%-16% CAGR, thus ensuring that there is a benefit to participants only in the event of EPS performance materially in excess both of our internal forecasts for the coming three years and of current market estimates. This level of EPS growth required for an LTIP award is amongst the highest in the market.

Any Matching Shares and Performance Shares which vest will continue to be subject to a two-year post-vesting holding period, thus ensuring a five-year period between grant and ultimate release.

I recently wrote to major shareholders explaining our proposed approach both for the higher Performance Share award and the increase to David Bower's salary as discussed above.

Currently, the CEO and CFO benefit from employer pension contributions that are higher than those of the UK workforce. The Committee has agreed that pension contributions for these Directors will be reduced to the level of the workforce at the end of December 2022.

We have also agreed that we will review our remuneration policy during FY22 and, if we feel changes should be made, we may present an updated policy for shareholder approval at the AGM in 2022. If we go down this route we will of course discuss our proposals with major shareholders before finalisation. I look forward to these discussions and hearing the view of shareholders on how we can continue to retain and incentivise our Executives to deliver outstanding performance.

During FY22 the Committee will also again review workforce remuneration and related policies to ensure that there continues to be consistency and alignment with the approach taken for Executive Directors. The Committee is kept informed of pay practices across the Group and spends a considerable amount of time reviewing incentive structures and other matters for below-Board executives and employees more broadly. We are committed to ensuring that HomeServe operates remuneration practices at all levels that are fair and appropriate.

During FY21 we reviewed the HomeServe One Plan, a plan in which all eligible employees can participate, and decided to double the matching element so that participants now receive one free matching share for every partnership share that they buy. This is consistent with our approach of encouraging high levels of share ownership across the business. In addition, I engaged with the International People Forum during the year and there was a useful discussion about executive pay and the reasons why it can differ from workforce arrangements. I look forward to similar engagement during FY22 as we continue to focus on this important area.

The Committee's activities during the year are described in more detail later in this report.

**Katrina Cliffe**

Chairman of the Remuneration Committee  
18 May 2021

# Annual statement

## Continued

### UK Corporate Governance Code

As indicated in the compliance statement on page 60, the Board believes that HomeServe has applied the principles of the UK Corporate Governance Code ('the Code') and complied with the relevant provisions of the Code during FY21, with a couple of minor exceptions. As noted on pages 93 to 95, the Committee will align the pension contribution rate for the CEO and the CFO to that of the wider workforce at the end of December 2022.

The Committee has considered the principles set out in Provision 40 of the Code and explains below how these have been addressed:

- **Clarity:** The current Directors' remuneration policy is set out on pages 97 to 104. Committee decisions around the implementation of the policy are set out in each year's Directors' remuneration report. When consulting with major shareholders on executive remuneration, or engaging with the workforce on such matters, the Committee aims for full transparency surrounding its proposals and the rationale for making any changes. As an example, this approach was taken during the consultation exercise with major shareholders conducted ahead of the renewal of the remuneration policy in 2020 and the recent engagement with shareholders on the Committee's proposals for FY22.
- **Simplicity:** The Committee is keen to ensure that the remuneration structures in place for Executive Directors (and for other senior leaders within the business) are not overly complex and can be easily understood both internally and externally. While the inclusion of the Matching Share scheme for the Directors means that they effectively participate in three incentive arrangements, the scheme is an integral part of HomeServe's philosophy of ensuring a focus on long-term, equity-based remuneration. It has operated successfully for many years and its structure is well understood by participants.
- **Risk:** The Committee is satisfied that the Directors' remuneration policy is proportionate and does not lead to excessive risks, either in terms of the behaviour it promotes or the potential for the generation of outsize rewards which are not tied to performance. The policy has a strong performance focus, with the Committee seeking to ensure that incentive targets are challenging but realistic and do not encourage undue risk-taking. The Committee regularly considers formal risk reviews of the remuneration policy.
- **Predictability:** A range of possible values of rewards to individual Executive Directors under the current Directors' remuneration policy was included in last year's Annual Report & Accounts. An updated range is included in this year's report on page 102. While the final value of Directors' remuneration will depend upon a variety of factors, including the extent to which performance targets are met and HomeServe's share price, these "scenario charts" provide indicative values of reward for different performance outcomes.
- **Proportionality:** Incentives for Directors are based on the achievement of pre-set performance targets linked to HomeServe's strategic priorities and business plan, with both a financial and non-financial focus. Bonus payouts and the vesting of Performance and Matching Share awards depend on genuinely challenging targets being met, with no possibility of rewards for poor performance.
- **Alignment to culture:** HomeServe is an organisation focused on driving long-term shareholder value, and this is recognised at Executive Director level by a remuneration policy which is heavily weighted towards performance and payment in equity. Executive Directors are encouraged to invest their cash bonuses into shares and gain the potential benefit of Matching Shares, subject to three-year performance targets being met. Further, the business prides itself on a culture of excellent customer service, which is reflected in the use of performance metrics for the annual bonus scheme.



# Directors' remuneration policy

The Directors' remuneration policy was approved by shareholders at the 2020 AGM.

The Committee's policy for the remuneration of Executive Directors and other senior Executives is based on the following principles:

- to clearly align rewards with the Group's financial and operational performance
- to ensure that remuneration, in particular, variable pay, supports the Group's strategy and purpose
- to promote high levels of executive share ownership to encourage a long-term focus and alignment of interest between executives and shareholders
- to attract, retain and motivate high calibre executives.

To that end, the Committee structures executive remuneration in two distinct parts: fixed remuneration of basic salary, pension and benefits and variable performance-related remuneration in the form of a cash bonus and long-term incentive arrangements. Remuneration for Executive Directors is structured so that the variable pay element forms a significant portion of each Director's package.

The Committee is satisfied that neither the structure of the remuneration packages, with the high weighting on variable pay, nor the performance measures targeted under the annual bonus and long-term incentive arrangements, encourages inappropriate risk taking.

The remuneration arrangements are designed so as to provide a strong alignment of interest between the Executives and shareholders and to support the growth and performance aspirations of the Company. The Committee is satisfied that the current arrangements meet these objectives. Furthermore, there is a clawback provision in respect of annual bonuses and long-term incentive awards which helps to guard further against excessive risk-taking.

## Summary of components of Executive Directors' remuneration

The table below summarises the Committee's policy for the remuneration of Executive Directors.

Element	Purpose and link to strategy	Performance Period	Operation (including performance measures and maximum limits)
<b>Basic salary</b>	To reflect the particular skills and experience of an individual and to provide a competitive base salary compared with similar roles in similar companies.	Usually reviewed annually, with any changes normally taking effect from 1 July each year.	<p>Individual pay is determined by the Committee taking into account the role, responsibilities, performance and experience of the individual and market data on comparable roles.</p> <p>The Committee has not set a cap on the maximum salary level that may be offered. However, any salary increases will normally be no higher than the typical level of increase awarded to other employees.</p> <p>Increases above this level may be offered in certain circumstances such as where an Executive Director has been promoted, has had a change in responsibility, to reflect increased experience in the role, or where there has been a significant change in the size and/or scope of the business.</p> <p>When reviewing salary increases, the Committee also takes into account the impact of any increase to base salaries on the total remuneration package.</p> <p>Details of the current salaries of the Executive Directors are set out in the Annual report on remuneration.</p>

# Directors' remuneration policy

Continued

Element	Purpose and link to strategy	Performance Period	Operation (including performance measures and maximum limits)
<b>Performance related bonus</b>	The annual bonus is designed to drive and reward the short-term operating performance of the Company and encourage the delivery of consistently good customer outcomes.	Annual (determined after the year end)	<p>Annual bonuses are determined by reference to performance against a mix of financial, non financial and personal objectives. Before any bonus is payable a minimum level of financial performance must be achieved.</p> <p>Bonuses are based on Group performance. Individual performance accounts for no more than 20% of the overall bonus opportunity.</p> <p>The maximum potential quantum is 100% of salary.</p> <p>Bonuses are payable in cash but may be voluntarily invested by the executive into shares under the matching element of the LTIP.</p>
<b>Long-term incentives</b>	To drive long-term delivery of the Group's objectives, to align Directors' interests with those of the Company's shareholders and to encourage exceptional performance.	Three years	<p>Awards of performance and matching shares are granted under the Long Term Incentive Plan (which was approved by shareholders in 2008 and renewed at the 2018 AGM).</p> <p>The maximum limit is 200% of salary for performance share awards and a maximum 2:1 match on voluntary investment of bonus into shares.</p> <p>The maximum amount of bonus that may be invested is set at 75% of the maximum bonus potential (i.e. 75% of salary). If the bonus earned is less than 25% of salary, then the executive may invest the equivalent of 25% of salary, from their own money, in shares to receive a matching award. In determining the number of matching awards to be granted, the investment is deemed to be made gross of tax.</p> <p>Dividend equivalents may be awarded on shares vesting under the Plan.</p> <p>Performance awards and matching awards are subject to challenging performance conditions. Performance is measured over a performance period of at least three years and a two year post vesting holding period applies.</p>
<b>Pension</b>	To provide benefits comparable with similar roles in similar companies.	n/a	<p>Newly appointed UK based Executive Directors (including Ross Clemmow) may receive a pension allowance that is aligned with the majority of colleagues (currently 6% of salary in the UK), to be paid, subject to the scheme limits, into the HomeServe Money Plan (a money purchase pension scheme) and/or taken as a cash allowance in lieu.</p> <p>Of the other Executive Directors, Richard Harpin and David Bower receive a pension allowance of 20% of salary, which may be taken as a cash allowance in lieu. This benefit will reduce to the level of the workforce no later than December 2022.</p>
<b>Other benefits</b>	Provides a competitive package of benefits to assist with recruitment and retention of staff.	n/a	<p>Other benefits include a fully expensed car (or cash alternative), fuel allowance, private health cover (for the individual, partner and dependant children), death in service benefits (up to 8 x salary) and permanent health insurance.</p> <p>Other benefits may be provided as appropriate and Directors can access HomeServe products and services on the same terms as offered to employees.</p> <p>Any reasonable business related expenses (including tax thereon) may be reimbursed if determined to be a taxable benefit.</p> <p>There is no maximum limit on the value of the benefits provided but the Committee monitors the total cost of the benefit provision.</p>

Element	Purpose and link to strategy	Performance Period	Operation (including performance measures and maximum limits)
<b>All Employee Share Plans</b>	To encourage employee share ownership.	n/a	The Executive Directors may participate in any employee share plans offered by the Company on the same terms as other employees.
<b>Chairman and Non-Executive Directors' fees</b>	To attract and retain Non-Executive Directors of the right calibre.	n/a	<p>Non-Executive Director fees are determined by the Board. The fees for the Chairman are determined by the Remuneration Committee taking into account the views of the Chief Executive. The Chairman excludes himself from such discussions.</p> <p>The fee levels are reviewed periodically and are set to reflect the responsibilities and time commitment of the role and the experience of the individual. Fee levels are set by reference to rates in companies of comparable size and complexity. The fees for the Non-Executive Directors comprise a basic Board fee, with additional fees paid for chairing a Committee or for the Senior Independent Directorship. The Chairman receives an all encompassing fee for his role.</p> <p>In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment. Fees are paid monthly in cash.</p> <p>Any reasonable business related expenses (including tax thereon) may be reimbursed if determined to be a taxable benefit.</p> <p>The Chairman and Non-Executive Directors may be eligible to access HomeServe products and services on the same terms as offered to employees.</p>

### Performance measures

The Remuneration Committee works hard to ensure that the remuneration policy for the Executive Directors supports the business strategy, and that the level of remuneration received is reflective of the overall business performance and the returns received by shareholders. A significant proportion of the remuneration package comes from variable pay with careful consideration given to the choice of performance metrics to ensure that the executives are not encouraged to take inappropriate risks.

The choice of measures may change for future award cycles, but is currently based on the following:

Metric	Type of Award	Link to strategy
Profit Before Tax	Bonus	Core short-term profitability metric.
Growth in Customers and Trades	Bonus	Core non-financial top line volume metrics aligned with our growth strategy.
Customer Service	Bonus	Core non-financial quality metric that contributes to long-term customer retention and reflects operational improvement.
Personal Strategic Objectives	Bonus	Unique non-financial personal strategic objectives.
Earnings per Share (EPS)	LTI	This provides an assessment of the profitability of the Group over the longer-term and is strongly aligned to the execution of the business strategy. Challenging targets are set for each award cycle based on internal and external forecasts.
Total Shareholder Return (TSR)	LTI	This measures the total return to shareholders provided through share price appreciation and dividends. TSR provides a clear alignment between the value created for shareholders and the reward earned by executives.

The Committee would consult with shareholders in advance of the introduction of new measures to be applied to future award cycles.

# Directors' remuneration policy

Continued

## Annual Bonus

The annual bonus is designed to drive and reward excellent short-term operating performance of the Company. No annual bonus is paid unless a very high level of performance is achieved. The Committee reviews the annual bonus plan measures annually in order to ensure that they are aligned with the Group's strategy and so that bonus arrangements are consistent amongst the senior executive team. Performance targets are set at the start of the financial year and are linked to the Group's strategic and operational objectives. The customer focused culture across our business is reflected in the use of non financial metrics in the annual bonus scheme. These are balanced by the use of financial targets and personal objectives used to reflect other strategic priorities.

The Committee retains the discretion to alter the choice and weighting of the metrics for future bonus cycles to reflect the changing needs of the business. The payment of any bonus is at the discretion of the Committee and bonuses will only be paid once a minimum level of financial performance is achieved.

## LTIP

Long-term incentive awards will be granted in accordance with the rules of the shareholder approved HomeServe 2018 Long-Term Incentive Plan (LTIP) (and any subsequent replacement plan) and the discretions contained therein. The performance measures for the matching and performance awards are set using a sliding scale of targets and no more than 25% of the award will vest for achieving the threshold performance hurdle.

Under the rules of the plan, the Committee has the discretion to adjust the targets applying to existing awards in exceptional circumstances providing the new targets are no less challenging than originally envisaged. The Committee also has the power to adjust the number of shares subject to an award in the event of a variation in the capital of the Company.

Awards under the LTIP may be granted as conditional allocations or nil (or nominal) cost options with, or as, forfeitable shares. The Committee may also decide to grant cash based awards of an equivalent value to share based awards or to satisfy share based awards in cash, although it does not currently intend to do so. Awards are satisfied through a mixture of either market purchase or new issue shares. To the extent new issue shares are used, the LTIP will adhere to a 5% in 10 year dilution limit.

A post vesting holding period applies to all awards. There is a minimum period of five years from the date of grant of an award before shares can be sold. To the extent that nil cost options are exercised after the three year vesting point, but before five years, the net of tax value of the vested shares must continue to be held. The dividend roll up on unexercised nil cost options will continue until five years from grant. This five year view provides a longer-term perspective to the incentive programme than the three year performance period.

## Clawback

The Committee has the power to reclaim some, or all, of a cash bonus and vested LTIP awards (performance and matching) in exceptional circumstances, such as misstatement of financial results, an error in assessment of performance, the use of misleading information and/or gross misconduct on the part of the individual.

## Shareholding guidelines

It is the Board's policy that Directors build up and retain a minimum shareholding in the Company. Each Director is encouraged to hold shares of at least equal value to three times their annual basic salary or fee. For new Directors, the requirement is expected to be met within five years of appointment (within five years of the adoption of the new policy for existing Directors).

If the holding guideline has not been fulfilled at the point of exercise of any option or the vesting of any other long-term incentive award, the Director must retain 50% of the net proceeds in the Company's shares until the holding requirement is achieved. Details of the current shareholdings of the Directors are provided on page 113.

The policy also reflects the post vesting shareholding requirement in respect of the Long-Term Incentive Plan whereby the net of tax value of shares that vest must be retained for a period of two years.

The guideline for post-cessation shareholding requirements is 200% of base salary; this would apply for two years post cessation and applies to shares awarded after the implementation of the policy.

### How employees' pay is taken into account

The remuneration policy for the Executive Directors is designed with regard to the policy for employees across the Group as a whole. Our ability to meet our growth expectations and compete effectively is dependent on the skills, experience and performance of all of our employees. Our employment policies, remuneration and benefit packages for employees are regularly reviewed.

There are some differences in the structure of the remuneration policy for the Executive Directors and senior management team compared to other employees reflecting their differing responsibilities, with the principal difference being the increased emphasis on performance related pay for the more senior executives within the organisation. However, there are many common themes. For example, the structure of the annual bonus, with the focus on financial, non financial and personal performance is the same for employees at management grade and above with the same objectives being used for everyone in a particular business unit.

Employee share ownership is encouraged and facilitated through extending participation in the LTIP to other senior leaders within the business and all eligible employees are able to participate in the HomeServe One Plan, a share incentive plan. The One Plan was reviewed during the year with the matching element doubled so that participants now receive one free matching share for every partnership share that they buy.

Although the Committee does not consult directly with employees on Directors' pay, the Committee does take into consideration the pay and employment conditions of all employees when setting the policy for Directors' remuneration. In terms of comparison metrics, the Committee takes into account the average level of salary increase being budgeted for the workforce when reviewing the salary levels of the Executive Directors. The Committee is also mindful of any changes to the pay and benefit conditions for employees more generally when considering the policy for Directors' pay.

The Chairman of the Committee took the opportunity to meet with the International People Forum during the year and there was a useful discussion about executive pay and the reasons why it can differ from workforce arrangements.

### How shareholders' views are taken into account

The Committee considers shareholder feedback received regarding the Remuneration report annually and guidance from shareholder representative bodies more generally. These views are key inputs when shaping remuneration policy. The Committee consults with shareholders when considering changes to remuneration arrangements and did so in respect of the renewal of the policy in 2020. More recently, the Committee sought shareholder feedback on the increase to the size of the Performance Share award for FY22 and the basic salary increase for the CFO.

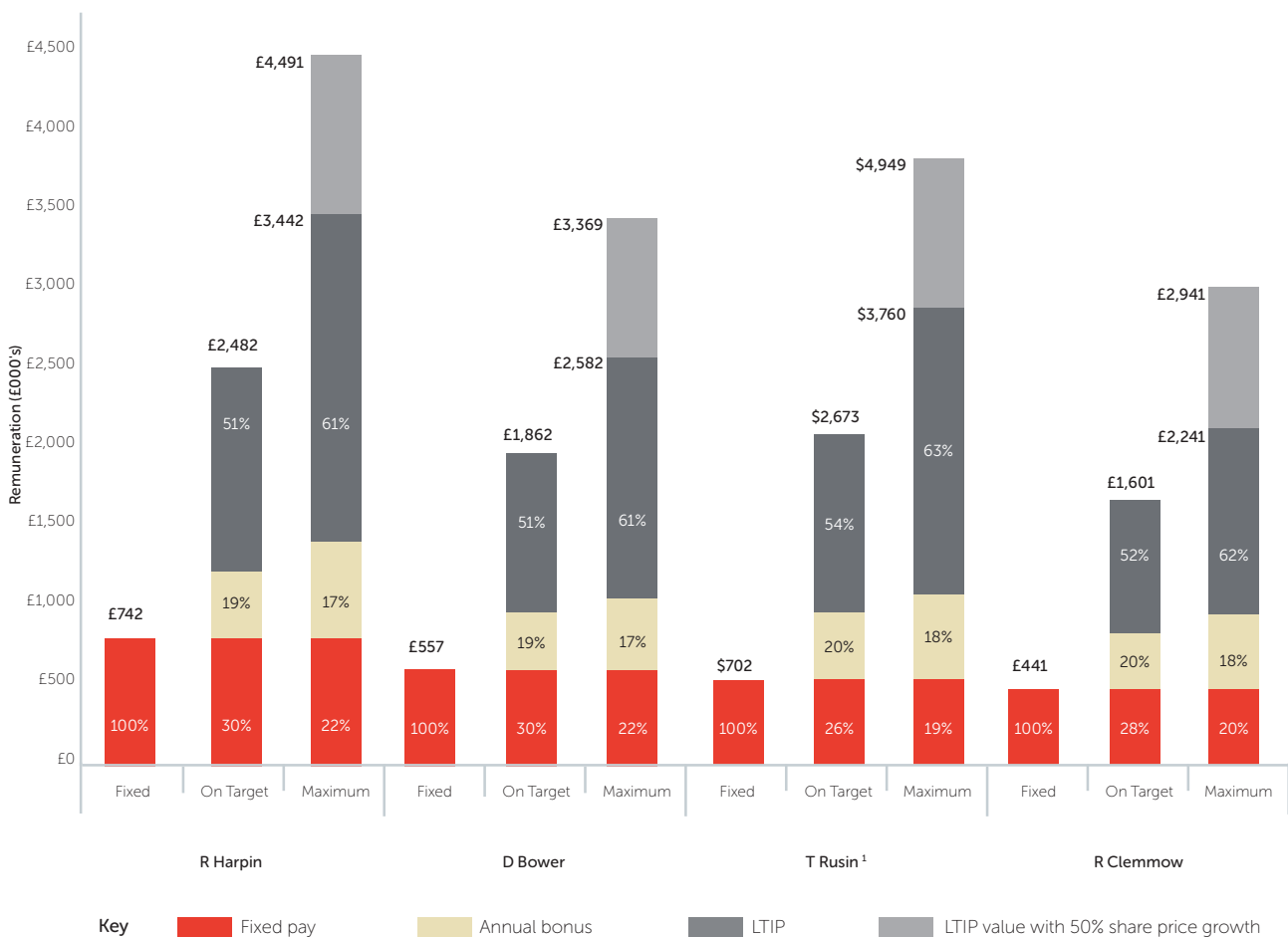


# Directors' remuneration policy

## Continued

### Remuneration scenarios for Executive Directors

The chart below details the composition of each Executive Director's remuneration package and how it varies at different levels of performance under the policy set out above. It demonstrates the balance between fixed and variable pay at threshold, on-target and maximum performance levels under the normal remuneration policy for the Executive Directors.



<sup>1</sup> Tom Rusin is paid in USD and the USD amounts have been converted to GBP for illustrative purposes.

#### Assumptions

Fixed: Fixed pay only (salary plus benefits plus pension).  
 On target: Target annual bonus of 80% of salary plus target LTIP awards in FY22 of 120% of salary plus matching awards of 90% of salary.  
 Maximum: Maximum annual bonus of 100% of salary plus maximum LTIP awards in FY22 of 200% of salary plus matching awards of 150% of salary.  
 Maximum plus share price growth: The maximum scenario above but illustrating the impact of a 50% increase in the share price on the LTIP awards.

Salary levels (on which other elements of the packages are calculated) are based on salaries as at 1 July 2021.

The value of taxable benefits is based on the actual values paid in FY21.

Richard Harpin and David Bower receive a pension allowance of 20% of basic salary. The Executive Directors may participate in all-employee share schemes on the same basis as other employees. The value that may be received under these schemes is subject to tax approved limits. For simplicity, the value that may be received from participating in these schemes has been excluded from the above charts. The on target and maximum scenarios exclude the impact of share price growth except as otherwise noted.

### Executive Directors' service agreements and policy on payments for loss of office

Under the Executive Directors' service contracts up to twelve months' notice of termination of employment is required by either party (reduced to six months if following a prolonged period of incapacity).

Dates of current contracts are summarised in the table below:

Name	Date of contract
D Bower	3 February 2017
R Clemmow	4 March 2021
R Harpin	18 January 2002
T Rusin	4 April 2018

Should notice be served, the Executives can continue to receive basic salary, benefits and pension for the duration of their notice period. The Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. The Company applies a general principle of mitigation in relation to termination payments and supports the use of phased payments. From the date of the announcement of an Executive Director's termination, any payment would be capped at 12 months' pay (that is, notice must be served concurrent with the announced departure).

Outplacement services may be provided where appropriate, and any statutory entitlements or sums to settle or compromise claims in connection with a termination (including, at the discretion of the Committee, reimbursement for legal advice) would be paid as necessary.

The service contracts also enable the Company to elect to make a payment in lieu of notice equivalent in value to twelve months' base salary, benefits and pension.

In the event of cessation of employment, the executives may still be eligible for a performance related bonus for the period worked. Different performance measures may be set to reflect changes in the Director's responsibilities until the point of departure.

The rules of the LTIP set out what happens to outstanding share awards if a participant leaves employment before the end of the vesting period. Generally, any outstanding share awards will lapse when an Executive leaves employment, except in certain circumstances. If the Executive leaves employment as a result of death, ill-health, injury, disability, retirement, transfer of employment or any other reason at the discretion of the Committee, then they will be treated as a 'good leaver' under the plan rules.

For a good leaver, any outstanding unvested LTIP awards will vest on the normal vesting date subject to an assessment of performance, with a pro-rata reduction to reflect the proportion of the vesting period served. The Committee may dis-apply the time pro-rating requirement if it considers it appropriate to do so. In the case of cessation due to death, the Committee can determine that the awards vest early. Outstanding vested but not exercised awards can be exercised by a good leaver until the expiry of the normal exercise period (or within 12 months in the case of death).

In determining whether an Executive should be treated as a good leaver and the extent to which their award may vest, the Committee will take into account the circumstances of an individual's departure.

The treatment of share awards on a change of control is the same as that set out above in relation to a good leaver (albeit with the vesting period automatically ending on the date of the change in control).

### Recruitment Policy

Base salary levels will be set in accordance with HomeServe's remuneration policy, taking account of the executive's skills, experience and their current remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be given over subsequent years subject to individual performance. Benefits will generally be provided in accordance with the approved policy, with relocation expenses and/or an expatriate allowance paid for if necessary. For an overseas appointment (which may include the relocation of an existing Director), the benefit and pension arrangements may be tailored to reflect local market practice (subject to the overall maximum limits on pension set out in the policy table).

# Directors' remuneration policy

Continued

The structure of the variable pay element will be in accordance with HomeServe's policy as detailed above. The maximum permitted variable pay opportunity is 450% of salary (100% of salary bonus + 200% of salary LTIP + 150% of salary matching award). However, the normal award limits are a bonus of 100% of salary, a performance share award of 150% of salary and up to a 150% of salary matching award. In the case of the matching awards, a new recruit may be invited to invest up to 25% of salary from their own funds in the first year in order to receive a matching award (in determining the number of matching awards to be granted, the investment is deemed to be made gross of tax). LTIP awards may be made shortly following an appointment (assuming the Company is not in a closed period).

The performance and matching awards would be granted on a consistent basis to the other Executive Directors. In the case of the annual bonus, different performance measures may be set for the first year, taking into account the responsibilities of the individual and the point in the financial year at which they joined. If it is necessary to buy-out incentive pay (which would be forfeited on leaving the previous employer) in order to secure the appointment, this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. The LTIP permits the grant of restricted share awards to Executive Directors in the case of recruitment to facilitate this, although awards may also be granted outside of this scheme if necessary, and as permitted under s.9.4.2.2 of the Listing Rules.

The service contract for a new appointment would be in accordance with the policy for the current Executive Directors.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant.

Fees for a new Chairman or Non-Executive Director will be set in line with the approved policy.

## Non-Executive Directors' letters of appointment

Non-Executive Directors serve under letters of appointment for periods of three years. The Non-Executive Directors (including the Chairman) have a notice period of three months but no liquidated damages are payable.

Fees are determined by the Executive Directors within the limits set by the Articles of Association, and are based on information on fees paid in similar companies and the skills and the expected time commitment of the individual concerned.

Details of their current three year appointments are as follows:

Name	Date of contract
T Breen	27 January 2021
K Cliffe	23 May 2020
S David	23 November 2019
R Donnelly	25 March 2021
E Fitzmaurice	23 May 2020
J M B Gibson	1 April 2019
O Grémillon	29 March 2019
R McMillan	27 October 2020

## Outside Appointments

Executive Directors may hold one outside appointment and can retain any fees received.

# Annual report on remuneration

This part of the report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6R of the Listing Rules. The annual report on remuneration will be put to an advisory shareholder vote at the 2021 Annual General Meeting.

## Remuneration Committee Members

Katrina Cliffe (Chairman)  
Tommy Breen (appointed 26 March 2021)  
JM Barry Gibson (stepping down on 18 May 2021)  
Stella David (stepped down on 17 July 2020)  
Edward Fitzmaurice  
Olivier Grémillon  
Ron McMillan

All of the current members are independent Non-Executive Directors and the Chairman of the Committee has experience of other remuneration committees. The Board determined that the Company Chairman, Barry Gibson, should remain a member of the Committee taking account of the fact that he was considered to be independent on appointment and also that, as a former Chairman of the Remuneration Committee, his knowledge of the development of the remuneration policy and practices at HomeServe is invaluable. He takes no part in discussions relating to his own remuneration. Barry is stepping down from the Board on 18 May 2021.

## Responsibilities

The principal role of the Remuneration Committee is to set the framework and policy for remuneration of the Board of Directors, both Executives and Non-Executives, and the Executive Committee. In determining these arrangements, the Committee takes account of the employment conditions and remuneration arrangements across the Group, seeking to ensure they align with common objectives and are based on the same principles. Insofar as possible, we ensure they also follow similar structures, since this is the most reliable way of ensuring transparency. We aim to offer a remuneration package that is sufficiently attractive to attract and appropriately reward the leadership team required to successfully run a complex international Group.

The primary responsibilities of the Committee include:

- Determining the Group's overall remuneration strategy
- Determining the remuneration packages of the Executive Directors and other members of the Executive Committee
- Selecting the measures and setting the performance criteria for the annual bonus and LTIP; and, at the end of the performance periods, evaluating performance against these criteria and determining if discretion should be applied in determining the final level of payment
- Approving the grant and exercise of executive share-based long-term incentive arrangements and overseeing the operation of other share-based plans across the Group
- Agreeing the terms and conditions of service agreements with Executive Directors, including termination payments
- Monitoring the pay of the Executive Committee, whose pay takes into account that of the whole workforce; in this regard, the Committee reviews internal relativities and pay ratios, and considers pay and conditions across the Group
- Considering the guidance issued by shareholders, their representative bodies and proxy agencies (including the Investment Association and Institutional Shareholder Services) on matters related to executive compensation and corporate governance; further, the Committee encourages an open dialogue with shareholders, soliciting feedback and seeking their views ahead of enacting significant changes to the remuneration policy or its implementation.

# Annual report on remuneration

## Continued

The Committee's terms of reference were reviewed during the year. The full schedule is available on our website: [www.homeserveplc.com/who-we-are/governance](http://www.homeserveplc.com/who-we-are/governance)

In determining the remuneration policy, the Committee is free to obtain such professional advice as it sees fit, and it periodically monitors both the policies of comparator companies and current market practice, in order to ensure that the packages provided are sufficient to attract and retain Executive Directors of the necessary quality.

The Committee aims to develop and recommend remuneration strategies that drive performance and reward it appropriately. In determining its policy, the Committee has paid regard to the principles and provisions of good governance contained in the UK Corporate Governance Code and the guidelines issued by institutions such as the Investment Association, ISS and the Pensions and Lifetime Savings Association (PLSA). The Committee operates under the delegated authority of the Board.

The remuneration of Non-Executive Directors is a matter for the Board. No Director is involved in determining his or her own remuneration.

The Committee has agreed and implemented a procedure for reviewing and assessing its own effectiveness as part of the annual effectiveness review of the Board.

### Advisers

The Committee selects its own advisers. From April 2020 to October 2020, independent advice was received by the Committee from the Executive Compensation practice of Aon plc. Aon also provided technical implementation and accounting advice in relation to the administration of the Company's share schemes. Aon is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. During the year, insurance broking services were also provided to the Group by other subsidiaries of Aon plc, which the Committee considers in no way prejudiced Aon's position as the Committee's independent advisers. Aon plc had no connection with any individual Director.

Fees charged by Aon for advice provided to the Committee for the year ended 31 March 2021 amounted to £21,550 (excluding VAT). Aon also provided additional remuneration advisory services to the Company during the year ended 31 March 2021 which fell outside of its support to the Remuneration Committee. These fees amounted to £19,950 (excluding VAT).

During the year, Aon plc decided to withdraw from the provision of remuneration advisory services and as a result, the Committee undertook a selection process for new advisers. Korn Ferry were selected and provided advice from November 2020. Korn Ferry is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. During the year, diversity & inclusion advice was also provided to the Group by Korn Ferry. The Committee does not consider that this prejudices Korn Ferry's position as the Committee's independent advisers. Korn Ferry had no connection with any individual Director.

Fees charged by Korn Ferry for advice provided to the Committee for the year ended 31 March 2021 amounted to £81,800 (excluding VAT).

The Committee has also received assistance from Richard Harpin, Group Chief Executive, David Bower, Chief Financial Officer, Kate Keyworth, Group People Director and Anna Maughan, Company Secretary, all of whom attended meetings of the Committee as required. No Executive took part in discussions in respect of matters relating directly to their own remuneration.



## Remuneration for the year under review (Audited)

	Year	Salary and fees £000	Taxable benefits <sup>5</sup> £000	Pension <sup>6</sup> £000	Bonus £000	LTIP <sup>7</sup> £000	Total Fixed £000	Total Variable £000	Total £000
<b>Executives</b>									
D Bower	FY21	375	17	75	299	219	467	518	<b>985</b>
	FY20	375	18	75	356	803	468	1,159	1,627
R Clemmow <sup>1</sup>	FY21	12	—	—	—	—	12	—	<b>12</b>
	FY20	—	—	—	—	—	—	—	—
R Harpin	FY21	588	23	118	469	412	729	881	<b>1,610</b>
	FY20	585	28	117	538	2,969	730	3,507	4,237
T Rusin <sup>2</sup>	FY21	508	9	8	405	340	525	745	<b>1,270</b>
	FY20	519	9	9	462	2,408	537	2,870	3,407
<b>Non-Executives</b>									
T Breen <sup>3</sup>	FY21	62	—	—	—	—	62	—	<b>62</b>
	FY20	—	—	—	—	—	—	—	—
K Cliffe	FY21	77	—	—	—	—	77	—	<b>77</b>
	FY20	68	—	—	—	—	68	—	68
S David	FY21	68	—	—	—	—	68	—	<b>68</b>
	FY20	70	—	—	—	—	70	—	70
R Donnelly <sup>4</sup>	FY21	1	—	—	—	—	1	—	<b>1</b>
	FY20	—	—	—	—	—	—	—	—
E Fitzmaurice	FY21	57	—	—	—	—	57	—	<b>57</b>
	FY20	55	—	—	—	—	55	—	55
O Grémillon	FY21	57	—	—	—	—	57	—	<b>57</b>
	FY20	55	—	—	—	—	55	—	55
J M B Gibson	FY21	300	—	—	—	—	300	—	<b>300</b>
	FY20	263	—	—	—	—	263	—	263
R McMillan	FY21	68	—	—	—	—	68	—	<b>68</b>
	FY20	65	—	—	—	—	65	—	65
<b>Total FY21</b>		<b>2,173</b>	<b>49</b>	<b>201</b>	<b>1,173</b>	<b>971</b>	<b>2,423</b>	<b>2,144</b>	<b>4,567</b>
<b>Total FY20</b>		<b>2,055</b>	<b>55</b>	<b>201</b>	<b>1,356</b>	<b>6,180</b>	<b>2,311</b>	<b>7,536</b>	<b>9,847</b>

<sup>1</sup> Ross Clemmow joined the Board on 22 March 2021.

<sup>2</sup> Tom Rusin is paid in USD and the USD amounts have been converted into GBP for the purposes of this table using the average exchange rate for FY21.

<sup>3</sup> Tommy Breen joined the Board on 27 January 2021.

<sup>4</sup> Roisin Donnelly joined the Board on 25 March 2021.

<sup>5</sup> Benefits comprise company car, fuel allowance and medical insurance.

<sup>6</sup> Details of pension contributions can be found later in the report.

<sup>7</sup> The figures for FY20 have been updated to reflect the actual share price on vesting for the 2017 award. The figures for FY21 are based on the average share price over the last three months of the financial year as the awards have not yet vested. The value shown for each LTIP award includes an amount in respect of dividend equivalents.

# Annual report on remuneration

Continued

## Details of variable pay earned in the year (Audited)

### Annual Bonus

For FY21, the annual bonus was based on the following stretching targets. The Committee agreed a minor adjustment to the weightings for FY21 bonuses which were disclosed in last year's report, introducing a new measure linked to the number of leads in the Habitissimo business and balancing this with a slight reduction on the weighting for the customer dissatisfaction measure:

### Financial and non financial bonus targets

		Weighting	% Payable at Threshold	Threshold	Maximum	Actual	% Payable
Financial measures	Adjusted Group profit before tax	40%	25%	£177.0m	£184.0m	£191.3m	100%
Non financial measures	Customer growth	15%	20%	8,000k	8,163k	8,366k	100%
	Trades growth (Checkatrade)	5%	40%	40.9k	43.0k	43.6k	100%
	No. of leads (Habitissimo)	5%	40%	1.85m	2.1m	2.0m	94%
	Customer dissatisfaction (measured as a weighted average level of customer dissatisfaction across the UK, US, France and Spain)	15%	20%	5.9%	5.6%	5.5%	100%

### Personal bonus targets

	Objectives	Weighting	Outcome	% Payable
<b>D Bower</b>	Use financial analysis to drive business improvements or efficiencies that generate incremental in year savings versus the budget	20%	Key achievements included: <ul style="list-style-type: none"> <li>Delivering significant cost savings (£6m+, including a marked reduction in plc costs) and profit in excess of targets for FY21</li> <li>Arranged additional US Private Placement funding to support the delivery of our growth plans and increasing our appeal to US investors</li> <li>Pioneered enhanced internal budgeting process.</li> </ul>	100%
<b>R Harpin</b>	Develop and prove out two new Home Experts initiatives, creating opportunities for significant P&L benefit in FY22	20%	Key achievements included: <ul style="list-style-type: none"> <li>Proved out UX for Directory Extra and developed highly successful new advertising campaign for Checkatrade which increased Checkatrade web visits from 23.6m to 29.0m</li> <li>Rollout of the freemium model</li> <li>Clearly identified FY22 P&amp;L opportunities.</li> </ul>	100%
<b>T Rusin</b>	To reinvent and step change Membership & HVAC growth	20%	Key achievements included: <ul style="list-style-type: none"> <li>Delivering growth in HVAC growth in terms of revenue (16% growth), policies (15% growth) and profit (65% growth), doubling HVAC customers to over 100k</li> <li>Beginning the step change to driving new growth in the UK</li> <li>Decreased complaints per claim and increased service efficiency in the UK</li> <li>Delivering continued strong customer growth in mainland Europe, including 27% growth in HVAC customers in France and 86% growth in gross new customers in Spain</li> <li>7% customer growth in North America.</li> </ul>	100%

Despite the COVID pandemic the Group performed well, delivering good growth in adjusted PBTA and strong growth in Membership customers, particularly in North America and France. Progress was also made in respect of the key strategic measures in Home Experts; trades and leads. Continued focus on customer service across all of our businesses meant that customer dissatisfaction remained low. Combined with the excellent personal performance of each of our Executive Directors, this delivered bonuses at 99.7% of the maximum available. However, following the decision to halt the implementation of eServe, the UK CRM solution, which resulted in an exceptional charge of £84.8m, the Committee agreed to exercise discretion to reduce the bonus for the Executive Directors. The payment in respect of the profit element of their bonus has been halved and, as a result, the Executive Directors will receive a bonus at 79.7% of the maximum.

The following bonuses were payable:

Name	Bonus £	% of salary
D Bower	298,875	79.7%
R Harpin	468,686	79.7%
T Rusin	404,789	79.7%

Annual bonuses are paid in cash but Executive Directors have the opportunity to invest their bonuses (up to 75% of the maximum) in HomeServe shares in order to participate in the matching element of the LTIP.

Ross Clemmow was appointed on 22 March 2021 and did not participate in the FY21 bonus scheme.

#### Long-term Incentive Plan

The 2018 LTIP performance and matching awards were granted on 24 July 2018.

The performance conditions for the performance and matching awards were as follows:

Condition	Percentage of award to which the condition applies	Performance period	Threshold target	Stretch target	Actual performance	Vesting
TSR (underpinned by underlying financial performance)	25%	3 years to 31 March 2021	TSR equal to the FTSE 250 index	TSR exceeds the index by an average of 15% p.a.	52.58%	81.3%
EPS	75%	3 years to 31 March 2021	Compound annual growth of 9%	Compound annual growth of 15%	8.3%	0%

Based on the level of performance as set out in the table above, the overall level of vesting was 20.33%. A two year post-vesting holding requirement applies to the awards.

The 2018 awards have been valued for the purpose of the remuneration table on page 107 using the average share price over the last three months of the financial year.

# Annual report on remuneration

Continued

## Summary of outstanding awards (Audited)

### LTIP

Details of the maximum number of shares receivable from awards made under the LTIP are as follows:

	31 March 2021	Awarded during year	Lapsed during year	Vested during year	31 March 2020	Date granted	Type of award
D Bower	—	—	—	59,250	59,250	27.6.17	Performance
	<b>46,247</b>	—	—	—	46,247	24.7.18	Performance
	<b>45,117</b>	—	—	—	45,117	24.7.18	Matching
	<b>47,468</b>	—	—	—	47,468	26.6.19	Performance
	<b>40,789</b>	—	—	—	40,789	26.6.19	Matching
	<b>42,485</b>	42,485	—	—	—	15.7.20	Performance
	<b>41,985</b>	41,985	—	—	—	15.7.20	Matching
R Harpin	—	—	—	111,632	111,632	27.6.17	Performance
	—	—	—	107,547	107,547	27.6.17	Matching
	<b>87,133</b>	—	—	—	87,133	24.7.18	Performance
	<b>84,691</b>	—	—	—	84,691	24.7.18	Matching
	<b>74,438</b>	—	—	—	74,438	26.6.19	Performance
	<b>71,453</b>	—	—	—	71,453	26.6.19	Matching
	<b>66,623</b>	66,623	—	—	—	15.7.20	Performance
	<b>65,842</b>	65,842	—	—	—	15.7.20	Matching
T Rusin	—	—	—	93,920	93,920	27.6.17	Performance
	—	—	—	83,823	83,823	27.6.17	Matching
	<b>74,699</b>	—	—	—	74,699	24.7.18	Performance
	<b>67,192</b>	—	—	—	67,192	24.7.18	Matching
	<b>65,926</b>	—	—	—	65,926	26.6.19	Performance
	<b>62,030</b>	—	—	—	62,030	26.6.19	Matching
	<b>59,666</b>	59,666	—	—	—	15.7.20	Performance
	<b>59,475</b>	59,475	—	—	—	15.7.20	Matching

The performance conditions for the outstanding awards granted in 2018 and 2019 are as follows:

- 25% comparative TSR (FTSE 250 Index + 15% per annum for maximum vesting)
- 75% compound annual EPS growth (15% CAGR for maximum vesting).

**Further details on LTIP awards granted in the year**

On 15 July 2020, the following performance and matching share awards were granted to the Executive Directors under the LTIP:

**Performance share awards**

	Date of grant	Number of shares	Share price used to determine awards	Award size (% salary)	Face value at grant £	% that vests at threshold
D Bower	15.7.20	42,485	£13.24	150%	£562,501	25%
R Harpin	15.7.20	66,623	£13.24	150%	£882,089	25%
T Rusin	15.7.20	59,666	£13.24	150%	£789,978	25%

Performance Share Awards will vest after three years subject to continued employment and the achievement of stretching performance criteria relating to EPS. The extent to which Performance Share Awards vest at the end of the Performance Period will be determined as follows:

Compound annual percentage growth in EPS	Percentage of Shares that Vests
Less than 7%	0%
7%	25%
Between 7% and 13%	On a straight-line basis between 25% and 100%
13% or more	100%

The Performance Period is the period of three financial years ending on 31 March 2023. Vesting is also subject to underlying financial performance and a two year post vesting holding period applies.

**Matching share awards**

	Date of grant	Number of investment shares purchased	Award size	Number of shares subject to matching award	Share price used to determine awards	Face value £	% that vests at threshold
D Bower	15.7.20	11,126	2:1 match	41,985	£13.24	£147,308	25%
R Harpin	15.7.20	17,448	2:1 match	65,842	£13.24	£231,012	25%
T Rusin	15.7.20	15,761	2:1 match	59,475	£13.24	£208,676	25%

Subject to the retention of the Investment Shares, continued employment and the achievement of stretching comparative TSR related performance criteria, the Matching Share Awards will vest in three years' time.

The Company's TSR over the Performance Period must match or exceed the TSR of the Peer Group over the Performance Period. The Peer Group is those companies at positions 31 to 200 in the FTSE Index at the start of the Performance Period. The extent to which Matching Share Awards vest at the end of the Performance Period will be determined as follows:

The Company's TSR over the Performance Period	Percentage of Shares that Vests
Below the TSR of the median company in the Peer Group	0%
Equal to the TSR of the median company in the Peer Group	25%
Equal to or more than the TSR of the company at the 75th percentile of the Peer Group	100%
Between median and upper quartile TSR	Pro-rata on a straight-line basis between 25% and 100%

The Performance Period is the period of three financial years ending on 31 March 2023. Vesting is also subject to underlying financial performance and a two year post vesting holding period applies.



# Annual report on remuneration

## Continued

### Further details on awards vested in the year

Performance and matching awards granted on 27 June 2017 vested in full during the year.

	Date of grant	Type of Award	Date of exercise	No of Shares	Share price at exercise	Face value at exercise £	Dividend equivalents paid in cash £
D Bower	27.6.17	Performance	30.6.20	59,250	£12.97	£768,473	£34,069
R Harpin	27.6.17	Performance	30.6.20	111,632	£12.97	£1,447,867	£64,188
	27.6.17	Matching	30.6.20	107,547	£12.97	£1,394,885	£61,840
T Rusin	27.6.17	Performance	30.6.20	93,920	£12.97	£1,218,142	£54,004
	27.6.17	Matching	30.6.20	83,823	£12.97	£1,087,184	£48,198

### One Plan Matching Shares (Share Incentive Plan)

	31 March 2021	Sold during the year to pay tax on vesting	Acquired during year	31 March 2020	Aggregate face value of shares awarded during the year £ <sup>1</sup>
D Bower	465	—	83	382	£981
R Harpin	465	—	83	382	£981
T Rusin	421	39	89	371	£1,052

<sup>1</sup> Based on the acquisition price of the associated Partnership Shares. The highest share price was £13.30 and the lowest share price was £10.22.

Until January 2021, participants received one Matching Share for every two Partnership Shares they purchase. From February 2021, the match was enhanced to one Matching Share for every one Partnership Share purchased. Shares are purchased on a monthly basis. Matching Shares are normally kept in trust for a minimum period of three years.

### Shareholding Guidelines (Audited)

It is the Board's policy that Executive Directors build up and retain a minimum shareholding in the Company. Each Director is encouraged to hold shares of at least equal value to 300% of their annual basic salary or fee.

Under the Long-Term Incentive Plan, the net of tax value of shares that vest must be retained for a period of two years.

The beneficial interests of Directors who served at the end of the year, together with those of their families, in the shares of the Company are as follows:

	18 May 2021	31 March 2021	31 March 2020	Outstanding LTIP awards	Total 31 March 2021	Value of shares counting towards guideline holding (as a % of salary or fee) <sup>1</sup>	Guideline met?
D Bower	167,364	167,338	124,648	264,091	431,429	536%	Yes
R Clemmow <sup>2</sup>	—	—	—	—	—	—	No
R Harpin	40,790,030	40,790,004	40,553,117	450,180	41,240,184	83,305%	Yes
T Rusin	841,752	841,725	703,862	388,988	1,230,712	1,990%	Yes
T Breen <sup>3</sup>	—	—	—	—	—	—	No
K Cliffe	20,976	20,976	18,276	—	20,976	283%	No
S David	100,020	100,020	100,020	—	100,020	1,560%	Yes
R Donnelly <sup>4</sup>	—	—	—	—	—	—	No
E Fitzmaurice	786,265	786,265	786,265	—	786,265	14,528%	Yes
O Grémillon	15,600	15,600	10,000	—	15,600	288%	No
J M B Gibson	150,070	150,070	150,070	—	150,070	601%	Yes
R McMillan	17,999	17,999	15,249	—	17,999	281%	No

<sup>1</sup> Calculated using the shareholding and share price on 31 March 2021 of £12.01 divided by the Executive's salary or Non-Executive's fee on that date.

<sup>2</sup> Ross Clemmow was appointed on 22 March 2021.

<sup>3</sup> Tommy Breen was appointed on 27 January 2021.

<sup>4</sup> Roisin Donnelly was appointed on 25 March 2021.

**Directors' pensions (Audited)**

The following contributions were made:

	2021 £000	2020 £000
D Bower	75	75
R Clemmow	—	—
R Harpin	118	117

Tom Rusin participates in a US 401k pension plan (a defined contribution scheme) to which the Company contributed £8,639 (\$11,278) in FY21. (FY20: £8,915).

**Ross Clemmow**

Ross Clemmow joined the Board on 22 March 2021. His remuneration package comprises:

- Base salary of £400,000 per annum
- Maximum annual bonus of 100% of salary
- Annual LTIP Performance Share Award of 150% of salary and eligibility to participate in the Matching Share element of the LTIP
- Car allowance of £14,000
- Pension contributions of 6% (in line with the rate for the wider workforce)
- Other benefits including medical insurance and life insurance.

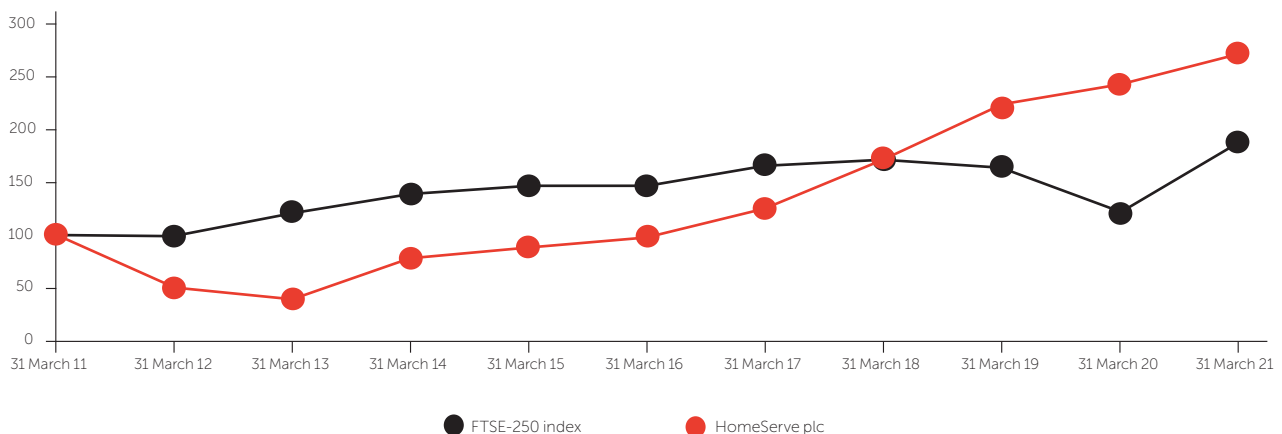
In addition, a one-off award will be made to buy out Ross's participation in a carried interest fund operated by his previous employer which was forfeited on leaving. After taking external advice, the Committee agreed to buy out his interest in this fund at a level of 50% of the minimum projected value of the fund, which was considered to be a fair estimate of what he was effectively forfeiting on his departure. The value of the buyout was determined at £750,000. The Committee agreed to grant this buyout award as an award of shares subject to the same performance and vesting conditions as those applying to the LTIP Awards to be granted in 2021. As a result, the buyout award has a long-term structure and the award will only vest in the event of challenging performance conditions being met over the forthcoming three-year period. The Committee intends to grant the award under Listing Rule 9.4.2 (2), which permits share awards to be granted to Directors linked to their recruitment without the requirement for specific shareholder approval to be sought. The use of Listing Rule 9.4.2 (2) in this fashion is permitted by the remuneration policy.

# Annual report on remuneration

## Continued

### Performance graph

The graph below shows the Company's performance, measured by TSR, compared with the performance of the FTSE-250 Index (also measured by TSR) for the ten years ended 31 March 2021. This comparator has been chosen as it is a broad equity index of which the Company is currently a constituent and it is also the one historically used in assessing relative TSR performance under the LTIP.



The graph shows the value, by 31 March 2021, of £100 invested in HomeServe on 31 March 2011 compared with that of £100 invested in the FTSE-250 Index on the same date.

### Chief Executive's remuneration

The total remuneration figures for the Chief Executive during each of the last ten years are shown in the table below. The figures include the annual bonus based on that year's performance and the matching awards plus the LTIP awards based on the three year performance period ending in the relevant year. The annual bonus and long-term incentive award vesting level as a percentage of the maximum opportunity are also disclosed below:

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Total remuneration (£000s)	559	953	1,212	1,200	3,355	4,256	8,563 <sup>1</sup>	4,749 <sup>2</sup>	4,237	<b>1,610</b>
Annual Bonus	0%	75%	100%	96%	98%	100%	96%	75%	92%	<b>79.7%</b>
LTIP awards vesting	60%	0%	0%	0%	100%	100%	100%	100%	100%	<b>20.33%</b>

Notes:

<sup>1</sup> The total includes the 2014 and 2015 LTIP awards which were granted and vested a year apart.

<sup>2</sup> Standard LTIPs vested at 100%. Additional LTIPs vested at 96.38%.

### Percentage change in remuneration levels

The table below shows the percentage change in each Director's remuneration (excluding the value of any pension, matching awards and performance awards receivable in the year) between FY20 and FY21 compared to the average for all employees of HomeServe plc.

	% Change from FY20 to FY21		
	Salary	Benefits	Annual Bonus
D Bower	0%	(6%)	(16%)
R Clemmow	n/a	n/a	n/a
R Harpin	1%	(19%)	(13%)
T Rusin	1%	(6%)	(10%)
T Breen	n/a	n/a	n/a
K Cliffe	13%	n/a	n/a
S David	(3%)	n/a	n/a
R Donnelly	n/a	n/a	n/a
E Fitzmaurice	5%	n/a	n/a
O Grémillon	5%	n/a	n/a
J M B Gibson	14%	n/a	n/a
R McMillan	5%	n/a	n/a
Average of other HomeServe plc employees	5%	2%	34%

### CEO pay ratio

The table below compares the Chief Executive's total remuneration against that of all of its UK employees.

Year	Method	25th Percentile pay ratio	Median pay ratio	75th percentile pay ratio
<b>FY21</b>	<b>Option B</b>	<b>70:1</b>	<b>52:1</b>	<b>43:1</b>
FY20	Option B	203:1	126:1	91:1

In terms of reporting options, the Company chose option B, using the most recent gender pay gap information to determine the relevant employee at the 25th, 50th and 75th percentile to compare to the Chief Executive's pay, as that data was considered to be the most accurate and comprehensive data available. It refers to gender pay data as at 1 April 2020 in respect of the FY21 disclosures and as at 1 April 2019 in respect of the FY20 disclosures. The pay and benefits for the employees identified was determined as at 31 March 2021 for the FY21 disclosures and as at 31 March 2020 for the FY20 disclosures.

The total pay and benefits figures and the salary figures used for the pay ratio calculations are set out in the table below.

Year		25th Percentile pay ratio	Median pay ratio	75th percentile pay ratio
<b>FY21</b>	<b>Total pay and benefits</b>	<b>£23,039</b>	<b>£30,767</b>	<b>£37,010</b>
	<b>Salary</b>	<b>£22,645</b>	<b>£24,058</b>	<b>£34,091</b>
FY20	Total pay and benefits	£20,922	£33,751	£46,483
	Salary	£18,815	£28,074	£31,328

There has been significant change since we published our first CEO pay ratio report in 2020. This is largely due to the much lower level of LTIP vesting in respect of the CEO in 2021 compared to previous years.

# Annual report on remuneration

## Continued

The employees identified for this year's report are all working in frontline Customer focussed roles at increasing levels of seniority. With frontline roles representing a substantial proportion of the UK workforce, these employees are therefore reasonably representative of the 25th, 50th and 75th percentiles and demonstrate the progression in remuneration across the largest proportion of the workforce.

Overall the data demonstrates the commitment to pay the real Living Wage rate to all directly employed staff, which underpins the UK pay structure and is reflective of the wider approach to pay and progression.

### Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends, tax and retained profits:

	FY20 £m	FY21 £m	% change
Pay	339.2	<b>389.1</b>	+15%
Dividends	73.5	<b>80.5</b>	+10%
Tax	32.1	<b>15.4</b>	-52%
Retained profits	106.0	<b>31.1</b>	-71%

### Application of the remuneration policy for FY21

#### Basic salary

Basic salary for each Executive Director is determined by the Remuneration Committee taking into account the roles, responsibilities, performance and experience of the individual. Salary increases are determined taking into account pay and employment conditions of employees elsewhere in the Company and market data on salary levels for similar positions at comparably-sized companies.

Salaries are normally reviewed in July each year (unless responsibilities change). The explanation for the salary decisions for FY22 is in the Annual Statement of the Chairman of the Remuneration Committee on pages 94 to 95.

The salaries for the Executive Directors from 1 July 2021 will be as follows:

Name of Director	Salary
D Bower	£450,000
R Clemmow	£400,000
R Harpin	£599,824
T Rusin	\$679,575



### Fees for the Chairman and Non-Executive Directors

As detailed in the remuneration policy, the Company aims to set remuneration for Non-Executive Directors at a level which is sufficient to attract and retain Non-Executive Directors of the right calibre. The fees paid to the Chairman and the Non-Executive Directors are reviewed periodically.

The fees for Non-Executive Directors were reviewed during FY21. Fees had been unchanged since 2015 and having reviewed the market data and taking into account the growth in the size and complexity of the Group, it was agreed that fees be increased to ensure that they remained competitive. Increases took effect on 1 January 2021.

As disclosed last year, the fees for the Chairman were reviewed in FY20 as part of the work undertaken in respect of the search for a successor to Barry Gibson.

Details of the current and previous fees are detailed in the table below.

	Previous	Current
Chairman's fees <sup>1</sup>	£300,000	£350,000
Senior Independent Director additional fee	£7,500	£12,000
Non-Executive Directors' base fee	£55,000	£65,000
Chair of Remuneration, Audit & Risk or People Committee	£10,000	£12,000

<sup>1</sup> The 'previous' figure for the Chairman relates to Barry Gibson who steps down on 18 May 2021. The 'current' figure relates to Tommy Breen who was appointed to the Board on 27 January 2021 and takes over as Chairman on 19 May 2021. The fee for the new Chairman reflects the increased size and complexity of the business compared to when Barry was originally appointed as Chairman and takes account of fees paid at comparable businesses.

### Annual bonus performance targets

The annual bonus plan for FY22 will operate on a similar basis to FY21 and is consistent with the policy detailed earlier in this report.

The bonus measures will be as follows:

Financial measures (40% of bonus)	Non financial measures (40% of bonus)	Personal objectives (20% of bonus)
<ul style="list-style-type: none"> <li>Profit before tax</li> </ul>	<ul style="list-style-type: none"> <li>Customer growth (15%)</li> <li>Trades growth (Checkatrade) (5%)</li> <li>Trades growth (Habitissimo) (5%)</li> <li>Customer service (15%)</li> </ul>	<ul style="list-style-type: none"> <li>Up to three personal strategic objectives</li> </ul>

The Committee considers the forward looking performance targets to be commercially sensitive but more detailed disclosure will be provided in next year's remuneration report.

The Committee has discretion to scale back any bonus payments if it is deemed appropriate.

# Annual report on remuneration

Continued

## Long-term incentives

The Long-Term Incentive Plan will continue to provide a mix of Performance (up to 200% of salary) and Matching Share Awards (2:1 match on up to 75% of salary bonus invested in shares). As explained in the Annual Statement of the Chairman of the Remuneration Committee on pages 94 to 95, the FY22 Performance Share award for Executive Directors will be at 200% of salary.

## Performance criteria

The performance targets to be applied to the awards granted in FY22 are set out below. The performance period is the three financial years ending on 31 March 2024.

Compound annual percentage growth in EPS	Percentage of Shares that Vests
Less than 7%	0%
7%	18.75%
Between 7% and 13%	On a straight-line basis between 18.75% and 75%
13%	75%
Between 13% and 16%	On a straight-line basis between 75% and 100%
16%	100%

Matching Share Awards will vest after three years subject to the retention of the Investment Shares purchased with the annual cash bonus, continued employment and the achievement of stretching comparative TSR related performance criteria. The Company's TSR over the performance period must match or exceed the TSR of the Peer Group over the performance period. The Peer Group is those companies at positions 31 to 200 in the FTSE Index at the start of the performance period. The extent to which Matching Share Awards vest at the end of the performance period will be determined as follows:

The Company's TSR over the Performance Period	Percentage of Shares that Vests
Below the TSR of the median company in the Peer Group	0%
Equal to the TSR of the median company in the Peer Group	25%
Equal to or more than the TSR of the company at the 75th percentile of the Peer Group	100%
Between median and upper quartile TSR	Pro-rata on a straight-line basis between 25% and 100%

## Holding period for vested shares

The net of tax value of any shares vesting under the LTIP must be held for a further two years, providing a longer-term perspective to the incentive programme.

## Shareholder voting at the 2020 Annual General Meeting

At last year's Annual General Meeting held on 17 July 2020, the following votes from shareholders were received:

	Remuneration report		Remuneration policy	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	232,066,059	97.4%	226,075,370	95.7%
Against	6,235,977	2.6%	10,179,917	4.3%
<b>Total votes cast (for and against excluding withheld votes)</b>	<b>238,302,036</b>	<b>100.0%</b>	<b>236,255,287</b>	<b>100.0%</b>
Votes withheld	5,760,270		3,713,421	
<b>Total votes (including withheld votes)</b>	<b>244,062,306</b>		<b>239,968,708</b>	

By Order of the Board

### Katrina Cliffe

Chairman of the Remuneration Committee  
18 May 2021

# Directors' report

The Directors have pleasure in presenting their Annual Report for the year ended 31 March 2021.

## Management report

The Directors' report, together with the Strategic report set out on pages 2 to 57 form the Management Report for the purposes of Disclosure Guidance and Transparency Rule (DTR) 4.1.5R.

## Statutory information contained elsewhere in the Annual Report

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

Information	Location in Annual Report
Likely future developments in the business of the Company or its subsidiaries	Pages 2 to 55
Employees (employment of disabled persons, employee engagement and policies)	Pages 25 to 26
Greenhouse gas emissions	Pages 30 to 31
Employee engagement	Page 25
Supplier, customers, others in a business relationship	Pages 20 and 21
Corporate Governance statement	Pages 58 to 91
Directors' details (including changes made during the year)	Pages 71, 72 and 74
Related party transactions	Note 34 on page 187
Diversity	Page 26
Share capital	Note 28 on page 180
Going Concern and Viability statement	Pages 54 to 55
Employee share schemes (including long-term incentive schemes)	Note 32 on pages 182 to 184
Financial instruments: Information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging	Note 27 and 46 on pages 177 and 199
Statements of responsibilities	Pages 122 to 123
Disclosure of information to auditor	Page 122

## Disclosure table pursuant to Listing Rule (LR) 9.8.4C

The following table provides reference to where the information required by Listing Rule 9.8.4C R is disclosed:

Listing Rule	Listing Rule requirement	Disclosure
9.8.4(1)	Interest capitalised by the Group and any related tax relief	Not applicable
9.8.4(2)	Unaudited financial information (LR 9.2.18 R)	Strategic report page 2 to 55
9.8.4(4)	Long-term incentive schemes (LR 9.4.3 R)	Directors' remuneration report pages 109 to 112
9.8.4(5)	Directors' waivers of emoluments	Not applicable
9.8.4(6)	Directors' waivers of future emoluments	Not applicable
9.8.4(7)	Non pre-emptive issues of equity for cash	Not applicable
9.8.4(8)	Non pre-emptive issues for cash by any unlisted major subsidiary undertaking	Not applicable
9.8.4(9)	Parent company participation in a placing by a listed subsidiary	Not applicable
9.8.4(10)	Contract of significance in which a Director is or was materially interested	Not applicable
9.8.4(11)	Contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder	Not applicable
9.8.4(12)	Waiver of dividends by a shareholder	Directors' report on page 120
9.8.4(13)	Waiver of future dividends by a shareholder	Directors' report on page 120
9.8.4(14)	Board statement in respect of relationship agreement with the controlling shareholder	Not applicable

# Directors' report

## Continued

### Results and Dividends

The Directors are recommending the payment on 2 August 2021 of a final dividend of 19.8p per ordinary share to shareholders on the register at the close of business on 2 July 2021 which, together with the net interim dividend of 6.2p per ordinary share paid on 8 January 2021, results in a total net dividend for the year of 26.0p per share (FY20: 23.6p).

### Political donations

No political donations were made during the year.

### Rules on appointment and replacement of Directors

All of the ongoing Directors will seek election or re-election at the AGM in accordance with the Company's Articles of Association and the recommendations of the Code.

A Director may be appointed by ordinary resolution of the shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such meetings. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual seeks election at the next AGM.

A Director may be removed by the Company in certain circumstances set out in the Articles of Association or by an ordinary resolution of the Company.

### Directors' indemnities and insurance

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were in place during the year and remain in force at the date of this report. The Company maintains Directors' and officers' liability insurance for its Directors and officers.

### Articles of Association

The powers of the Directors are set out in the Company's Articles of Association which are available on request. The Articles of Association may be changed by special resolution.

### Capital Structure

Details of the issued share capital, together with details of shares issued during the year, are set out in note 28. There is one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at a general meeting of the Company.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 32. No votes are cast in respect of the shares held in the Employee Benefit Trust and dividends are waived.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. Subject to the Companies Act 2006 and any relevant authority of the Company in general meeting, the Company has authority to issue new shares.

The AGM held in 2020 authorised the Directors to allot shares in the capital of the Company within certain limited circumstances and as permitted by the Companies Act. A renewal of this authority will be proposed at the 2021 AGM.

### Authority to purchase shares

The Company was authorised at the 2020 AGM to purchase its own shares, within certain limits and as permitted by the Articles of Association. A renewal of this authority will be proposed at the 2021 AGM. No shares were purchased during the year and no shares are held in Treasury.

### Significant agreements – change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors and employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

### Annual General Meeting

The 2021 Annual General Meeting of the Company will be held on 16 July 2021.

### Fixed Assets

Capital expenditure on tangible fixed assets amounted to £7.1m (FY20: £8.5m) during the year.

### Directors' interests in shares

The beneficial interests of the Directors in the shares of the Company and the options held as at 31 March and 18 May 2021 are set out in the Remuneration report on page 112. None of the Directors serving at the year end had a beneficial interest in the share capital of any subsidiary company.

### Substantial Shareholdings

As far as the Directors are aware, no person or company had a beneficial interest in 3% or more of the voting share capital at 31 March and 18 May 2021, except for the following:

Name	As at 31 March 2021		As at 18 May 2021	
	ordinary shares	%	ordinary shares	%
R Harpin	40,790,004	12.1	40,790,030	12.1
Baillie Gifford & Co	21,949,959	6.5	21,949,959	6.5
T Rowe Price Associates Inc	16,904,551	5.0	16,769,101	5.0
BlackRock Inc	16,763,157	5.0	17,023,125	5.0

### Taxation status

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

By Order of the Board

### Anna Maughan

Company Secretary  
18 May 2021



# Statements of responsibilities

The Directors are responsible for preparing the Annual Report & Accounts, Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements under international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 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.

Resolutions proposing the reappointment of Deloitte LLP as auditor and authorising the Board to determine its remuneration will be put to the Annual General Meeting.

## Website publication

The Directors are responsible for ensuring the Annual Report, including the financial statements, is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website ([www.homeserveplc.com](http://www.homeserveplc.com)) is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

**Directors' responsibility statement**

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the Directors' report, together with the Strategic report, which represent the Management Report, include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board

**Richard Harpin**  
Chief Executive Officer  
18 May 2021

**David Bower**  
Chief Financial Officer  
18 May 2021

# Independent Auditor's report to the members of HomeServe plc

## Opinion

In our opinion:

- the financial statements of HomeServe plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group income statement;
- the Group and parent company statements of comprehensive income;
- the Group and parent company balance sheets;
- the Group and parent company statements of changes in equity;
- the Group and parent company cash flow statements; and
- the related notes 1 to 50.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006, and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 5 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Summary of our audit approach

### Key audit matters

The key audit matters that we identified in the current year were:

- carrying value of goodwill;
- impairment of the UK's eServe Customer Relationship Management ('eServe') system; and
- revenue deferrals

Within this report, key audit matters are identified as follows:

 Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk

### Materiality

The materiality that we used for the Group financial statements was £7.4m which was determined on the basis of less than 0.6% of revenue.

### Scoping

The following operating segments were subject to a full scope audit:

Membership and HVAC:

- United Kingdom;
- North America;
- France; and
- Spain.

Home Experts:

- United Kingdom; and
- North America.

The 'Membership and HVAC – New Markets' and 'Home Experts – Other' operating segments were subject to specific audit procedures.

Following the acquisition of eLocal in the prior year, the 'Home Experts – North America' segment was subject to a full scope audit for the first time in the year ended 31 March 2021.

### Significant changes in our approach

In the prior year the Group's materiality was determined on the basis of 5% of profit before tax. In the current year, materiality has been determined on the basis of 0.6% of revenue. Please refer to our application of materiality section for further details.

During the year, management has fully impaired the new eServe system, resulting in impairment charges of £82.6m (FY20: £nil) being incurred by the Group. Following management's impairment review and the decision to fully impair the eServe system, we have amended our key audit matter in relation to eServe to focus on the assumptions underpinning the impairment decision and the £nil valuation of the asset.

In the prior year we identified the Group's acquisition of 79% of eLocal to be a key audit matter, in relation to the valuation of eLocal acquisition intangibles and the valuation of the put option over the remaining 21% equity interest. As this was related purely to the opening fair value assessment, this area has not been identified as a key audit matter for the year ended 31 March 2021.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- evaluating management's going concern assessment, which included specific consideration of the impacts of the COVID pandemic and the Group's operational resilience, in order to understand, challenge and assess the key judgements made by management;
- obtaining an understanding of the Group's process and relevant controls around management's going concern assessment;
- reviewing management's three year business plan and regulatory correspondence across the Group;
- assessing compliance with the covenant conditions attached to the Group's lending facilities;
- reviewing post year end performance and assessing the historical accuracy of forecasts prepared by management; and
- assessing the appropriateness of the disclosures made in the financial statements surrounding going concern and the principal risks and uncertainties that the Group is facing.

# Independent Auditor's report to the members of HomeServe plc

## Continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Carrying value of goodwill

##### Key audit matter description

The carrying value of goodwill is £564.3m (FY20: £509.9m).

Management's goodwill impairment analysis is completed at an individual cash generating unit ('CGU') basis. The Group's assessment of the carrying value of goodwill is a judgemental process which requires estimates concerning the future cash flows of each CGU and associated discount rates. We identified key audit matters in the following areas:

- the accuracy of the weighted average cost of capital ('WACC') for each CGU used to discount the cash flows within the Group's impairment assessment; and
- the cash flow forecasts used for the Home Experts division, comprising Checkatrade, Habitissimo and eLocal. The Home Experts division has been most heavily impacted by the COVID pandemic, Checkatrade and Habitissimo are currently loss making and the value in use assessments are highly sensitive to variations in the short-term cash flow growth assumptions, particularly in the year three projection.

Having made their assessment, management determined that no impairment was required, however, as disclosed in notes 3 and 13, a reasonably plausible change in operational cash flows in the CGUs could result in an impairment of goodwill.

Further detail on the key judgements involved is set out within the Audit and Risk Committee report on page 87, significant accounting policies in note 2, the key sources of estimation uncertainty in note 3 and note 13 to the financial statements.

##### How the scope of our audit responded to the key audit matter

We first understood the Group's process and key controls around the carrying value of goodwill, specifically the Group review process to assess the accuracy and completeness of key assumptions within the impairment assessment.

We assessed the Group's WACC working with our internal valuations specialists. We benchmarked assumptions to external macro-economic and market data and independently determined the WACC rate for each CGU.

We challenged the Group's key assumptions relating to the estimated future cash flows applied to the Home Experts businesses. Our procedures included:

- challenging the reasonableness of the Group's assessment of the cash flow forecasts and growth rates applied for the Home Experts businesses, particularly Checkatrade and Habitissimo, given that both businesses are currently loss making and have significant growth forecasts over the next three years. This included understanding the key drivers of growth; and
- assessing the Group's ability to accurately forecast business performance with reference to historical trading performance and assessing the businesses performance throughout the COVID pandemic as well as any potential impact on future business performance.



We have reviewed the consistency of the key assumptions used in the carrying value of goodwill assessment to the budget used by the Group to assess longer term-viability and going concern.

We have considered the appropriateness of management's carrying value of goodwill disclosures, including the potential impact on headroom under a range of alternative lockdown scenarios, in line with guidance from IAS 36 – Impairment of assets and IAS 1 – Presentation of financial statements.

### Key observations

We assessed the impact of using our independent WACC rate in management's impairment calculation, noting that it reduced the level of headroom within the Home Experts CGUs, however it did not indicate that an impairment write down was required.

We concluded that other key assumptions used within the Group's goodwill impairment assessment were acceptable.

We consider management's conclusions regarding the carrying value of goodwill to be reasonable as at 31 March 2021. We consider management's disclosures in note 3 in relation to Checktrade and note 13 in relation to Habitissimo to be appropriate, which indicate that a reasonably plausible change in operational cash flows in the CGUs could result in an impairment of goodwill.

### Impairment of the UK's 'eServe' Customer Relationship Management system

#### Key audit matter description

Management has been developing the new UK eServe Customer Relationship Management ('eServe') system since 2013. During the second half of the year, management identified a number of system capability issues associated with the eServe system and as a result, fully impaired the system, resulting in impairment charges of £82.6m (FY20: £nil). In addition, a provision of £2.2m has been recognised for onerous contracts associated with the eServe system. Total charges of £84.8m have been treated as exceptional in the Group's income statement due to their size, nature and incidence.

Following management's impairment review and the decision to fully impair the eServe system, we identified a key audit matter focussing on the assumptions underpinning the value-in-use calculation, the impairment decision and the £nil valuation of the asset.

Further detail on the key judgements involved is set out within the Audit and Risk Committee report on page 87, significant accounting policies in note 2 and note 7 to the financial statements.

#### How the scope of our audit responded to the key audit matter

We first understood management's process and relevant controls in relation to the impairment assessment, specifically the Group's process to assess the accuracy and completeness of key assumptions used to determine the value-in-use calculation.

We assessed the indicators of impairment identified by management against the requirements of IAS 36. We challenged management's value-in-use computation by assessing whether the nature of the cash flows that management has taken into account are consistent with the requirements of IAS 36 – Impairment of assets and verifying the accuracy of estimated cash flows used in the computation.

We engaged our IT specialists to challenge management's conclusions in technical areas such as the assumptions relating to the repatriation of policies from the new eServe system back onto the existing system.

We have challenged the completeness of management's assessment of onerous contracts and other provisions in accordance with IAS 37 - Provisions, contingent liabilities and contingent assets in relation to their decision to discontinue the eServe system and fully impair the asset.

We have reviewed management's disclosures in the financial statements relating to the impairment of the eServe system and its presentation as an exceptional item.

# Independent Auditor's report to the members of HomeServe plc

## Continued

### Key observations

We are satisfied the cash flows applied in management's impairment assessment are reasonable in determining the eServe system's value-in-use.

Overall we consider management's decision to impair the eServe system down to £nil to be reasonable.

We also consider management's disclosures on the impairment of the eServe system to be reasonable, as well as its presentation as an exceptional item.

### ⏪ Revenue deferrals

#### Key audit matter description

The recognition of revenue is an important area of estimation which requires significant judgement by the Group to determine key assumptions, particularly regarding the level of revenue to defer in the Membership and HVAC division in order to satisfy the Group's obligations for future claims handling and non-recoverable costs incurred by HomeServe's directly employed operations.

Given the degree of judgement and estimation involved in determining the level of revenue to defer, we also identified that there is a potential for fraud through possible manipulation of this balance.

The total amount of revenue deferred at 31 March 2021 in respect of the Group's future claim handling obligations is £18.9m (FY20: £19.1m). The total amount of revenue deferred at 31 March 2021 in respect of the Group's directly employed operations is £21.8m (FY20: £18.9m).

The key assumptions used by the Group for claims handling and directly employed operations are the directly employed engineer rate, claims profiles and the average cost per claim, which are based on recent behavioural experience.

Further detail on the Group's revenue recognition policy is set out within the Audit and Risk Committee report on page 87, significant accounting policies in note 2 and the associated key judgements involved are set out in the critical accounting judgements and key sources of estimation uncertainty in note 3 to the financial statements.

#### How the scope of our audit responded to the key audit matter

We first understood the Group's process and relevant controls around the revenue deferrals. Specifically, controls that the Group has in place to manage the risk of inappropriate assumptions being used within the revenue deferrals.

We assessed the Group's policy for deferring revenue, including considering whether the policy is in accordance with current accounting standards, IFRS 15 – Revenue from contracts with customers.

We challenged the key inputs and assumptions used in the revenue deferral calculations. As part of this, we specifically considered whether any adjustments were required to revenue deferrals in light of the COVID pandemic through review of current behavioural experience, as well as forecast volumes during the recovery period:

- For cost per claim we compared budgeted costs to previous actual behaviour;
- We re-calculated directly employed engineer rates based on previous claims data; and
- For claims profiles we substantively tested policy information and agreed underwriter rates to third party information.

We substantively tested the source data to underlying supporting evidence.

Additionally, we have assessed if management was consistent in implementing the calculations across the Membership and HVAC division and in line with Group policy.

### Key observations

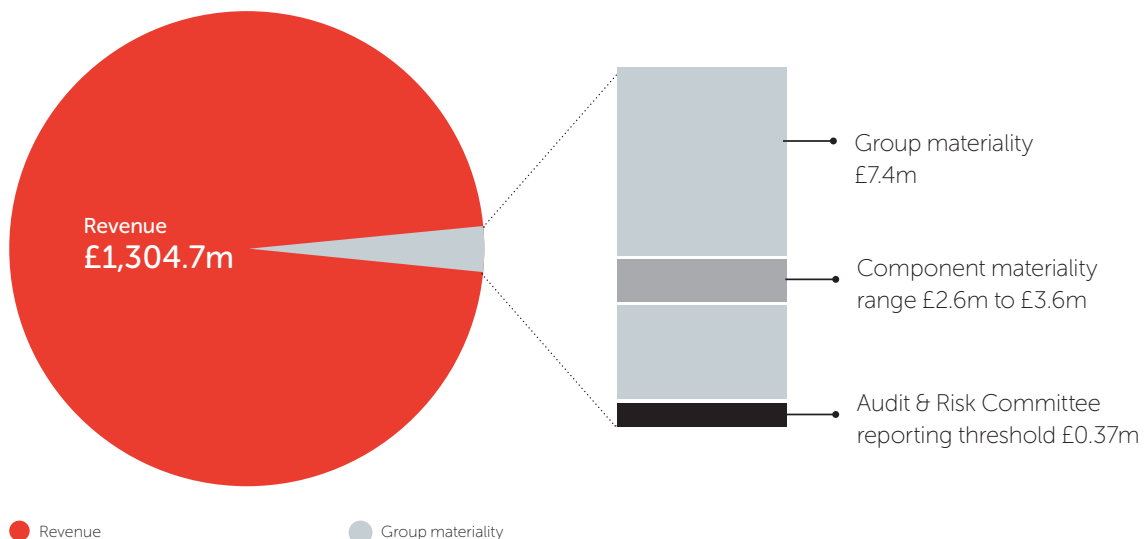
We concluded that the key assumptions used in estimating the revenue deferrals for the Group were reasonable.

**Our application of materiality**

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
<b>Materiality</b>	£7.4m (FY20: £7.3m)	£3.7m (FY20: £3.7m)
<b>Basis for determining materiality</b>	Less than 0.6% of revenue (FY20: 5% of profit before tax)	Parent company materiality equates to 0.8% (FY20: 0.9%) of net assets, which is capped at 50% of Group materiality.
<b>Rationale for the benchmark applied</b>	<p>We have transitioned to using 0.6% of revenue as our materiality benchmark. We consider revenue to be less susceptible to business seasonality and to provide a more stable benchmark than profit before tax.</p> <p>Further, we note revenue is also considered a key metric for users of the financial statements. Our prior year materiality equated to 0.6% of prior year revenue.</p> <p>The materiality we have determined is less than 5% of statutory PBT when excluding the exceptional impairment charge of the eServe system.</p>	The Company is the parent company for the Group and is not a trading entity, hence we considered this to be the most appropriate measure for the Company.



# Independent Auditor's report to the members of HomeServe plc

Continued

## Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
<b>Performance materiality</b>	70% (FY20: 70%) of Group materiality	70% (FY20: 70%) of parent company materiality
<b>Basis and rationale for determining performance materiality</b>	<p>In determining performance materiality, we considered a number of factors, including:</p> <ul style="list-style-type: none"> <li>• the level of decentralisation and autonomy displayed by the operating segments of the Group;</li> <li>• the level of growth within the Group including the number of acquisitions completed during the year;</li> <li>• the nature, volume and size of uncorrected and corrected misstatements in the previous year;</li> <li>• the quality of the control environment; and</li> <li>• the impact of the COVID pandemic on the control environment.</li> </ul>	

## Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £367,500 (FY20: £360,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## An overview of the scope of our audit

### Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the following operating segments:

Membership and HVAC:

- United Kingdom;
- North America;
- France; and
- Spain.

Home Experts:

- United Kingdom; and
- North America.

The 'Membership and HVAC – New Markets' and 'Home Experts – Other' operating segments were subject to specified audit procedures.

Following the acquisition of eLocal in the prior year, the 'Home Experts – North America' segment was subject to a full scope audit for the first time in the year ended 31 March 2021.

The operating segments subject to a full scope audit account for 99% (FY20: 97%) of the Group's revenue and 100% (FY20: 100%) of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work for these operating segments was executed at levels of materiality ranging from £2.6m to £3.6m (FY20: £2.5m to £3.5m).

At the parent company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining segments not subject to audit or audit of specified account balances.

### Working with other auditors

We have previously followed a programme of planned visits in which at least two senior members of the UK based Group audit team physically visited our component auditors in North America, France and Spain.

As a result of the COVID pandemic, we were unable to conduct our component visits. In response to this we increased the frequency of our communications with each component to monitor progress. At least two senior members attended each component planning and audit close meeting, which was held via videoconference. We issued referral instructions to all significant component audit teams and interacted with them throughout the audit process. In the absence of fieldwork component visits, we used videoconferencing to review component audit documentation.

### Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



# Independent Auditor's report to the members of HomeServe plc

## Continued

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, financial instrument and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in relation to revenue deferrals. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, UK Corporate Governance Code and local tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included compliance with Financial Conduct Authority regulation for the UK operating segment and compliance with local legislation for the overseas operating segments.

### Audit response to risks identified

As a result of performing the above, we identified revenue deferrals as key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

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

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. We also obtained an understanding of provisions and held discussions with management to understand the basis of recognition or non-recognition of tax provisions.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

#### Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate governance statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 55;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 54;
- the Directors' statement on fair, balanced and understandable set out on page 88;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 88;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 81 to 83; and
- the section describing the work of the audit committee set out on page 85.

### Matters on which we are required to report by exception

#### Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

# Independent Auditor's report to the members of HomeServe plc

## Continued

### Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

### Other matters which we are required to address

#### Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors on 1 August 2002 to audit the financial statements for the year ending 31 March 2003 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 19 years, covering the years ending 31 March 2003 to 31 March 2021.

#### Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Peter Birch FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP  
Statutory Auditor  
Leeds, UK  
18 May 2021



# Participating in the transition to a lower carbon future



We want to make our business greener and help our customers make their homes greener

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# Group income statement

Year ended 31 March 2021

	Notes	2021 £m	2020 £m
<b>Continuing operations</b>			
Revenue	4	1,304.7	1,132.3
Operating costs	5	(1,230.4)	(971.6)
Share of results of equity accounted investments	18	(2.5)	(2.1)
<b>Operating profit</b>		<b>71.8</b>	<b>158.6</b>
Investment income	8	0.4	0.5
Finance costs	9	(25.0)	(21.2)
<b>Adjusted profit before tax</b>		<b>191.3</b>	<b>181.0</b>
Amortisation of acquisition intangibles	5	(45.0)	(35.5)
Certain transaction related costs	7	(6.7)	—
Exceptional items	7	(92.4)	(7.6)
<b>Profit before tax</b>		<b>47.2</b>	<b>137.9</b>
Tax	10	(15.4)	(32.1)
<b>Profit for the year</b>		<b>31.8</b>	<b>105.8</b>
<b>Attributable to:</b>			
Equity holders of the parent		31.1	106.0
Non-controlling interests		0.7	(0.2)
		<b>31.8</b>	<b>105.8</b>
<b>Dividends per share, paid and proposed</b>	11	<b>26.0p</b>	23.6p
<b>Earnings per share</b>			
Basic	12	9.3p	31.7p
Diluted	12	9.2p	31.5p



# Group statement of comprehensive income

Year ended 31 March 2021

	Notes	2021 £m	2020 £m
<b>Profit for the year</b>		<b>31.8</b>	105.8
<b>Items that will not be reclassified subsequently to profit and loss:</b>			
Re-measurement (loss)/gain on defined benefit pension schemes	33	(4.5)	1.6
Deferred tax credit/(charge) relating to re-measurements	10	0.9	(0.3)
Fair value gain/(loss) on "fair value through other comprehensive income" (FVTOCI) investments in equity instruments	17	4.6	(3.7)
Deferred tax (charge)/credit relating to fair value movements on FVTOCI investments in equity instruments	10	(1.3)	0.8
		<b>(0.3)</b>	(1.6)
<b>Items that may be reclassified subsequently to profit and loss:</b>			
Exchange movements on translation of foreign operations		(26.4)	14.1
Exchange movements on non-controlling interests		(1.1)	—
		<b>(27.5)</b>	14.1
<b>Total other comprehensive (expense)/income</b>		<b>(27.8)</b>	12.5
<b>Total comprehensive income for the year</b>		<b>4.0</b>	118.3
<b>Attributable to:</b>			
Equity holders of the parent		4.4	118.5
Non-controlling interests		(0.4)	(0.2)
		<b>4.0</b>	118.3

# Group balance sheet

31 March 2021

	Notes	2021 £m	2020 £m
<b>Non-current assets</b>			
Goodwill	13	564.3	509.9
Other intangible assets	14	391.3	497.1
Contract costs	4	8.2	16.8
Right-of-use assets	26	48.6	56.8
Property, plant and equipment	15	41.7	42.0
Equity accounted investments	18	0.8	4.0
Other investments	17	12.9	5.6
Other financial assets	27	1.2	–
Deferred tax assets	10	12.8	6.0
Retirement benefit assets	33	8.3	10.3
		<b>1,090.1</b>	<b>1,148.5</b>
<b>Current assets</b>			
Inventories	19	12.2	7.9
Trade and other receivables	20	501.0	495.4
Current tax assets		2.5	–
Cash and cash equivalents	21	171.4	131.2
		<b>687.1</b>	<b>634.5</b>
<b>Total assets</b>		<b>1,777.2</b>	<b>1,783.0</b>
<b>Current liabilities</b>			
Trade and other payables	22	(454.9)	(410.6)
Bank and other loans	25	(54.0)	(40.3)
Current tax liabilities		(9.2)	(5.4)
Lease liabilities	25	(12.7)	(14.1)
Provisions	24	(6.0)	(2.0)
		<b>(536.8)</b>	<b>(472.4)</b>
<b>Net current assets</b>		<b>150.3</b>	<b>162.1</b>
<b>Non-current liabilities</b>			
Bank and other loans	25	(579.8)	(540.6)
Trade and other payables	23	(31.8)	(52.3)
Deferred tax liabilities	10	(15.3)	(26.2)
Lease liabilities	25	(38.6)	(45.2)
Retirement benefit obligations	33	(1.2)	–
		<b>(666.7)</b>	<b>(664.3)</b>
<b>Total liabilities</b>		<b>(1,203.5)</b>	<b>(1,136.7)</b>
<b>Net assets</b>		<b>573.7</b>	<b>646.3</b>
<b>Equity</b>			
Share capital	28	9.1	9.0
Share premium account	29	196.4	189.3
Share incentive reserve	29	18.6	21.9
Currency translation reserve	29	10.6	37.0
Investment revaluation reserve	29	2.7	(0.6)
Other reserves	29	79.2	79.2
Retained earnings		247.4	299.9
<b>Attributable to equity holders of the parent</b>		<b>564.0</b>	<b>635.7</b>
Non-controlling interests	30	9.7	10.6
<b>Total equity</b>		<b>573.7</b>	<b>646.3</b>

The financial statements were approved by the Board of Directors and authorised for issue on 18 May 2021. They were signed on its behalf by:

**David Bower**  
Chief Financial Officer  
18 May 2021

# Group statement of changes in equity

Year ended 31 March 2021

	Share capital £m	Share premium account £m	Share incentive reserve £m	Currency translation reserve £m	Investment revaluation reserve £m	Other reserves <sup>1</sup> £m	Retained earnings £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2020	9.0	189.3	21.9	37.0	(0.6)	79.2	299.9	635.7	10.6	646.3
Profit for the year	—	—	—	—	—	—	31.1	31.1	0.7	31.8
Other comprehensive expense for the year	—	—	—	(26.4)	3.3	—	(3.6)	(26.7)	(1.1)	(27.8)
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(26.4)</b>	<b>3.3</b>	<b>—</b>	<b>27.5</b>	<b>4.4</b>	<b>(0.4)</b>	<b>4.0</b>
Dividends paid (note 11)	—	—	—	—	—	—	(80.5)	(80.5)	—	(80.5)
Issue of share capital (note 28)	0.1	7.1	—	—	—	—	—	7.2	—	7.2
Share-based payments	—	—	3.8	—	—	—	—	3.8	—	3.8
Share options exercised	—	—	(7.1)	—	—	—	—	(7.1)	—	(7.1)
Tax on exercised share options (note 10)	—	—	—	—	—	—	1.5	1.5	—	1.5
Deferred tax on share options (note 10)	—	—	—	—	—	—	(1.0)	(1.0)	—	(1.0)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	(0.5)	(0.5)
<b>Balance at 31 March 2021</b>	<b>9.1</b>	<b>196.4</b>	<b>18.6</b>	<b>10.6</b>	<b>2.7</b>	<b>79.2</b>	<b>247.4</b>	<b>564.0</b>	<b>9.7</b>	<b>573.7</b>

Year ended 31 March 2020

	Share capital £m	Share premium account £m	Share incentive reserve £m	Currency translation reserve £m	Investment revaluation reserve £m	Other reserves <sup>1</sup> £m	Retained earnings £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2019	9.0	180.7	23.3	22.9	2.3	82.2	293.0	613.4	0.2	613.6
Profit for the year	—	—	—	—	—	—	106.0	106.0	(0.2)	105.8
Other comprehensive income for the year	—	—	—	14.1	(2.9)	—	1.3	12.5	—	12.5
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>14.1</b>	<b>(2.9)</b>	<b>—</b>	<b>107.3</b>	<b>118.5</b>	<b>(0.2)</b>	<b>118.3</b>
Dividends paid (note 11)	—	—	—	—	—	—	(73.5)	(73.5)	—	(73.5)
Issue of share capital (note 28)	—	8.6	—	—	—	—	—	8.6	—	8.6
Purchase of own shares	—	—	—	—	—	(3.0)	—	(3.0)	—	(3.0)
Share-based payments	—	—	7.2	—	—	—	—	7.2	—	7.2
Share options exercised	—	—	(8.6)	—	—	—	0.1	(8.5)	—	(8.5)
Tax on exercised share options (note 10)	—	—	—	—	—	—	3.0	3.0	—	3.0
Deferred tax on share options (note 10)	—	—	—	—	—	—	(1.2)	(1.2)	—	(1.2)
Changes in non-controlling interests	—	—	—	—	—	—	—	—	10.6	10.6
Obligations under put options	—	—	—	—	—	—	(28.8)	(28.8)	—	(28.8)
<b>Balance at 31 March 2020</b>	<b>9.0</b>	<b>189.3</b>	<b>21.9</b>	<b>37.0</b>	<b>(0.6)</b>	<b>79.2</b>	<b>299.9</b>	<b>635.7</b>	<b>10.6</b>	<b>646.3</b>

<sup>1</sup> Other reserves comprise the Merger, Own shares and Capital redemption reserves. Full details of these reserves are included in Note 29.

# Group cash flow statement

Year ended 31 March 2021

	Notes	2021 £m	2020 £m
<b>Net cash inflow from operating activities</b>	31	<b>223.0</b>	192.0
<b>Investing activities</b>			
Interest received		0.1	0.5
Proceeds on disposal of fixed assets		0.3	0.5
Purchases of intangible assets		(62.8)	(74.3)
Contract costs		(1.5)	(3.9)
Purchases of property, plant and equipment		(7.1)	(8.2)
Disposal of equity accounted investment	18	—	8.4
Contribution to equity accounted investee	18	(2.2)	—
Disposal of subsidiary	16	(3.9)	—
Acquisition of subsidiaries	16	(77.3)	(140.6)
<b>Net cash used in investing activities</b>		<b>(154.4)</b>	(217.6)
<b>Financing activities</b>			
Dividends paid	11	(80.5)	(73.5)
Repayment of lease principal	25	(14.8)	(12.4)
Acquisition of non-controlling interests	7	—	(7.7)
Purchase of own shares	29	—	(3.0)
Proceeds on issue of share capital	29	—	0.1
New bank and other loans raised	25	243.4	—
Costs associated with new bank and other loans raised	25	(2.2)	(0.8)
Proceeds from loans and borrowings	25	27.1	206.6
Repayment of loans and borrowings	25	(214.6)	(24.0)
<b>Net cash (used in)/generated by financing activities</b>		<b>(41.6)</b>	85.3
<b>Net increase in cash and cash equivalents, net of bank overdrafts</b>		<b>27.0</b>	59.7
Cash and cash equivalents, net of bank overdrafts, at the beginning of the year		131.2	72.6
Impact of foreign exchange rate changes		(8.8)	(1.1)
<b>Cash and cash equivalents, net of bank overdrafts, at the end of the year</b>		<b>149.4</b>	131.2

# Notes to financial statements

Year ended 31 March 2021

## 1. General information

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

These financial statements are presented in pounds sterling. Foreign operations are consolidated in accordance with the policies set out in note 2.

## 2. Significant accounting policies

### Basis of accounting

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in note 27.

### Adoption of new or revised standards

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

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 16	COVID-19 Related Rent Concessions
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

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

### Changes in accounting policies

#### Non-IFRS measures

During the year ended 31 March 2021 the Group revised its accounting policy regarding adjusting items in the calculation of certain non-IFRS measures to include 'certain transaction related costs' as an adjusting item. For further detail, including the definition of certain transaction related costs please see accounting policy 'adjusting and exceptional items' below. Comparatives were not restated as unadjusted charges meeting the definition of certain transaction related costs in FY20 were highly immaterial.

#### Inventory

The Group has historically valued inventory on a first-in, first-out ("FIFO") basis net of any provisions. In recent years the Group has acquired several HVAC businesses and, due to their nature, these businesses have high levels of homogeneous inventory items that do not fluctuate significantly in price. The nature of inventory in these businesses, alongside the fact that they now comprise a majority of the Group's inventory balance, makes a weighted average cost ("WAC") valuation basis the most relevant inventory valuation approach for the Group and consequently the Group's inventory valuation accounting policy has been changed. The impacts of this change in accounting policy on FY20 reported figures were found to be immaterial and therefore comparatives have not been restated.

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.

### Standards in issue but not yet effective

At the date of authorisation of these financial statements the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IFRS 17	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of liabilities as Current or Non-Current
Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements to IFRSs	Standards 2018 - 2020 Cycle

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future years.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, including the potential impacts of the COVID pandemic and Brexit, performance and position are set out in the Strategic report.

The Directors have reviewed the Group's budget, forecast and cash flows for 2021 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.



# Notes to financial statements

Year ended 31 March 2021

## 2. Significant accounting policies (continued)

### Other accounting policies

The following accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at, and for the year ended, 31 March 2020:

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from the Group's equity interest. Non-controlling interests consist of those interests at the date of the original business combination and the minority's share of the changes in equity since the date of the combination.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

#### Foreign currencies

Transactions in currencies other than a Group entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies except for those that are designated as long-term equity investments, are retranslated at the rates prevailing on the balance sheet date, with changes taken to the income statement. Foreign exchange translation movements on monetary assets that are designated as long-term equity investments are transferred to the Group's translation reserve. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Borrowings in foreign currencies are treated as monetary liabilities and are translated at the rates prevailing on the balance sheet date. Exchange rate movements on foreign currency borrowings are recognised immediately in the income statement. Foreign currency borrowings are not treated as hedges of net investments.

On consolidation, the assets and liabilities of the Group's overseas operations are translated to presentational currency at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange movements, if any, are classified as equity and transferred to the Group's translation reserve. Such cumulative exchange movements are recognised as income or expense in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### Revenue recognition

The Group records revenue in accordance with the five-step recognition model outlined in IFRS 15:

- 1) Identify the contract with the customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations
- 5) Recognise revenue when (or as) each performance obligation is satisfied.

Revenue is recognised, net of discounts, VAT, Insurance Premium Tax and other sales related taxes, either at the point in time a performance obligation has been satisfied or over time as control of the asset associated with the performance obligation is transferred to the customer.

For all contracts identified, the Group determines if the arrangement with the customer creates enforceable rights and obligations. For contracts with multiple components to be delivered, such as those with underwriters to sell policies on behalf of the underwriter as well as deliver claims handling and administration services, management applies judgement to consider whether those promised goods and services are:

- i) distinct – to be accounted for as separate performance obligations;
- ii) not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or
- iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has present enforceable rights to under the contract. Where applicable, this includes management's best estimate of any variable consideration to be included in the transaction price based on the expected value or most likely amount approach, and only to the extent that it is highly probable that no significant revenue reversal will occur.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative standalone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

Where available, observable prices of goods or services are utilised, when that good or service is sold separately, to similar customers in similar circumstances. Where a standalone selling price is not directly observable the Group applies judgement to determine an appropriate estimated standalone selling price, typically using an expected cost plus margin, adjusted market assessment or residual approach.

Variable consideration is allocated to an entire contract or a specific part of a contract depending on:

- i) whether allocating the variable amount entirely to part of the contract depicts the amount of consideration the Group expects to be entitled to in exchange for transferring the promised good or service to the customer; or
- ii) the terms of the variable payment relate specifically to the satisfaction of an individual performance obligation.

The Group's variable consideration primarily relates to intermediary commissions received on contracts with underwriters to sell policies and provide claims handling and administration services. Amounts are typically allocated to the entire contract.

Discounts are allocated proportionally across all performance obligations in the contract unless directly observable evidence exists that the discount relates to one or more, but not all, performance obligations.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method, typically based on the expected profile of the deferral event (for example claims handling cost through the policy term or time elapsed).

#### 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
<b>Membership: Net policy income – Intermediary commissions</b>	<p>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.</p> <p>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).</p> <p>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.</p> <p>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).</p> <p>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.</p> <p>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.</p>	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.
<b>Membership: Net policy income – Home assistance</b>	Includes arrangements whereby the Group contracts directly with the end user to provide home assistance services (such as repair network access, emergency assistance 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.
<b>Membership: Repair income</b>	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.
<b>Home Experts – Web and directory</b>	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.

# Notes to financial statements

Year ended 31 March 2021

## 2. Significant accounting policies (continued)

### Other accounting policies (continued)

Revenue stream	Nature and timing of satisfaction of performance obligations	Significant payment terms
<b>Home Experts – Lead generation</b>	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.
<b>HVAC installations</b>	Includes the provision of installation services at the point in time the installation is complete.	Billed and paid upon completion of the installation.
<b>Other</b>	Principally includes services provided to customers who do not hold policies. Revenue is recognised at the point in time the service is complete.	Billed and paid following the performance of the services provided.

As a result of the contracts which the Group enters into with its customers, the following assets and liabilities are recognised on the Group's balance sheet:

- Assets generated from the capitalisation of costs to obtain a contract
- Trade receivables (see financial instruments accounting policies below)
- Accrued income
- Deferred income.

#### Capitalisation of costs to obtain a contract

The incremental costs of obtaining a contract with the Group's direct customers are recognised as an asset if the Group expects to recover them. Primarily, such costs relate to fees payable to Affinity Partners or other third parties authorised to enter into new contracts on behalf of a Group entity. Only fees which are directly related to acquiring contracts with the Group's direct customers are capitalised as incremental contract costs under IFRS 15.

#### Accrued and deferred income

Where payments made are greater than the revenue recognised at the period end date, the Group recognises a deferred income contract liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Group recognises an accrued income contract asset for this difference.

#### Marketing expenses

Costs incurred in respect of marketing activity, including for example, direct mail and inbound/outbound telephone costs, which is undertaken to acquire or renew a policy, are charged to the income statement in the period in which the related marketing campaign is performed.

Marketing expenses also include payments made to Affinity Partners in recognition of their support for the Group's selling and policy renewal activities. The terms of their support and related payments are included in contractual agreements with each Affinity Partner. Amounts incurred upon the sale and renewal of an individual policy by the Group, referred to as Affinity Partner Commissions, are recognised as an operating expense when individual policies incept or renew. Commissions are payable to Affinity Partners only when the Group has collected the premium due on behalf of the underwriter from the policyholder.

#### Operating profit

Operating profit is stated after charging or crediting all operating costs and incomes, but before investment income and finance costs.

#### Adjusting and exceptional items

The Group uses the following adjusted profitability performance measures:

- adjusted operating profit
- adjusted earnings before interest, taxation, depreciation and amortisation (EBITDA)
- adjusted profit before tax
- adjusted profit attributable to equity holders of the parent
- adjusted basic and adjusted diluted earnings per share

The Group believes that the consistent presentation of the above adjusted measures provide additional useful information to users on the underlying trends and comparable performance of the Group over time. The adjusted measures are used by HomeServe for internal performance analysis and incentive compensation arrangements for employees. All the adjustments made to the IFRS measures are considered exceptional and/or non-operational in nature. These terms are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures.

The term 'adjusted' refers to the relevant measure of profit or earnings being reported excluding the impact (pre and post-tax where applicable) of the following items:

#### Amortisation of acquisition intangibles

Acquisition intangible assets are calculated using the estimated and discounted incremental cash flows resulting from the affinity relationship or future policy renewals as appropriate, which will include the impact of the past actions of the former owners. These past actions will include historic marketing and business development activity, including but not limited to, the staff and operating costs of the business. In addition the specific construct of the policy terms and conditions and the current and expected future profitability to be derived from the acquired business or asset is also a factor in determining the valuation of the acquisition intangible.

The on-going service and operating costs incurred by the Group in managing the acquired businesses or assets, including but not limited to print, postage, telephony, claims costs and overheads are recognised as operating costs within these adjusted measures in the reporting period in which they are incurred.

Accordingly, excluding the amortisation of acquisition intangibles from the adjusted performance measures reported by the Group in each specific reporting period ensures that these measures only reflect the revenue attributable to, and costs incurred by, the Group in managing and operating those businesses and assets at that time in each reporting period and do not include the impact of the historic costs of the vendor or considerations of the future profits to be derived from the acquired business or assets.

#### Certain transaction related costs

Certain financial instruments which the Group becomes party to by virtue of its transactional activity (typically, but not limited to, acquisitions and disposals) have the potential to create volatility that is not representative of the underlying performance of the business. These include:

- Fair value movements on financial instruments generated from transaction related activity. Currently the Group's portfolio of such instruments includes contingent consideration arising on business combinations (see note 27), put options over the acquisition of non-controlling interests (see note 22 & 23) and call options over both the acquisition of additional equity in associates and the sale of equity in subsidiaries (see note 27);
- Unwinding of discount on contingent financial instruments (including options); and
- Charges associated with put options over non-controlling interests, which are expensed through the income statement over time to reflect the requirement for the recipients to remain employed in the business at the payment date. The charges are subject to fair value volatility associated with the non-controlling interest puts and are not representative of the ongoing cost of the recipient remaining in the business.

Excluding these items from the Group's adjusted metrics provides for a consistent measure of underlying profitability on which to assess the Group's performance both period on period and relative to its peers. Certain transaction related costs do not include deal fees, financing charges on deferred consideration or the market rate salaries and bonuses of employees who hold non-controlling interest puts. All these items are included within the Group's adjusted performance measures.

#### Exceptional items

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence.

#### Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The Group provides employees with the ability to purchase shares through its One Plan scheme. Since February 2021, for every share purchased, employees will receive one free matching share at the end of the vesting period. Prior to February 2021, for every two shares purchased, employees received one free matching share at the end of the vesting period.

Fair values are measured utilising the Black-Scholes, Monte Carlo and Stochastic simulation models.

#### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses and the return on scheme assets (excluding interest) are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of comprehensive income. Re-measurements recorded in the statement of comprehensive income are not recycled.

Past service costs are recognised in the income statement in the period of scheme amendment, curtailment or when the related restructuring costs or termination benefits are recognised, if earlier. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Any retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from the calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

# Notes to financial statements

Year ended 31 March 2021

## 2. Significant accounting policies (continued)

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Any tax currently payable is based on taxable profit for the year along with a small number of provisions in relation to open tax positions. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement, as incurred, in operating costs.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent or deferred consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values that qualify as measurement period adjustments are adjusted against the cost of acquisition. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs and recognised immediately in the consolidated income statement. Changes in the fair value of contingent consideration classified as equity are not recognised. Deferred consideration is subsequently measured at amortised cost. Payments of contingent and deferred consideration are reported within cash flow 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.

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.

Computer software and the related licences are stated at cost.

**Amortisation**

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight-line method, on the following bases:

Acquired access rights	3 - 20 years	Access rights and trademarks	up to a maximum of 20 years
Acquired customer databases	3 - 15 years	Customer databases	3 - 10 years
Other acquired intangibles	8 - 11 years	Computer software	3 - 10 years

**Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation.

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

Buildings and leasehold improvements	25 - 50 years
Furniture, fixtures and equipment	5 - 7 years
Computer equipment	3 - 7 years
Motor vehicles	3 years (with 25% residual value)

**Impairment of tangible and intangible assets excluding goodwill**

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

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

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

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

**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.

# Notes to financial statements

Year ended 31 March 2021

## 2. Significant accounting policies (continued)

### Leases (continued)

#### 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.

### 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 and 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 receivables

Trade receivables do not carry any interest and are stated at amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts, as the business model of the Group is to collect contractual cash flows and the debt meets the SPPI criterion. They are recognised when the Group's right to consideration is only conditional on the passage of time. Allowances incorporate an expectation of life-time credit losses from initial recognition and are determined using an expected credit loss approach.

### Cash and cash equivalents

Cash and cash equivalents are held at amortised cost and comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents in the balance sheet are presented net of outstanding bank overdrafts where the Group has a legally enforceable right of set off and is able to demonstrate the intention to settle on a net basis. All other overdrafts are presented as liabilities within bank and other loans. Cash and cash equivalents may include amounts which are subject to contractual restrictions and not available for general use by the Group.

For the purpose of the Group Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of all outstanding bank overdrafts.

### Other investments

At each balance sheet date the Group conducts a fair value assessment of its investments, the difference between the fair value and carrying value is charged or credited to the Statement of Comprehensive Income accordingly and held in the investment revaluation reserve.

### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

### Borrowings

Interest-bearing loans and overdrafts are stated at amortised cost and are recorded at the notional amount of the proceeds received, net of direct issue costs. Interest-bearing loans are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. For the Group's floating Revolving Credit Facilities (RCFs), the Group has started discussions with respective counterparties to amend the agreements to reflect the cessation of LIBOR. For reference to GBP and USD LIBOR, the Group will begin a dialogue with counterparties in FY22 to propose amendments to move from GBP/USD LIBOR to SONIA and SOFR respectively.

### Trade payables

Trade payables are non interest-bearing and are stated at amortised cost.

### Equity instruments

Equity instruments issued by the Company are recorded at the notional amount of the proceeds received, net of direct issue costs.

### 'Put' options over the equity of subsidiary companies

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities. The amounts that may become payable under the option on exercise are initially recognised at the present value of the expected gross obligation with the corresponding entry being recognised in retained earnings. Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. The present value of the expected gross obligation is reassessed at the end of each reporting period and any changes are recorded in the income statement. In the event that an option expires unexercised, the liability is derecognised with a corresponding adjustment to retained earnings.

### Other 'put' and 'call' options

Other put and call options are recognised at fair value with any associated benefit being recognised directly in the income statement.

# Notes to financial statements

Year ended 31 March 2021

### 3. Accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Where sensitivity analyses have been prepared below, management determine reasonably possible increases/decreases to primary inputs at appropriate thresholds to illustrate the potential impact on profit in the year. Currently these sensitivities reflect the potential increased volatility and uncertainty of forward looking judgements and estimates when operating during the COVID pandemic, particularly in the short-term.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The nature of the principal assumptions underlying sources of estimation uncertainty and other areas of focus remain consistent with the prior year.

#### Critical accounting judgements

##### Present ownership interest

Acquisition transactions are reviewed to determine whether they give the Group a present ownership interest when subsidiaries are acquired with non-controlling interests subject to put options that are mandatorily exercisable at a final exercise date. Factors taken into account include considering whether there are any restrictions on voting rights, dividend rights and decision making for the non-controlling interests. Furthermore consideration is given to the extent to which non-controlling interests are able to participate in any increase in value over the period to the exercise date. On the basis that there are no restrictions on voting rights, dividend rights or decision making and that non-controlling interests are able to participate in any increases in value over the period to the exercise date, the Directors' judgement is that the Group does not have a present ownership interest over the remaining 21% equity interest of eLocal Holdings LLC (see note 30).

#### Key sources of estimation uncertainty

##### 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 2021 in respect of the Group's future claim handling obligations is £40.7m (FY20: £38.0m). If either of these assumptions were individually 15% higher or lower, which reflects management's judgement based on historical experience, the impact to the profit in the year would be £6.1m (FY20: £5.7m).

##### 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 £564.3m (FY20: £509.9m). The carrying value of acquisition intangibles is £253.2m (FY20: £292.3m). Following the FY21 annual impairment review, no impairment charges were recorded (FY20: £0.5m and £0.7m against the goodwill and acquisition intangibles associated with the acquisition of Somgas Hogar S.L). 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.

All businesses have modelled scenarios with varying levels of severity as a result of the COVID pandemic, considering different timelines for emerging from lockdowns and the resultant impacts on customer, employee and supplier mobility and how this impacts profits and cash flows. In addition, all businesses have also considered potential upside factors such as increased demand as situations ease. The analyses, which management believe are based on reasonably plausible assumptions, do not result in the carrying amount of goodwill exceeding the recoverable amount.

At 31 March 2021 all CGUs have recoverable amounts that exceed the carrying value of goodwill by more than 40%, with the exception of the Habitissimo CGU which exceeds the carrying value of the attributable goodwill by 14% (FY20: all CGUs by more than 40%). No reasonably possible change in assumptions would result in a material impairment in the Habitissimo CGU.

With respect to Checktrade, although the recoverable amount of the CGU exceeds the carrying value by 75%, the business model sees us move towards profitability in FY23 with substantial growth thereafter and, as a result, we have applied a number of sensitivities to understand the impact of reasonably possible changes to future cash flows and discount rates over the period. With respect to changes in cash flows, a reduction in the year 3 modelled cash flows of 40%, reflecting management's judgement of the highest level of reasonably possible potential uncertainty which could arise as a result of COVID, would result in an impairment of £12.4m. No reasonably possible changes in discount rate resulted in an impairment.

### Retirement benefit obligations

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. Although the HomeServe plc Section is in a net £8.3m (FY20: £10.3m) surplus position, the position is subject to actuarial risks including, but not limited to: longevity risk, interest risk and inflationary risk. Sensitivities covering life expectancy, discount rates and inflation are included in note 33.

### Other areas of focus

Whilst not considered to be critical accounting judgements or key sources of estimation uncertainty, the following are areas of focus for management.

#### Valuation of acquisition intangible assets

When acting as the acquirer in a business combination, the Group is required to recognise separately from goodwill all intangibles that are either separable or arise from contractual or other legal rights. The Group's acquired access rights, acquired customer databases and other acquired intangibles are principally valued using the multiple period excess earnings method. This valuation approach can include a variety of judgemental assumptions including, but not limited to, estimates of expected future cash flows, retention or attrition rates and discount rates.

In FY21 the Group identified intangible assets associated with business combinations totalling £28.6m (FY20: £80.5m). If the various judgements the Group takes in valuing these assets deviated such that the total acquired fair value of FY21 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 6.8 years for in-year acquired intangibles, this would cause a per annum impact of +/- £0.6m to the income statement (FY20: average useful economic life of 9.5 years, +/- £1.3m).

#### Valuation of put options over non-controlling interests

On acquisition of a subsidiary the Group records any associated put options over non-controlling interests at the expected gross present value of the obligations. Subsequent changes in the present value of the expected gross obligation are recorded in the income statement at the end of each reporting period. Determining the value of the obligations, both at initial recognition and subsequent reporting dates requires that management make assumptions and utilise techniques that are key sources of estimation uncertainties. Key assumptions include using Monte Carlo simulations, to determine the expected performance of the acquired business over a period of up to five years as well as the probability of a range of actions available to the non-controlling interests regarding the timing of exercise. Initial estimates of expected performance are made by the Directors responsible for completing the acquisition and form a key component of the financial due diligence that takes place prior to completion. Subsequent measurement is based on the Directors' appraisal of the acquired business' performance in the post-acquisition period with any required adjustments to the amount payable recognised in the income statement.

The Monte Carlo simulation utilised by the Group to value its obligations contains a number of variable inputs, including estimates of future business performance (revenue, EBITDA and net debt projections), discount rates as well as certain volatility and correlation assumptions. The most consequential of these variables to the valuation of the instruments is the estimates of future business performance. Consequently, sensitivities of the carrying value to reasonably possible 'downside' and 'upside' forecast scenarios were performed. In the upside forecast scenario the carrying value of the obligations at 31 March 2021 increased from the amount recorded (£34.3m, see note 22 and 23) by £1.6m. In the downside forecast scenario the carrying value of the obligations at 31 March 2021 decreased by £2.1m.

#### Policy cancellations

Policies may be cancelled by the policyholder part way through the contractual term, which will affect the economic benefits that flow to the Group. Consequently, in accordance with IFRS 15, a refund liability is recognised to ensure that the related revenue is appropriately constrained at the point that the policy incepts in order to ensure that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once the uncertainty associated with the possibility of cancellation is resolved. The total amount of revenue deferred at 31 March 2021 in respect of potential future cancellations is £23.6m (FY20: £24.3m).

The Group uses historical experience to ensure revenue is appropriately constrained analysing expected mid-term cancellation percentages and the period of cover remaining on the policy at the point of cancellation. The most significant estimation uncertainty within this judgement is the mid-term cancellation percentage (or, inversely, the rate at which policyholders are retained).

In the most recent ten-year period the Group retention rate has not deteriorated from its current level, 83%, by more than 2 ppts, making it highly probable that a significant reversal of cumulative revenue will not occur. Consequently the 'reasonably probable' sensitivity analysis has focused on the 'upside' scenario only. Were cancellation rates to be 15% lower, which reflects management's judgement based on historical experience, the impact to profit in the year would be £3.5m (FY20: £3.6m).

## 4. Segmental information and revenue from contracts with customers

### Segment revenues and results

Since March 2021, underneath the Group's revised overarching three-division structure (being: Membership & HVAC – North America, Membership & HVAC – EMEA and Home Experts), the Group's IFRS 8 reportable segments are principally geographic in nature as these are the components which the Group's chief operating decision maker (CODM), the Chief Executive, regularly reviews internal reports about how to allocate resources to the segments and to assess their performance.

The two 'Membership & HVAC' divisions incorporate the Group's net policy, repair, HVAC installations and other revenue streams. The Membership & HVAC – North America division represents a separate segment based on the IFRS 8 criteria outlined above. The Membership & HVAC – EMEA division splits into four geographic segments: UK, France, Spain and New Markets (including the Group's Membership & HVAC international development initiatives, its Japanese joint venture and its former Italian associate which was disposed of on 1 August 2019, see notes 7 and 18).





2020	Membership & HVAC	Membership & HVAC – EMEA				Home Experts			Total £m
	North America £m	UK £m	France £m	Spain £m	New Markets £m	UK £m	North America £m	Other £m	
Revenue									
Net policy income	354.9	249.4	104.5	49.2	–	–	–	–	758.0
Repair income	30.6	89.5	0.4	94.4	–	–	–	–	214.9
HVAC installations	42.4	21.2	6.8	10.5	–	–	–	–	80.9
Home Experts	–	–	–	–	–	38.5	22.1	11.2	71.8
Other	1.6	12.8	0.1	–	–	–	–	–	14.5
Total revenue	429.5	372.9	111.8	154.1	–	38.5	22.1	11.2	1,140.1
Inter-segment	–	(7.8)	–	–	–	–	–	–	(7.8)
External revenue	429.5	365.1	111.8	154.1	–	38.5	22.1	11.2	1,132.3
Result									
Adjusted operating profit/(loss) <sup>1</sup>	85.4	81.0	33.8	20.1	(4.7)	(10.4)	1.8	(5.3)	201.7
Exceptional items	–	(15.0)	–	–	3.8	–	–	3.6	(7.6)
Amortisation of acquisition intangibles	(17.8)	(3.2)	(6.9)	(0.5)	–	(4.6)	(2.0)	(0.5)	(35.5)
Operating profit/(loss)	67.6	62.8	26.9	19.6	(0.9)	(15.0)	(0.2)	(2.2)	158.6
Investment income									0.5
Finance costs									(21.2)
Profit before tax									137.9
Tax									(32.1)
Profit for the year									105.8

<sup>1</sup> Adjusted operating profit is defined in the Glossary to the Annual Report & Accounts see page 209.

Net policy income includes £52.7m of home assistance revenue (FY20: £52.6m) where the Group contracts directly with the end user and not through an underwriter. £28.8m (FY20: £35.3m) of the home assistance revenue relates to the Group's Spanish Membership business.

### Segment information

	Assets		Liabilities		Non-current asset additions		Depreciation, amortisation and impairment	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 <sup>1</sup> £m	2021 £m	2020 £m
<b>Membership &amp; HVAC</b>								
North America	586.7	557.1	691.2	683.6	24.0	29.0	41.0	35.3
<b>Membership &amp; HVAC – EMEA</b>								
UK	1,092.8	1,183.3	669.5	653.2	19.2	29.8	116.1	47.5
France	262.0	247.3	183.4	163.3	19.0	15.2	17.1	13.6
Spain	176.6	143.8	142.8	105.5	9.8	9.4	16.2	17.4
New Markets	0.8	0.6	35.9	31.9	–	–	–	–
<b>Home Experts</b>								
UK	90.3	56.0	28.1	21.2	9.3	11.9	9.1	6.9
North America	122.3	135.9	18.3	23.2	0.1	–	6.7	2.2
Other	21.3	18.2	9.9	14.0	2.7	1.8	2.1	1.7
Inter-segment	(575.6)	(559.2)	(575.6)	(559.2)	–	–	–	–
Total	1,777.2	1,783.0	1,203.5	1,136.7	84.1	97.1	208.3	124.6

<sup>1</sup> Prior year comparatives have been updated for the inclusion of £14.7m non-current asset additions to right-of-use assets.

All assets and liabilities including inter-segment loans and trading balances are allocated to reportable segments.

In FY21 these figures include £84.7m (FY20: £14.3m in relation to HomeServe Labs) of impairment charges booked in the Membership & HVAC – EMEA UK segment in relation to eServe and other intangible software assets (see note 7) and £0.1m of non-exceptional impairment charges booked in the Home Experts UK segment in relation to contract costs. In FY20 £1.2m of impairment charges were also booked in the Membership & HVAC – EMEA Spain segment in relation to the acquisition of Somgas Hogar S.L. (see notes 13 & 14).

# Notes to financial statements

Year ended 31 March 2021

## 4. Segmental information and revenue from contracts with customers (continued)

### Information about major customers

During the periods presented, three underwriters were customers of the Group that individually accounted for over 10% of the Group's revenue:

	2021 %	2020 %
Customer 1 - UK	23.5	28.9
Customer 2 - North America	16.1	16.7
Customer 3 - North America	11.8	12.9
Other customers individually representing below 10% of Group revenue	48.6	41.5
	<b>100.0</b>	<b>100.0</b>

### Geographical information

The Group operates in four principal geographical areas as disclosed below.

The Group's revenue from external customers (by customer domicile) and information about its segment assets (non-current assets excluding deferred tax, retirement benefit assets and financial instruments) by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2021 £m	2020 £m	2021 £m	2020 £m
USA	596.0	449.9	399.1	426.5
UK	368.5	403.7	354.9	457.2
Spain	199.1	159.3	100.6	65.3
France	132.6	111.8	181.0	167.0
Other	8.5	7.6	19.3	16.2
	<b>1,304.7</b>	<b>1,132.3</b>	<b>1,054.9</b>	<b>1,132.2</b>

The other category in the table above principally includes the Group's revenue and non-current assets from Canada, Latin America and Continental European countries, excluding Spain and France.

### Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) on the Group's multi-year arrangements with underwriters to sell policies, is £62.2m (FY20: £51.7m), related to all ancillary obligations delivered after any given policy is sold. The obligations associated with the outstanding transaction price are expected to be fulfilled, and revenue fully recognised, within the next 12 months.

All other contracts with customers have an original expected duration of one year or less. No consideration from these contracts has been excluded from the transaction price. Applying the practical expedient of paragraph 121 of IFRS 15, information about remaining performance obligations on these contracts has not been disclosed.

### Contract balances

An analysis of the Group's contract balances is as follows:

	2021 £m	2020 £m
<b>Current assets</b>		
Amounts receivable for the provision of services (see note 20)	424.0	427.3
Accrued income	18.1	16.9
<b>Current liabilities</b>		
Deferred income	62.2	51.7

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 advance consideration received from customers, for which revenue is recognised as the associated performance obligation is satisfied. Significant deferred income contract liabilities are recorded across the Group in the Membership and Home Experts businesses.

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

	Accrued Income £m	Deferred Income £m
At 1 April 2019	15.1	49.3
Transfers to receivables	(14.6)	–
Revenue recognised from the opening balance	–	(50.1)
Revenue deferred not yet earned	–	47.5
Revenue earned not yet due	16.1	–
Business combinations	–	3.7
Foreign exchange	0.3	1.3
At 1 April 2020	16.9	51.7
Transfers to receivables	(14.6)	–
Revenue recognised from the opening balance	–	(44.9)
Revenue deferred not yet earned	–	54.6
Revenue earned not yet due	16.3	–
Business combinations	–	4.0
Foreign exchange	(0.5)	(3.2)
<b>At 31 March 2021</b>	<b>18.1</b>	<b>62.2</b>

Revenue deferred not yet earned is presented net of amounts created and released within the same reporting period. Revenue recognised in 2021 and 2020 in relation to performance obligations satisfied (or partially satisfied) in previous periods was immaterial.

<b>Contract costs</b>	<b>£m</b>
At 1 April 2019	27.5
Additions	2.3
Disposals	(1.6)
Amortisation	(11.8)
Impairment	(0.1)
Foreign exchange	0.5
At 1 April 2020	16.8
Additions	0.6
Amortisation	(9.0)
Impairment	(0.1)
Foreign exchange	(0.1)
<b>At 31 March 2021</b>	<b>8.2</b>

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 financial statements

Year ended 31 March 2021

## 5. Profit for the year

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

	2021 £m	2020 £m
<b>Included in operating costs:</b>		
Staff remuneration	389.1	339.2
Cost of inventories recognised as an expense	25.2	24.2
Depreciation of right-of-use assets	15.2	14.2
Depreciation of property, plant and equipment	9.9	9.3
Amortisation of acquisition intangible assets	45.0	35.5
Amortisation of other intangible assets	44.4	38.3
Amortisation of contract costs	9.0	11.8
Loss/(gain) on disposal of property, plant and equipment, intangibles and contract costs	1.1	(0.8)
Loss on disposal of associate	2.1	–
Loss on disposal of subsidiary	0.1	–
Net amounts written off on trade receivables and contract assets (see note 20)	2.1	4.1
Impairment of goodwill, acquired intangibles and contract costs	0.1	1.2
Exceptional items (see note 7)	92.4	7.6
Expenses relating to variable lease payments not included in the measurement of lease liabilities	1.4	1.9
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	0.4	0.1
Expenses relating to short-term leases	0.7	0.9
<b>The analysis of auditor's remuneration is as follows:</b>		
	2021 £'000	2020 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	202	153
The audit of the Company's subsidiaries pursuant to legislation	1,137	1,161
<b>Total audit fees</b>	<b>1,339</b>	<b>1,314</b>
Audit-related assurance services	66	55
<b>Total non-audit fees</b>	<b>66</b>	<b>55</b>
<b>Total auditor's remuneration</b>	<b>1,405</b>	<b>1,369</b>

Audit related assurance services are in respect of the review of the interim financial information and regulatory legal dividend reporting requirements in France.

Fees payable to Deloitte LLP and their member firms for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

A description of the work of the Audit and Risk Committee is set out in the Corporate Governance report and includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by the auditor.



## 6. Staff remuneration

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

	2021 number	2020 number
UK (including Head Office)	3,068	3,397
Continental Europe	2,271	1,821
North America	2,108	1,614
	<b>7,447</b>	<b>6,832</b>

	2021 £m	2020 £m
Their aggregate remuneration comprised:		
Wages and salaries	337.7	294.2
Social security costs	40.9	36.9
Other pension costs (see note 33)	7.7	7.1
Other long-term benefits	2.8	1.0
	<b>389.1</b>	<b>339.2</b>

Other long-term benefits relate to costs accrued in association with options held by employees of eLocal Holdings LLC to put their non-controlling interest equity to the Group.

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

## 7. Adjusting and exceptional items

Adjusting items in addition to amortisation of acquired intangibles of £45.0m (FY20: £35.5m), comprised the following:

	2021 £m	2020 £m
Costs of put options on non-controlling interests accrued over time	2.8	—
Fair value movements on option obligations and contingent consideration	2.3	—
<b>Certain transaction related costs included within operating costs</b>	<b>5.1</b>	<b>—</b>
Unwinding of discount on option obligations and contingent consideration	1.6	—
<b>Certain transaction related costs included within finance costs</b>	<b>1.6</b>	<b>—</b>
<b>Total certain transaction related costs included in profit before tax</b>	<b>6.7</b>	<b>—</b>
Net taxation on certain transaction related costs	(1.7)	—
<b>Total certain transaction related costs after tax</b>	<b>5.0</b>	<b>—</b>

In FY20 charges meeting the definition of certain transaction related costs totalled £0.2m and were included in adjusted profit due to their insignificant size. As such no comparative charges have been reclassified.

Exceptional items, booked to operating costs, comprised the following:

	2021 £m	2020 £m
Impairment charges and associated costs	86.9	14.3
Restructuring costs	5.5	0.7
Gain on acquisition of subsidiary non-controlling interests	—	(3.6)
Gain on disposal of investment in associate	—	(3.8)
<b>Exceptional items included within operating profit before tax</b>	<b>92.4</b>	<b>7.6</b>
Net taxation on exceptional items	(17.6)	(2.0)
<b>Net exceptional items after tax</b>	<b>74.8</b>	<b>5.6</b>

# Notes to financial statements

Year ended 31 March 2021

## 7. Adjusting and exceptional items (continued)

### Year ended 31 March 2021

#### Impairment and associated charges

The Group incurred exceptional impairment charges of £82.6m due to the full write down of the UK's 'eServe' CRM system and recognised £2.2m of exceptional provisions related to onerous contracts associated with the eServe system. During the second half of FY21 additional capability issues came to light as more policies were introduced onto the system, meaning that the duration of the parallel run period alongside the legacy system would need to be extended. Following an extensive review of system capability and robustness and the ongoing operational needs of the business, the difficult decision was taken to revert the minority of customers on this platform back to the existing Ensura CRM system, which is the proven system of record in North America. Following a period of decommissioning, eServe will be replaced by a flexible, cloud-based solution. Current planning suggests this will be a Salesforce solution, similar to that implemented successfully in France and which is planned for implementation in North America. This change results in an impairment charge being recognised for the asset's full carrying amount. Impairment and associated charges related to eServe have been classified as exceptional in the consolidated income statement due to their size, nature and incidence.

Additionally, as part of the refocusing exercise discussed under restructuring costs below, additional impairment charges of £2.1m were recorded in relation to other intangible software assets bringing their carrying values to Enil. The assets in question were built to allow UK Membership jobs to be deployed to smaller trades via an app. However, the expected benefits associated with its deployment have not been realised and therefore the functionality will not be used going forward. Aggregate costs of the refocusing exercise have been classified as exceptional in the consolidated income statement due to their size, nature and incidence.

#### Restructuring costs

As well as looking for new opportunities, the Group frequently reviews its existing activity and considers whether there is anything that it should stop doing. During the year, significant charges have been incurred as part of a refocusing exercise in two main areas. Firstly, having reviewed international development opportunities and considered where capital allocated to this activity would create the most value for shareholders, it was agreed that adopting a 'near neighbour' strategy, focusing on adjacent territories of our existing businesses, such as Canada, Belgium and Portugal, was the optimum way to proceed. Development of these opportunities will be run by the management teams of our existing businesses and, as a result, the central International Business Development team has been streamlined, resulting in an exceptional cost of £3.7m. Secondly, as part of this refocusing, additional redundancy charges of £1.8m were recorded as the Group seeks to refocus its corporate functions and migrate back to a more federated operating model. Aggregate costs of the refocusing exercise have been classified as exceptional in the consolidated income statement due to their size, nature and incidence.

### Year ended 31 March 2020

#### Acquisition of subsidiary non-controlling interests

On 18 June 2019 HomeServe International Limited, a Group company, executed its call option (written on 27 January 2017, the point at which it acquired a 70% controlling interest in Habitissimo S.L.), to acquire the outstanding 30% non-controlling interests in Habitissimo S.L. for cash consideration of €8.6m (£7.7m). The transaction increased HomeServe International Limited's interest in Habitissimo S.L. to 100% of the issued share capital and did not give rise to a change in control.

The transaction resulted in a gain in the consolidated income statement of £3.6m. This represents the difference between the consideration paid and the value of the option liability, being the potential cash payment of the non-controlling interests' corresponding put option to sell the remaining 30% of their shareholding, held on the balance sheet immediately prior to the transaction, net of directly attributable transaction costs. The gain has been classified as exceptional in the consolidated income statement due to its size, nature and incidence.

#### Disposal of interest in associate

See note 18.

#### Impairment and restructuring charges associated with HomeServe Labs

Consumers and insurance partners were slower than expected to adopt smart leak detection technology. Following the Group's annual budgeting process and subsequent updates in light of the COVID pandemic, HomeServe completed an impairment review of the Group's LeakBot assets, concluding that the net assets of the business were impaired, and incurred a £15.0m exceptional charge. This conclusion was reached based on a number of factors affecting expected future cash flows including commercial traction, access to investment and the pace of technology change. Of the £15.0m, £12.9m related to the impairment of development assets for the LeakBot device, £1.4m related to an inventory provision and £0.7m related to a restructuring provision.

## 8. Investment income

	2021 £m	2020 £m
Interest on bank deposits	0.1	0.5
Other interest	0.3	—
	0.4	0.5

**9. Finance costs**

	2021 £m	2020 £m
Interest on bank and other loans	20.3	17.7
Interest on lease liabilities	1.4	1.5
Unwinding of discount on deferred consideration	0.8	0.8
Unwinding of discount on contingent consideration	0.6	0.2
Unwinding of discount on obligations under put options	1.0	0.5
Other interest	0.8	—
Exchange movements	0.1	0.5
	<b>25.0</b>	<b>21.2</b>

**10. Taxation**

	2021 £m	2020 £m
Current tax		
Current year charge	40.5	33.7
Adjustments in respect of prior years	(2.0)	(1.8)
Total current tax charge	<b>38.5</b>	<b>31.9</b>
Deferred tax (credit)/charge	<b>(23.1)</b>	<b>0.2</b>
Total tax charge	<b>15.4</b>	<b>32.1</b>

The pre-exceptional effective tax rate for the year ended 31 March 2021 was 24% (FY20: 23%). The post-exceptional effective tax rate for the same period was 33% (FY20: 24%). UK corporation tax is calculated at 19% (FY20: 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 is expected to be substantively enacted over the coming months whereby our UK deferred taxes will be re-measured accordingly. However, based on our current UK deferred tax position we have estimated that this UK tax rate increase will not give rise to a material effect.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions, these being a blended (Federal/State) rate of 25% in the US (FY20: 27%), 28% in France (FY20: 31%), 25% in Spain (FY20: 25%), a blended rate of 30% in Germany (FY20: 30%) and a substitute tax rate of 12% in Italy (FY20: 12%), which explains the 'Overseas tax rate differences' below. The US blended tax rate is estimated to be lower this year as a result of the average US State tax rate being lower than forecast. However, as with the UK tax rate increase proposal above, the US administration has recently proposed to increase the Federal tax rate but given the uncertainty as to when this proposal might be substantively enacted, and in exactly what form, it is not possible to estimate its impact. We will continue to monitor the progress of this US tax proposal and the impact upon the Group's effective tax rate.

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

	2021 £m	2020 £m
<b>Profit before tax on continuing operations</b>	<b>47.2</b>	<b>137.9</b>
Tax at the UK corporation tax rate of 19% (FY20: 19%)	9.0	26.2
Tax effect of items that are not deductible in determining taxable profit	—	1.1
Adjustments in respect of prior years – current tax	(2.0)	(1.8)
Movement in deferred tax liabilities	1.3	—
Overseas tax rate differences	7.1	6.6
Tax expense for the year	<b>15.4</b>	<b>32.1</b>

Given the UK parent 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.

# Notes to financial statements

Year ended 31 March 2021

## 10. Taxation (continued)

In April 2019, the European Commission (the Commission) of the European Union (the EU) published its official decision in relation to certain aspects of the UK's Controlled Foreign Company ('CFC') rules. In particular, the Commission has decided that the 'Group Financing Exemption' is in breach of the EU's State Aid rules. The UK Government and a number of taxpayers have appealed this judgement applying for the decision to be annulled. These annulment proceedings are likely to take several years before a decision is handed down. Whilst we await the outcome of these annulment proceedings the UK has implemented legislation in order to give the European Commission's judgement legal effect. As a result, the Group was recently issued with a charging notice, which represented the tax that was exempted under the UK's CFC group financing exemption rules. The Group has submitted an appeal to HMRC in respect of this charging notice, but under EU State Aid rules, the notice required payment within 30 days irrespective of this appeal being lodged. As a result, prior to the year end, the Group paid the tax arising, which was not material. We had previously included the calculation of the potential liability within our uncertain income tax estimation within current tax liabilities in the Group Balance Sheet. The Group has utilised this tax provision in settling the HMRC charging notice and therefore it has had no adverse impact upon the Group's effective tax rate.

A retirement benefit tax credit of £0.9m (FY20: charge £0.3m) has been recognised directly in other comprehensive income. In addition to the amounts credited/(charged) to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	2021 £m	2020 £m
<b>Current tax</b>		
Excess tax deductions related to share-based payments on exercised options	1.5	3.0
<b>Deferred tax</b>		
Change in estimated excess tax deductions related to share-based payments	(1.0)	(1.2)
<b>Total tax recognised directly in equity</b>	<b>0.5</b>	<b>1.8</b>

### Deferred tax

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

Asset/(liability)	Timing differences £m	Elected goodwill deductions £m	Retirement benefit obligations £m	Share schemes £m	Acquired intangible assets £m	Unutilised losses £m	Investment revaluation reserve £m	Total £m
At 1 April 2019	(3.3)	—	(1.2)	6.0	(25.9)	6.2	(0.8)	<b>(19.0)</b>
(Charge)/credit charge to Income	(4.8)	(0.8)	(0.4)	(0.3)	7.7	(1.6)	—	<b>(0.2)</b>
Charge to equity	—	—	—	(1.2)	—	—	—	<b>(1.2)</b>
Credit/(charge) to Comprehensive Income	—	—	(0.3)	—	—	—	0.8	<b>0.5</b>
Acquisition of subsidiaries	—	—	—	—	(0.1)	—	—	<b>(0.1)</b>
Exchange movements	0.1	—	—	0.1	(0.6)	0.2	—	<b>(0.2)</b>
At 1 April 2020	(8.0)	(0.8)	(1.9)	4.6	(18.9)	4.8	—	<b>(20.2)</b>
Credit/(charge) to Income	15.7	(1.0)	(0.4)	(1.0)	10.7	(0.9)	—	<b>23.1</b>
Charge to equity	—	—	—	(1.0)	—	—	—	<b>(1.0)</b>
(Charge)/credit to Comprehensive Income	—	—	0.9	—	—	—	(1.3)	<b>(0.4)</b>
Acquisition of subsidiaries	—	(0.3)	—	—	(3.5)	—	—	<b>(3.8)</b>
Transfers	(0.6)	0.1	0.1	—	0.3	0.1	—	<b>—</b>
Exchange movements	—	0.1	—	(0.1)	0.2	(0.4)	—	<b>(0.2)</b>
<b>At 31 March 2021</b>	<b>7.1</b>	<b>(1.9)</b>	<b>(1.3)</b>	<b>2.5</b>	<b>(11.2)</b>	<b>3.6</b>	<b>(1.3)</b>	<b>(2.5)</b>

The £15.7m credit in FY21 under timing differences relates to the exceptional write down of intangible assets (see note 7), whereby the Group do not get an immediate current tax deduction but can claim capital allowance deductions in future tax years and, as a consequence, have recognised a deferred tax asset. The majority of the FY21 credit within acquired intangible assets is driven by acquisitions in our Membership & HVAC – North America segment whereby tax deductions are claimed over longer useful economic lives when compared to the associated accounting expense, resulting in deferred tax assets being recognised. The majority of unutilised losses are expected to be utilised within two years.

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:

	UK £m	France £m	Spain £m	Italy £m	Germany £m	North America £m	Total £m
<b>2021</b>							
Deferred tax assets	4.6	—	0.9	—	—	7.3	<b>12.8</b>
Deferred tax liabilities	—	(13.7)	—	(0.3)	(1.3)	—	<b>(15.3)</b>
<b>Net deferred tax (liabilities)/assets</b>	<b>4.6</b>	<b>(13.7)</b>	<b>0.9</b>	<b>(0.3)</b>	<b>(1.3)</b>	<b>7.3</b>	<b>(2.5)</b>
<b>2020</b>							
Deferred tax assets	—	—	3.6	—	—	2.4	6.0
Deferred tax liabilities	(11.8)	(14.4)	—	—	—	—	(26.2)
<b>Net deferred tax (liabilities)/assets</b>	<b>(11.8)</b>	<b>(14.4)</b>	<b>3.6</b>	<b>—</b>	<b>—</b>	<b>2.4</b>	<b>(20.2)</b>

Deferred tax has not been recognised on £13.2m (FY20: £13.2m) of unused losses in Help-Link UK Limited due to the uncertainty over the timing of future recovery. There are no expiry dates in respect of the unrecognised tax losses in either year.

## 11. Dividends

	2021 £m	2020 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2020 of 17.8p (2019: 16.2p) per share	<b>59.7</b>	54.1
Interim dividend for the year ended 31 March 2021 of 6.2p (2020: 5.8p) per share	<b>20.8</b>	19.4
	<b>80.5</b>	73.5

The proposed final dividend for the year ended 31 March 2021 is 19.8p per share amounting to £66.5m (FY20: 17.8p per share amounting to £59.7m). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The payment of this dividend will not have any tax consequences for the Group.

## 12. Earnings per share

	2021 pence	2020 pence
Basic	<b>9.3</b>	31.7
Diluted	<b>9.2</b>	31.5
Adjusted basic	<b>42.7</b>	41.3
Adjusted diluted	<b>42.6</b>	41.0

The calculation of the basic and diluted earnings per share is based on the following data:

	2021 m	2020 m
<b>Number of shares</b>		
Weighted average number of shares		
Basic	<b>335.8</b>	334.2
Dilutive impact of share options	<b>1.0</b>	2.8
Diluted	<b>336.8</b>	337.0
<b>Earnings</b>		
Profit for the year attributable to equity holders of the parent	<b>31.1</b>	106.0
Amortisation of acquisition intangibles	<b>45.0</b>	35.5
Certain transaction related costs (note 7)	<b>6.7</b>	—
Exceptional items (note 7)	<b>92.4</b>	7.6
Tax impact arising on adjusting and exceptional items	<b>(29.7)</b>	(11.0)
Non-controlling interests' share of adjusting items	<b>(2.1)</b>	—
Adjusted profit for the year attributable to equity holders of the parent	<b>143.4</b>	138.1

# Notes to financial statements

Year ended 31 March 2021

## 12. Earnings per share (continued)

Basic and diluted earnings per ordinary share have been calculated in accordance with IAS 33 Earnings Per Share. Basic earnings per share is calculated by dividing the profit or loss in the financial year by the weighted average number of ordinary shares in issue during the year. Adjusted earnings per share is calculated excluding the amortisation of acquisition intangibles, certain transaction related costs, exceptional items and the associated tax impacts.

The Group uses adjusted operating profit, adjusted operating margin, adjusted EBITDA, adjusted profit before tax and adjusted earnings per share as its primary performance measures. These are non-IFRS measures which exclude the impact of exceptional items, certain transaction related costs, the amortisation of acquisition intangibles and the associated tax impacts. For further details refer to the 'Profitability' section of the Glossary.

Diluted earnings per share includes the impact of dilutive share options in issue throughout the year.

## 13. Goodwill

	£m
<b>Cost</b>	
At 1 April 2019	4079
Recognised on acquisition of subsidiaries	92.8
Impairment	(0.5)
Adjustment related to prior year acquisition	0.3
Exchange movements	9.4
At 1 April 2020	509.9
Recognised on acquisition of subsidiaries	72.3
Adjustments related to prior year acquisitions	4.1
Exchange movements	(22.0)
<b>At 31 March 2021</b>	<b>564.3</b>

### Adjustments to provisional balances

During FY21 the provisional fair values for the acquisitions completed in FY20 and disclosed as part of the Group's FY20 Annual Report were updated leading to a total £4.1m increase to goodwill at 31 March 2021. This increase in goodwill arose due to fair value adjustments associated with the acquisition of eLocal Holdings LLC totalling £2.6m. £2.1m (79%) of these adjustments were recognised in goodwill with £0.5m (21%) being booked to non-controlling interests in equity. Additional adjustments of £1.6m related to prior year acquisitions were recognised on the acquisition of Crawford Services Inc with a further £0.4m other fair value adjustments recorded across five other prior year acquisitions.

### FY20 Impairment of goodwill associated with the acquisition of Somgas Hogar S.L.

During the period between acquisition on 25 July 2019 and 31 March 2020 a significant revenue generating contract of Somgas Hogar S.L., a Group company, ceased. In light of these circumstances and due to the recent nature of the acquisition, it was considered appropriate to perform a separate impairment review of the Somgas business, resulting in an impairment to goodwill of £0.5m. The recoverable amount of goodwill associated with Somgas at 31 March 2020 was £2.8m based on its value in use. The financial performance and position of Somgas is reported within the Group's "Spain" segment and in the "HVAC" business line. The discount rate used to perform the impairment assessment was consistent with that of the "Spain" CGU disclosed below.

### 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% (FY20: 2%). Changes in selling prices and direct costs are based on expectations of future changes in the market.



Where significant investment is planned in a CGU during the typical three year plan period approved by the Directors, a period of actual cash flows deviating from the standard period may be deemed more appropriate for purposes of impairment testing.

Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money. The pre-tax cost of capital rates used to discount the forecast pre-tax cash flows are different for each CGU and are as follows:

Segment	CGUs	2021	2020
Membership & HVAC – North America	North America	<b>10.9%</b>	10.3%
Membership & HVAC – EMEA UK	UK	<b>10.4%</b>	9.8%
Membership & HVAC – EMEA France	France	<b>9.5%</b>	9.5%
Membership & HVAC – EMEA Spain	Spain	<b>10.2%</b>	10.4%
Home Experts - UK	Checktrade	<b>11.8%</b>	11.6%
Home Experts - North America	eLocal	<b>12.5%</b>	12.2%
Home Experts - Other	Habitissimo	<b>11.6%</b>	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 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, for all CGUs other than Checktrade and Habitissimo, 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. In Habitissimo, with all other assumptions held static, the relevant discount rate within the value in use calculation would need to increase by 0.8ppts (to 12.4%) for headroom to reduce to £nil. No reasonably possible change in discount rate would reduce headroom in the Checktrade CGU to £nil. Performing the same sensitivities on the terminal free cash flow assumption would require reductions of 35% (Checktrade) and 10% (Habitissimo) respectively to reduce headroom to £nil.

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

	2021 £m	2020 £m
North America	<b>94.3</b>	76.8
UK	<b>183.8</b>	183.6
France	<b>103.4</b>	93.6
Spain	<b>53.6</b>	23.7
Checktrade	<b>58.6</b>	58.6
eLocal	<b>58.2</b>	62.3
Habitissimo	<b>12.4</b>	11.3
	<b>564.3</b>	509.9

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

# Notes to financial statements

Year ended 31 March 2021

## 14. Other intangible assets

	Acquired access rights £m	Acquired customer databases £m	Other acquired intangibles £m	Total acquisition intangibles £m	Trademarks & access rights £m	Customer databases £m	Software £m	Total intangibles £m
<b>Cost</b>								
At 1 April 2019	126.5	224.9	13.9	<b>365.3</b>	37.4	17.6	253.6	<b>673.9</b>
Additions	4.1	4.2	—	<b>8.3</b>	4.8	13.1	45.4	<b>71.6</b>
Acquisition of subsidiaries	72.3	6.7	1.4	<b>80.4</b>	—	—	0.1	<b>80.5</b>
Disposals	—	(0.2)	—	<b>(0.2)</b>	—	—	(4.5)	<b>(4.7)</b>
Transfers	(3.7)	3.7	—	—	—	—	0.7	<b>0.7</b>
Exchange movements	8.7	7.6	—	<b>16.3</b>	0.8	0.7	3.1	<b>20.9</b>
At 1 April 2020	207.9	246.9	15.3	<b>470.1</b>	43.0	31.4	298.4	<b>842.9</b>
Additions	0.8	0.6	—	<b>1.4</b>	0.7	15.0	52.8	<b>69.9</b>
Acquisition of subsidiaries	2.0	26.6	—	<b>28.6</b>	—	—	1.2	<b>29.8</b>
Disposals	—	(1.2)	—	<b>(1.2)</b>	(0.4)	—	(1.7)	<b>(3.3)</b>
Disposal of subsidiary	—	—	—	—	—	—	(0.3)	<b>(0.3)</b>
Adjustments to prior year acquisitions <sup>1</sup>	(1.2)	—	(0.2)	<b>(1.4)</b>	—	—	—	<b>(1.4)</b>
Exchange movements	(19.7)	(15.7)	(0.1)	<b>(35.5)</b>	(1.7)	(2.2)	(8.0)	<b>(47.4)</b>
<b>At 31 March 2021</b>	<b>189.8</b>	<b>257.2</b>	<b>15.0</b>	<b>462.0</b>	<b>41.6</b>	<b>44.2</b>	<b>342.4</b>	<b>890.2</b>
<b>Accumulated amortisation</b>								
At 1 April 2019	35.7	98.2	2.3	<b>136.2</b>	30.4	4.8	83.9	<b>255.3</b>
Charge for the year	13.8	19.9	1.8	<b>35.5</b>	4.1	3.5	30.7	<b>73.8</b>
Impairment	—	0.7	—	<b>0.7</b>	1.0	—	11.9	<b>13.6</b>
Disposals	—	—	—	—	—	—	(4.5)	<b>(4.5)</b>
Transfers	0.1	(0.1)	—	—	(0.8)	0.8	0.2	<b>0.2</b>
Exchange movements	1.8	3.6	—	<b>5.4</b>	0.4	0.2	1.4	<b>7.4</b>
At 1 April 2020	51.4	122.3	4.1	<b>177.8</b>	35.1	9.3	123.6	<b>345.8</b>
Charge for the year	15.6	27.4	2.0	<b>45.0</b>	2.3	6.8	35.3	<b>89.4</b>
Impairment	—	—	—	—	—	—	84.7	<b>84.7</b>
Disposals	—	(1.2)	—	<b>(1.2)</b>	(0.2)	—	(1.0)	<b>(2.4)</b>
Exchange movements	(4.5)	(8.3)	—	<b>(12.8)</b>	(1.2)	(0.7)	(3.9)	<b>(18.6)</b>
<b>At 31 March 2021</b>	<b>62.5</b>	<b>140.2</b>	<b>6.1</b>	<b>208.8</b>	<b>36.0</b>	<b>15.4</b>	<b>238.7</b>	<b>498.9</b>
<b>Carrying amount</b>								
<b>At 31 March 2021</b>	<b>127.3</b>	<b>117.0</b>	<b>8.9</b>	<b>253.2</b>	<b>5.6</b>	<b>28.8</b>	<b>103.7</b>	<b>391.3</b>
At 31 March 2020	156.5	124.6	11.2	292.3	7.9	22.1	174.8	497.1

<sup>1</sup> The carrying value of acquired intangible assets relating to prior year acquisitions have been adjusted during the associated re-measurement periods reducing the value of acquired access rights by £1.2m, other intangibles by £0.2m and increasing goodwill by £1.4m. See note 13 for further details.

Other acquired intangibles include acquired brands and technology assets. At the balance sheet date, there are no contractual commitments for the purchase of intangible assets (FY20: £nil).

Acquired access rights include assets with a book value of £51.0m (FY20: £62.1m) in respect of customer relationships acquired as part of the acquisition of eLocal Holdings LLC in FY20. The assets are being amortised over periods ranging between 10 and 11 years on a straight-line basis and have over 8 to 9 years useful economic life remaining.

**Year ended 31 March 2021****Impairment**

At 31 March 2021 the carrying value of the eServe customer relationship management system and associated intangibles within the UK Membership business were reviewed for impairment resulting in impairment charges of £82.6m being recorded within software assets, bringing the post impairment carrying value of the eServe CRM system to £nil (FY20: £81.8m). In addition, an impairment of £2.1m was recognised in association with other intangible software assets, bringing the post impairment carrying value of the asset to £nil. Total impairment charges of £84.7m have been treated as exceptional due to their size, nature and incidence (see note 7).

**Year ended 31 March 2020****Impairment**

At 31 March 2020 the carrying value of intangible assets associated with HomeServe Labs were reviewed for impairment resulting in charges being recorded in association with the software assets (£11.9m) and trademarks & access rights (£1.0m) of the business. The total impairment charges of £12.9m associated with HomeServe Labs related intangible assets were treated as exceptional due to their size, nature and incidence (see note 7). Post impairment the carrying value of the impaired intangibles was £nil.

Additionally, during the period between acquisition on 25 July 2019 and 31 March 2020 a significant revenue generating contract of Somgas Hogar S.L., a Group company, ceased. In light of these circumstances and due to the recent nature of the acquisition, it was considered appropriate to perform a separate impairment review of the Somgas business, resulting in an impairment to acquired customer databases of £0.7m. For additional detail on the impairment review of the Somgas business see note 13.

**15. Property, plant and equipment**

	Land & buildings £m	Furniture, fixtures & equipment £m	Computer equipment £m	Motor vehicles £m	Total £m
<b>Cost</b>					
At 1 April 2019	37.8	13.7	32.0	8.5	92.0
Transfers <sup>1</sup>	0.4	(0.5)	(0.3)	(6.1)	(6.5)
Additions	2.3	1.6	3.3	1.3	8.5
Disposals	(0.4)	(0.2)	(0.3)	(0.5)	(1.4)
Acquisition of subsidiaries	0.4	0.1	0.2	1.2	1.9
Exchange movements	0.3	0.2	0.6	0.3	1.4
At 1 April 2020	40.8	14.9	35.5	4.7	95.9
Additions	0.5	0.7	4.2	1.7	7.1
Disposals	(0.2)	(0.1)	(1.9)	(0.3)	(2.5)
Acquisition of subsidiaries	0.7	0.3	0.3	2.9	4.2
Exchange movements	(0.6)	(0.4)	(1.3)	(0.6)	(2.9)
<b>At 31 March 2021</b>	<b>41.2</b>	<b>15.4</b>	<b>36.8</b>	<b>8.4</b>	<b>101.8</b>
<b>Accumulated depreciation</b>					
At 1 April 2019	15.5	9.3	20.0	4.4	49.2
Transfers <sup>1</sup>	—	(0.9)	(0.3)	(3.1)	(4.3)
Charge for the year	1.7	2.1	5.1	0.4	9.3
Disposals	(0.2)	(0.2)	(0.3)	(0.4)	(1.1)
Exchange movements	0.2	0.1	0.4	0.1	0.8
At 1 April 2020	17.2	10.4	24.9	1.4	53.9
Charge for the year	2.1	1.5	4.9	1.4	9.9
Disposals	(0.2)	(0.1)	(1.5)	(0.2)	(2.0)
Exchange movements	(0.4)	(0.3)	(0.9)	(0.1)	(1.7)
<b>At 31 March 2021</b>	<b>18.7</b>	<b>11.5</b>	<b>27.4</b>	<b>2.5</b>	<b>60.1</b>
<b>Carrying amount</b>					
<b>At 31 March 2021</b>	<b>22.5</b>	<b>3.9</b>	<b>9.4</b>	<b>5.9</b>	<b>41.7</b>
At 31 March 2020	23.6	4.5	10.6	3.3	42.0

<sup>1</sup> Included within transfers in FY20 is a carrying book value of £1.7m in respect of assets held under finance leases at 31 March 2019. At 1 April 2019, on transition to IFRS 16, these amounts were transferred to right of use assets. See note 26.

At the balance sheet date, there are no contractual commitments for the purchase of property, plant and equipment (FY20: £nil).

# Notes to financial statements

Year ended 31 March 2021

## 16. Acquisitions and Disposals

The Group has incurred a net cash outflow in respect of business combinations of £77.3m in the year (FY20: £140.6m).

There were two material acquisitions in the year ended 31 March 2021.

- On 26 June 2020, HomeServe Spain S.L.U., a Group company, acquired 99.45% of the issued share capital and obtained control of Solusat Asistencia Técnica S.L., (hereafter 'Solsat'). On 26 March 2021, the remaining 0.55% of the issued share capital of Solsat was acquired. The acquisition of Solsat enhances the scale and scope of the Group's HVAC capabilities in Spain.
- On 10 August 2020, HomeServe Asistencia Spain S.A.U, a Group company, acquired 100% of the issued share capital and obtained control of Mesos Gestión y Servicios S.L., (hereafter 'Mesos'). Mesos has a 100% shareholding of Mesos Portugal Unipessoal LDA and therefore was obtained indirectly by HomeServe Asistencia Spain S.A.U. The acquisition of Mesos continues to expand the Group's home assistance services and increases the opportunity for future growth in this market.

Additionally, the following immaterial acquisitions, which have been combined and presented as 'Other' for the purpose of provisional fair value disclosures, were made during the year ended 31 March 2021.

### HVAC

Date	Acquiree	Acquirer	Acquired
29 May 2020	Aujard SAS	HomeServe Energy Services SAS	100% share capital
29 May 2020	Ei Minerbe SAS	ID Energies SAS	Group of assets constituting a business under IFRS 3
1 June 2020	Hays Cooling and Heating LLC	HomeServe HVAC LLC	100% share capital
30 July 2020	Servicio Técnico Uruña S.L.	HomeServe Spain S.L.U.	100% share capital
3 August 2020	Worry Free Comfort Systems Inc.	HomeServe HVAC LLC	100% share capital
31 August 2020	Ei Multi Chauff SAS	ID Energies SAS	Group of assets constituting a business under IFRS 3
29 September 2020	UGI HVAC Enterprises Inc.	HomeServe USA Energy Services LLC	Group of assets constituting a business under IFRS 3
30 September 2020	Conviflamme SAS	HomeServe Energy Services SAS	100% share capital
30 September 2020	Lesage SAS	Conviflamme SAS	100% share capital
30 September 2020	Réseau Energies SARL	Conviflamme SAS	95% share capital - bringing the total shareholding to 100%
31 October 2020	Société de Maintenance Thermique SAS	HomeServe Energy Services SAS	100% share capital
17 November 2020	Arizona's Dukes of Air LLC	HomeServe HVAC LLC	100% share capital
8 December 2020	Sterling Air Services LLC	HomeServe HVAC LLC	100% share capital
9 December 2020	Aragonesa De Postventa S.L.U.	HomeServe Spain S.L.U.	100% share capital
31 December 2020	G2M SAS	HomeServe Energy Services SAS	100% share capital
31 December 2020	Canyon State Air Conditioning and Heating LLC	HomeServe HVAC LLC	100% share capital
31 December 2020	Aqua Plumbing & Heating Services Limited	HomeServe Membership Limited	100% share capital
31 December 2020	PH Energies SAS (and subsidiaries PH9 SAS and Pack SD SAS)	HomeServe Energy Services SAS	100% share capital
26 February 2021	Técnica Del Frio Landaluce S.L.U.	HomeServe Spain S.L.U.	100% share capital
15 March 2021	Environmental Systems Associates Inc.	HomeServe HVAC LLC	100% share capital
17 March 2021	Mantenimientos Holguin S.L.U.	HomeServe Spain S.L.U.	100% share capital
17 March 2021	Ifoncale Navarra S.L.U.	HomeServe Spain S.L.U.	100% share capital
31 March 2021	Roussin Energies SAS	HomeServe Energy Services SAS	100% share capital

All HVAC acquisitions made during FY21 enhance the scale and scope of the Group's HVAC capabilities and increase the opportunity for future growth related to new HVAC system installations.

### Other acquisitions

- On 1 June 2020, HomeServe SEM LLC, a Group company, acquired a group of assets constituting a business under IFRS 3 from Vincodo LLC.
- On 30 December 2020, Habitissimo S.L, a Group company, acquired 100% of the issued share capital and obtained control of Preventivi SRL.

The acquisition of these businesses strengthens HomeServe's search engine marketing capabilities, contributing to growth strategies across a variety of business lines, notably Home Experts.

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

At fair value	Solusat £m	Mesos £m	Other £m	Total £m
Software	—	1.0	0.2	1.2
Property, plant and equipment	—	0.5	3.7	4.2
Right-of-use assets	—	0.2	3.8	4.0
Cash and cash equivalents	0.3	1.1	8.2	9.6
Inventories	0.2	0.3	3.8	4.3
Trade and other receivables	2.2	3.0	7.1	12.3
Trade and other payables, provisions & retirement benefit obligations	(2.0)	(2.5)	(9.4)	(13.9)
Deferred income	—	—	(4.0)	(4.0)
Lease liabilities	—	(0.2)	(3.8)	(4.0)
Bank & other loans	—	(2.4)	(1.9)	(4.3)
Intangible assets identified on acquisition	5.1	6.4	17.1	28.6
Deferred tax liabilities	(1.3)	(1.6)	(0.9)	(3.8)
Net assets acquired	4.5	5.8	23.9	34.2
Goodwill	14.7	15.0	42.6	72.3
<b>Total</b>	<b>19.2</b>	<b>20.8</b>	<b>66.5</b>	<b>106.5</b>
Satisfied by:				
Cash	19.2	14.9	49.2	83.3
Deferred consideration	—	—	2.8	2.8
Contingent consideration at fair value	—	5.9	14.5	20.4
<b>Total</b>	<b>19.2</b>	<b>20.8</b>	<b>66.5</b>	<b>106.5</b>
Net cash outflow arising on acquisition:				
Cash consideration	19.2	14.9	49.2	83.3
Less: Cash acquired	(0.3)	(1.1)	(8.2)	(9.6)
<b>Total</b>	<b>18.9</b>	<b>13.8</b>	<b>41.0</b>	<b>73.7</b>

The information above is provisional with fair value assessment activities ongoing. The other column relates to 25 individually immaterial business combinations completed during the year. Contingent consideration associated with Mesos is dependent upon performance against certain profitability metrics. There is no range of outcomes associated with the balance as the earnout payment was finalised based on results to 31 March 2021 at £5.9m.

The goodwill arising on the excess of consideration over the fair value of the assets and liabilities acquired represents the expectation of future growth, synergistic benefits and efficiencies. Where elections are made to treat an acquisition that is in scope of US tax legislation as an asset purchase for tax, goodwill is deemed deductible for tax purposes. Where goodwill arises on consolidation within the Group it is not deductible for tax purposes, but tax deductions on goodwill amortisation may arise at a local level in certain territories, subject to specific local rules. Deferred tax liabilities associated with elected goodwill deductions are disclosed in note 10. The gross contracted amounts due are equal to the fair value amounts stated above for trade and other receivables.

The post-acquisition revenue, adjusted operating profit and acquisition-related costs (included in operating costs) from these acquisitions in the year ended 31 March 2021 were as follows:

	Solusat £m	Mesos £m	Other £m	Total £m
Revenue	6.0	14.9	42.6	63.5
Adjusted operating profit	1.3	2.0	2.1	5.4
Acquisition related costs	0.1	0.2	1.1	1.4

If all of the acquisitions had been completed on the first day of the financial year, Group revenues for the year would have been £1,363.5m and Group adjusted profit before taxation would have been £196.8m.

In addition to the net cash outflow on the acquisitions above of £73.7m, deferred and contingent consideration was paid relating to previous business combinations of £3.6m (FY20: £6.4m).

# Notes to financial statements

Year ended 31 March 2021

## 16. Acquisitions and Disposals (continued)

### Disposal of subsidiary – Home Experts France

On 15 May 2020, HomeServe France Holdings SAS ('HFH'), a Group company, disposed of 80% of its 100% interest in HomeServe Home Experts SAS, subsequently renamed Groupe Maison.fr SAS ('Maison.fr'). The total fair value of the consideration and retained interest was £4.1m. The Group realised a net loss on disposal as a result of this transaction of £0.1m. The net assets of the Group's interest in the business at the date of disposal were as follows:

At fair value	£m
Non-current assets	0.4
Cash and cash equivalents	3.9
Trade and other receivables	0.1
Trade and other payables	(0.2)
<b>Total identifiable net assets</b>	<b>4.2</b>
Loss on disposal	(0.1)
<b>Total consideration</b>	<b>4.1</b>
Satisfied by:	
Cash	–
Interest in other investment	2.9
Fair value of call option	1.2
	<b>4.1</b>
Net cash outflow arising on disposal:	
Consideration received in cash and cash equivalents	–
Less: cash and cash equivalent balances disposed <sup>1</sup>	3.9
	<b>3.9</b>

<sup>1</sup> In accordance with the terms of the deal HFH subsequently reimbursed the new owners for any receivables outstanding at 31 March 2020 that were not collected within the subsequent six months. This resulted in an incremental £0.1m payment to the new owners during the second half of FY21, bringing the total cash disposed balance to £3.9m versus £3.8m disclosed at HY21.

HFH retained a 20% holding in Maison.fr following the disposal. Having reviewed the remaining rights and obligations of HFH under the associated sale and purchase agreement, the Group have assessed that HFH does not have significant influence over the financial and operating policies of the entity, or the ability to use its power to affect its returns through its retained shareholding. HFH's potential future voting rights afforded to it via its call option over an additional 24.17% equity stake (see below) have not been considered in this assessment as they are not currently exercisable. As a result, the holding is considered to be a non-controlling interest in Maison.fr which has been accounted for under IFRS 9. The Group has elected to classify the instrument as an investment recorded at fair value through other comprehensive income.

As a result of the above transaction, HFH acquired a call option exercisable in April 2022 which provides the opportunity to acquire a further 24.17% equity stake of Maison.fr for a fixed price of €3.7m/£3.3m. The fair value of the option has been established using a Black-Scholes pricing model resulting in a fair value at initial recognition of £1.2m which has been treated as an element of the consideration received for the 80% interest disposed of. The option carrying value is held within other financial assets on the balance sheet. Subsequent changes in the fair value of the option will be recorded in the income statement. For the period from initial recognition to 31 March 2021 the change in fair value, before the impact of foreign exchange, was £0.1m, see note 27 for further details.



**17. Other investments**

Equity investments carried at fair value through other comprehensive income	£m
At 1 April 2019	9.2
Fair value loss on FVTOCI investment	(3.7)
Exchange movements	0.1
At 1 April 2020	5.6
Additions (see note 16)	2.9
Fair value gain on FVTOCI investments	4.6
Exchange movements	(0.2)
<b>At 31 March 2021</b>	<b>12.9</b>

On 15 May 2020, HomeServe France Holdings SAS ('HFH'), a Group company disposed of 80% of its 100% interest in HomeServe Home Experts SAS, subsequently renamed Groupe Maison.fr SAS. HFH retained a 20% holding in Groupe Maison.fr SAS, which is treated as a non-controlling interest and has been accounted for under IFRS 9. The Group has elected to classify the instrument as an investment recorded at fair value through other comprehensive income. See note 16 for further details on the disposal. For the period from initial recognition to 31 March 2021 the change in fair value recorded in other comprehensive income was £0.2m.

At 31 March 2021 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 £4.4m. This movement, net of the recognition of a £1.3m 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 50 to the Company's separate financial statements.

The Group made additional contributions to its joint venture investment in HomeServe Japan Corporation during the year of £2.2m. (FY20: Enil).

**Year ended 31 March 2021****Acquisition of interest in associate**

On 22 February 2021, HomeServe France Holdings, a Group company, acquired a 20% holding in Mouse Holding SAS for €2,000.

**Disposal of interest in associate**

On 31 March 2021 HomeServe USA Corp disposed of its 20% equity interest in Centriq Technology Inc. ('Centriq') in exchange for a perpetual licence to the technology underpinning Centriq's mobile application which provides customers with a cutting-edge digital home product and system catalogue with ancillary maintenance and repair service solutions. This transaction represented a non-monetary asset exchange in which the Group determined the fair value of the consideration received by reference to the fair value of the asset given up, namely the 20% equity interest in Centriq, which was estimated to be \$1.1m/£0.8m. At 31 March 2021, the carrying value of the Group's investment in Centriq of \$4.0m/£2.9m was derecognised and the Group recorded a loss on disposal of £2.1m in the income statement and recognised an intangible asset for £0.8m representing the value of the licence acquired.

**Year ended 31 March 2020****Disposal of interest in associate**

On 1 August 2019 HomeServe International Limited, a Group company, disposed of its 49% equity accounted investment in Assistenza Casa Srl, by way of sale for cash consideration of €9.4m (£8.4m). At the point of disposal the carrying value of the Group's investment was £4.6m resulting in the recognition of a £3.8m gain in the consolidated income statement. The gain has been classified as exceptional due to its size, nature and incidence.

**Summary Financial Information**

The following amounts relate to the combined results of the Group's associate interests in Centriq (until date of disposal), Assistenza Casa S.R.L. (until date of disposal) as well as its joint venture interest in HomeServe Japan Corporation:

	2021 £m	2020 £m
Loss after tax	(5.5)	(5.9)
Total comprehensive expense	(5.5)	(5.9)
<b>Amounts recognisable</b>	<b>(2.5)</b>	<b>(2.1)</b>

The proportion of the Group's ownership interest in equity accounted investments is equal to their carrying amounts in the consolidated balance sheet.

# Notes to financial statements

Year ended 31 March 2021

## 19. Inventories

	2021 £m	2020 £m
Consumables	12.2	7.9

## 20. Trade and other receivables

	2021 £m	2020 £m
Amounts receivable for the provision of services	424.0	427.3
Other receivables	44.7	33.6
Accrued income	18.1	16.9
Prepayments	14.2	17.6
	<b>501.0</b>	<b>495.4</b>

### Credit risk

Where the Group contracts directly with the consumer of its services, the counterparty to the financial asset in question (the tradesperson or policyholder) is the primary driver of the Group's credit exposure. Where the Group acts as an insurance intermediary, the counterparty to the financial asset in question (the underwriter) is not the primary driver of the Group's credit exposure, rather the risk derives from the creditworthiness of the underlying policyholder. In both instances the relevant credit risk pools are numerous and diverse, thereby mitigating the significance of the Group's exposure to any single pool of risk. Of the at risk balance at the end of the year there is no significant concentration of credit risk within an individual pool, with risk exposure spread across a large number of policyholders or tradespersons. There are no risk exposures that represent more than 5% of the total balance at risk. Note 3 contains further detail regarding the potential risk if policy cancellations were to be higher than expected.

Risks associated with the environments in which customers and policyholders operate may also influence the credit risk. Credit quality of customers is assessed by taking into account the current financial position of the counterparty, past experience and forward looking factors, including economic outlook. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality from the date credit was initially granted up to the reporting date. The Group's exposures are further reduced by its ability, in the event of default, to cease providing member services or to take policyholders "off risk". A default on a trade receivable is when the counterparty fails to make contractual payments within the stated payment terms. Balances are written off when there is no reasonable expectation of recovery and carrying amounts represent the maximum potential credit exposure.

Trade receivables and accrued income are subject to impairment using the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. Consequently the IFRS 9 concept of a significant increase in credit risk is not applicable to the Group's expected credit loss calculations. To assess expected credit losses, balances are either assessed individually or grouped based on similar credit risk characteristics (e.g. type of customer or days past due). Expected losses are then measured using a provisioning matrix approach adjusted, where applicable, to take into account current macro-economic factors or counterparty specific considerations.

The Group trades only with creditworthy third parties and maintains a policy that, with the exception of our membership policyholders, customers who wish to trade on credit terms are reviewed for financial stability. The Group has provided fully for those balances that it does not expect to recover. This assessment has been undertaken by reviewing the status of all at risk balances in line with the process described above. The Directors believe that there is no further credit provision required in excess of the expected credit loss provision.

Included in the Group's exposure are balances with a carrying amount of £34.5m (FY20: £26.8m) 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:

	2021 £m	2020 £m
1 - 30 days	19.3	12.5
31 - 60 days	7.9	6.5
61 - 90 days	2.5	4.7
91 days +	4.8	3.1
Balance at 31 March past due	34.5	26.8
Current/not yet due	389.5	400.5
<b>At 31 March</b>	<b>424.0</b>	<b>427.3</b>

Movement in expected credit losses:

	2021 £m	2020 £m
At 1 April	3.8	1.6
Impairment losses recognised	2.4	4.9
Amounts written off	(1.7)	(2.3)
Amounts recovered	(0.3)	(0.8)
Acquisition of subsidiaries	0.6	0.3
Transfers	1.2	—
Exchange movements	(0.1)	0.1
<b>At 31 March</b>	<b>5.9</b>	<b>3.8</b>

Of the provision total £nil relates to accrued income (FY20: £nil).

Ageing of impaired balances:

	2021 £m	2020 £m
1 - 30 days	0.2	0.3
31 - 60 days	0.5	0.6
61 - 90 days	0.7	0.1
91 days +	2.4	0.6
Current/not yet due	2.1	2.2
<b>At 31 March</b>	<b>5.9</b>	<b>3.8</b>

#### 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 2021 or 31 March 2020 as there has been no experience of significant historic losses and no charge was reported in the income statement. No other receivable balances were considered past due but not impaired.

#### 21. Cash and cash equivalents

	2021 £m	2020 £m
Cash and cash equivalents in the Group balance sheet	171.4	131.2
Bank overdrafts	(22.0)	—
Cash and cash equivalents in the Group cash flow statement	149.4	131.2

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 £19.3m (FY20: £14.5m) 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.

# Notes to financial statements

Year ended 31 March 2021

## 22. Trade and other payables – current

	2021 £m	2020 £m
Trade payables and accruals	158.9	155.5
Contingent consideration	17.0	0.9
Deferred consideration	4.0	4.7
Obligations under put options	24.6	–
Deferred income	62.2	51.7
Refund liabilities	23.6	24.3
Taxes and social security, excluding current tax	13.2	14.3
Amounts related to policyholders to be remitted to underwriters	82.1	92.7
Other payables	69.3	66.5
	<b>454.9</b>	<b>410.6</b>

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 21% non-controlling interest in eLocal Holdings LLC, following HomeServe USA Holdings Corp's initial 79% acquisition in FY20. Put options classified as current are exercisable by the holder from July 2021.

Deferred income represents revenue where an obligation exists to provide future services. An appropriate proportion of monies received in advance are treated as deferred income and recognised over the relevant period (see note 4).

Refund liabilities are made in respect of those policies that may be cancelled by the policyholder part way through the contractual term, which will affect the economic benefits that flow to the Group. The liability is made to ensure that the related revenue is not recognised at the point that the policy incepts.

Amounts related to policyholders to be remitted to underwriters principally relate to the cost of underwriting and Insurance Premium Tax for cash collected or cash to be collected from policyholders for the provision of services, not yet transmitted.

## 23. Trade and other payables – non-current

	2021 £m	2020 £m
Contingent consideration	12.8	10.5
Deferred consideration	6.8	8.8
Obligations under put options	9.7	31.3
Other non-current payables	2.5	1.7
	<b>31.8</b>	<b>52.3</b>

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 21% non-controlling interest in eLocal Holdings LLC, following HomeServe USA Holdings Corp's initial 79% acquisition in FY20. Put options classified as non-current are exercisable by the holder between July 2023 and July 2025.

## 24. Provisions

Movements in provisions during the years ended 31 March 2021 and 31 March 2020 are disclosed below:

	Restructuring costs £m	Other £m	Total £m
At 1 April 2019	3.9	1.8	5.7
Created	1.6	0.8	2.4
Utilised	(4.5)	(1.2)	(5.7)
Transferred	—	(0.4)	(0.4)
At 1 April 2020	1.0	1.0	2.0
Created	1.1	5.5	6.6
Acquired on business acquisition	—	0.1	0.1
Utilised	(1.7)	(1.9)	(3.6)
Released	(0.2)	(0.8)	(1.0)
Transferred	—	2.0	2.0
Foreign exchange	—	(0.1)	(0.1)
<b>At 31 March 2021</b>	<b>0.2</b>	<b>5.8</b>	<b>6.0</b>

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.

### Restructuring costs

Movements on provisions for restructuring during the year principally relate to the costs associated with programs in the Group's UK and HomeServe Labs businesses as discussed in note 7. The closing balance of £0.2m relates to restructuring charges in our Home Experts businesses.

### Other

Principal movements on other provisions during the period related to:

- Provisions created of £2.5m related to the costs associated with a customer re-contact exercise in the UK Membership business which was completed during the year, with a utilisation of £1.8m and subsequent release of £0.7m.
- Provisions created in the UK Membership business of £2.2m for onerous contracts associated with eServe intangible assets, which were impaired during the year (see note 7).

## 25. Borrowings

### Bank and other loans

	2021 £m	2020 £m
Sterling denominated	40.1	27.5
US dollar denominated	2.3	1.6
Euro denominated	11.6	11.2
<b>Due within one year</b>	<b>54.0</b>	<b>40.3</b>
Sterling denominated	242.8	245.2
US dollar denominated	280.5	267.9
Euro denominated	56.5	27.5
<b>Due after one year</b>	<b>579.8</b>	<b>540.6</b>
<b>Total bank and other loans</b>	<b>633.8</b>	<b>580.9</b>

Bank and other loans due within one year includes bank facilities due within one year (£26.4m), overdrafts in relation to our cash pooling arrangements (£22.0m) and interest due on borrowings (£5.6m).

The US Dollar and Euro denominated borrowings are used to provide debt funding to the North America and Continental Europe operations respectively. Foreign currency borrowings are drawn in the UK and passed to the overseas subsidiaries of the Group by way of intercompany loans, denominated in the same currencies. These external borrowings and the equivalent intercompany receivable loans are treated as monetary liabilities and assets respectively and, as such, the Group's foreign currency exposure risk is minimised.

# Notes to financial statements

Year ended 31 March 2021

## 25. Borrowings (continued)

The weighted average interest rates paid on bank and other loans were as follows:

	2021			2020		
	£ %	€ %	\$ %	£ %	€ %	\$ %
Fixed	3.2	—	4.1	3.2	—	5.0
Floating	1.2	1.1	1.2	1.7	1.0	2.9

All of the Group's borrowings are unsecured. The currencies in which the Group's borrowings are denominated reflect the geographical segments for which they have been used.

On 21 August 2020 the Group completed a financing transaction in the United States Private Placement market, issuing notes amounting to \$250.0m and £54.0m as detailed below:

Title	Principal	Maturity	Coupon
7yr GBP Senior Notes	£19.0m	20 August 2027	3.06%
7yr USD Senior Notes	\$125.0m	20 August 2027	3.34%
10yr GBP Senior Notes	£20.0m	20 August 2030	3.21%
10yr USD Senior Notes	\$63.0m	20 August 2030	3.58%
12yr GBP Senior Notes	£15.0m	20 August 2032	3.25%
12yr USD Senior Notes	\$62.0m	20 August 2032	3.68%

The principal features of the Group's other borrowings are as follows:

- The Group has a £400m revolving credit facility with seven banks. This facility was taken out on 1 August 2017 and has an initial term of five years with the option to extend the term twice, by one year, up to a maximum of seven years. On 1 August 2019 the second one year option was exercised to extend the facility to 2024. The financial covenants associated with the facility are 'net debt to EBITDA of less than 3.0 times' (FY20: 3.0 times) and 'interest cover greater than 4.0 times EBITDA' (FY20: 4.0 times). Interest is charged at floating rates at margins of between 1.05% and 1.15% (FY20: 1.05% and 1.15%) above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk. At 31 March 2021, the Group had available £346.9m (FY20: £146.6m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
- In FY21 the Group secured a £35m revolving credit facility with one bank. This facility was taken out on 20 November 2020 with termination date of 19 November 2021. HomeServe has the option to extend the facility by 6 months, twice. The financial covenants associated with the facility are the same as the £400m revolving credit facility. Interest will initially be 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 2021, the Group had available £35m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
- The Group has a £50m revolving credit facility with one bank. This facility was taken out on 30 March 2020 with a termination date of 15 July 2024. The financial covenants associated with the facility are the same as the £400m revolving credit facility. Interest will initially be charged at a floating margin of 1.15% above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk. At 31 March 2021, the Group had available £40.6m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
- The Group has £282m of US Private Placements (FY20: £292m) consisting of: a combined £172m USD and GBP denominated notes taken out in December 2018 at a weighted average interest rate of 4.25%; a £60m placement taken out on 6 March 2017 with a fixed interest rate of 2.59% and a £50m placement taken out on 7 October 2015 with a fixed interest rate of 3.44%. These notes vary in maturity from 7, 10 and 12 years from date of issue and the financial covenants are the same as the £400m revolving credit facility.
- The Group renewed a £25m (FY20: £25m) short term loan in FY21 through to July 2021. The financial covenants associated with the facility are 'net debt to EBITDA of less than 3.0 times' (FY20: 2.0 times) and 'interest cover greater than 4.0 times EBITDA' (FY20: 4.0 times). Interest is charged at floating rates at margins of 1.10% (FY20: 0.67%) above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk.
- The Group has a \$5m facility in the USA, of which \$2.6m/£1.9m (FY20: \$0.2m/£0.2m) was drawn at 31 March 2021. The weighted average interest rate was 1.5% (FY20: 1.5%).

The Group incepted new loan agreements during the year in the UK of £4.2m (FY20: £nil). The weighted average interest rate was 2.0% (FY20: n/a).

The Group has complied with all covenant requirements in the current and prior year. Information about liquidity risk is presented in note 27. For the Group's floating Revolving Credit Facilities (RCFs), the Group has started discussions with respective counterparties to amend the agreements to reflect the cessation of LIBOR. For reference to GBP and USD LIBOR, the Group will begin a dialogue with counterparties in FY22 to propose amendments to move from GBP/USD LIBOR to SONIA and SOFR respectively.



## Reconciliation of movements in liabilities arising from financing

	Current liabilities		Non-current liabilities		Total £m
	Lease liabilities £m	Bank and other loans £m	Lease liabilities £m	Bank and other loans £m	
At 1 April 2019	0.5	39.7	0.7	336.4	<b>377.3</b>
Proceeds from additional borrowings on existing facilities	—	—	—	206.6	<b>206.6</b>
Repayment of borrowings	—	(11.1)	—	(12.9)	<b>(24.0)</b>
Repayment of lease principal	(12.4)	—	—	—	<b>(12.4)</b>
Interest paid	(1.5)	(4.4)	—	(12.3)	<b>(18.2)</b>
Costs associated with new bank and other loans raised	—	—	—	(0.8)	<b>(0.8)</b>
<b>Total changes from cash flows</b>	<b>(13.9)</b>	<b>(15.5)</b>	<b>—</b>	<b>180.6</b>	<b>151.2</b>
<b>Non-cash movements</b>					
Transition on adoption of IFRS 16	11.5	—	41.1	—	<b>52.6</b>
Foreign exchange	0.5	0.3	0.6	9.9	<b>11.3</b>
Interest expense	0.5	4.6	1.0	13.1	<b>19.2</b>
Additions	3.2	—	11.5	—	<b>14.7</b>
Disposals	(0.3)	—	(1.0)	—	<b>(1.3)</b>
Acquisition of subsidiaries	0.8	—	2.6	11.8	<b>15.2</b>
Transfers to/(from)	11.3	11.2	(11.3)	(11.2)	<b>—</b>
At 1 April 2020	14.1	40.3	45.2	540.6	<b>640.2</b>
Proceeds from new loans and borrowings	—	—	—	243.4	<b>243.4</b>
Proceeds from additional borrowings on existing facilities	—	—	—	27.1	<b>27.1</b>
Repayment of borrowings	—	(11.1)	—	(203.5)	<b>(214.6)</b>
Repayment of lease principal	(14.8)	—	—	—	<b>(14.8)</b>
Interest paid	(1.4)	(4.4)	—	(13.8)	<b>(19.6)</b>
Costs associated with new bank and other loans raised	—	—	—	(2.2)	<b>(2.2)</b>
<b>Total changes from cash flows</b>	<b>(16.2)</b>	<b>(15.5)</b>	<b>—</b>	<b>51.0</b>	<b>19.3</b>
<b>Non-cash movements</b>					
Foreign exchange	(0.5)	(0.1)	(2.1)	(33.3)	<b>(36.0)</b>
Interest expense	0.4	5.2	1.0	15.1	<b>21.7</b>
Additions	2.6	0.9	3.9	3.3	<b>10.7</b>
Disposals	(0.4)	—	(0.7)	—	<b>(1.1)</b>
Acquisition of subsidiaries	1.6	0.8	2.4	3.5	<b>8.3</b>
Transfers to/(from)	11.1	0.4	(11.1)	(0.4)	<b>—</b>
<b>Total changes from non-cash movements</b>	<b>14.8</b>	<b>7.2</b>	<b>(6.6)</b>	<b>(11.8)</b>	<b>3.6</b>
Bank overdrafts included within bank and other loans	—	22.0	—	—	<b>22.0</b>
<b>At 31 March 2021</b>	<b>12.7</b>	<b>54.0</b>	<b>38.6</b>	<b>579.8</b>	<b>685.1</b>

# Notes to financial statements

Year ended 31 March 2021

## 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
<b>Cost</b>				
Additions on transition to IFRS 16	43.3	7.6	0.2	<b>51.1</b>
Transfers from property, plant and equipment on transition to IFRS 16	—	4.9	—	<b>4.9</b>
Additions	6.7	8.0	—	<b>14.7</b>
Disposals	(1.0)	(0.7)	—	<b>(1.7)</b>
Acquisition of subsidiaries	3.2	0.2	—	<b>3.4</b>
Exchange movements	1.4	0.3	—	<b>1.7</b>
At 1 April 2020	53.6	20.3	0.2	<b>74.1</b>
Additions	2.8	3.6	0.1	<b>6.5</b>
Disposals	(1.6)	(1.1)	—	<b>(2.7)</b>
Acquisitions of subsidiaries	3.5	0.5	—	<b>4.0</b>
Exchange movements	(3.0)	(0.7)	—	<b>(3.7)</b>
<b>At 31 March 2021</b>	<b>55.3</b>	<b>22.6</b>	<b>0.3</b>	<b>78.2</b>

### Accumulated depreciation

At 1 April 2019	—	—	—	—
Transfers from property, plant and equipment on transition to IFRS 16	—	3.2	—	<b>3.2</b>
Charge for the year	8.5	5.6	0.1	<b>14.2</b>
Disposals	—	(0.4)	—	<b>(0.4)</b>
Exchange movements	0.1	0.2	—	<b>0.3</b>
At 1 April 2020	8.6	8.6	0.1	<b>17.3</b>
Charge for the year	9.5	5.6	0.1	<b>15.2</b>
Disposals	(0.6)	(1.0)	—	<b>(1.6)</b>
Exchange movements	(0.8)	(0.5)	—	<b>(1.3)</b>
<b>At 31 March 2021</b>	<b>16.7</b>	<b>12.7</b>	<b>0.2</b>	<b>29.6</b>

### Carrying amount

<b>At 31 March 2021</b>	<b>38.6</b>	<b>9.9</b>	<b>0.1</b>	<b>48.6</b>
At 31 March 2020	45.0	11.7	0.1	56.8

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 25. The total cash outflow for leases for the year ended 31 March 2021 was £16.2m (FY20: £13.9m), representing £14.8m (FY20: £12.4m) of principal repayments and £1.4m (FY20: £1.5m) of interest charges on outstanding lease liabilities.

## 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.

The Group has no financial instruments with fair values that are determined by reference to Level 1 and 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 Level 2 and 3 financial instruments at fair value:

	2021 £m	2020 £m
<b>Level 2</b>		
<b>Assets classified as fair value through other comprehensive income</b>		
Other investments (note 17)	12.9	5.6
<b>Level 3</b>		
<b>Assets classified as fair value through profit and loss</b>		
Other financial assets	1.2	—
<b>Contingent consideration at fair value through profit and loss</b>		
Current liabilities	17.0	0.9
Non-current liabilities	12.8	10.5

The fair value of other investments has been determined by analysing the future outlook of the investee as well as reviewing valuations associated with recent comparable market transactions. The fair value of contingent consideration liabilities has been determined using forecasts of future performance of acquisitions discounted to present value. The movement in other investments versus the prior year primarily relates to the £2.9m addition of the 20% interest retained in Groupe Maison.fr (see notes 16 and 17) and the fair value movement recorded on the Group's investment in a smart thermostat manufacturer (see note 17).

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

	2021		2020	
	Other financial assets £m	Contingent consideration £m	Other financial assets £m	Contingent consideration £m
At 1 April	—	11.4	—	—
Additions (note 16)	1.2	20.4	—	13.2
Payments	—	(1.1)	—	(1.1)
Re-measurement adjustment related to prior year acquisition	—	1.0	—	—
Unwinding of discount rate through the income statement	—	0.6	—	0.2
Transfer to trade and other payables <sup>1</sup>	—	(0.3)	—	—
Other fair value re-measurement gain	0.1	—	—	(1.5)
Foreign exchange	(0.1)	(2.2)	—	0.6
At 31 March	1.2	29.8	—	11.4

<sup>1</sup> Where the contingent consideration has become certain but has not been paid at the year end the balance has been transferred and recognised in trade and other payables.

The inputs used to derive the asset fair value are reviewed at least annually by the Directors as part of the valuation process. The variable inputs most consequential to the final valuation of the instrument are the price of the underlying equity and the expected volatility. If the underlying price of the equity was higher/lower by 10%, then the carrying amount would increase by £0.3m/decrease by £0.2m. If the volatility assumption increased/decreased by 10%, then the carrying amount would increase/decrease by £0.1m.

# Notes to financial statements

Year ended 31 March 2021

## 27. Financial instruments (continued)

### Financial instruments subsequently measured at fair value (continued)

If discount rates on contingent consideration were higher/lower than the Group's historical experience by 10%, the carrying amount would decrease/increase by £0.1m (FY20: £0.3m). The undiscounted range of outcomes associated with the contingent consideration payments has a floor of £1.6m (FY20: £1.8m). 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.

#### Year ended 31 March 2021

##### HomeServe France Holding SAS ("HFH") call option over equity in Maison.fr

As a result of the disposal of an 80% interest in HomeServe Home Experts SAS (subsequently renamed Groupe Maison.fr), HFH acquired a call option exercisable in April 2022 which provides the opportunity to acquire a further 24.17% equity stake of Groupe Maison.fr SAS for a fixed price of €3.7m/£3.3m. The option has been fair valued using a Black-Scholes option pricing model. The assumptions used in the model are as follows:

- The price of the underlying equity (determined by discounting future forecast cash flows of the business to present value)
- The exercise price of the option
- The risk-free rate
- The life of the option
- The expected volatility of the share price/equity
- Expected dividends.

The fair value of the option at initial recognition was £1.2m. For the period from initial recognition to 31 March 2021 the change in fair value, before the impact of foreign exchange, was £0.1m.

##### 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 2021 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.

#### Year ended 31 March 2020

During the period between acquisition on 25 July 2019 and 31 March 2020 a significant revenue generating contract of Somgas Hogar S.L., a Group company, ceased. In light of these circumstances the fair value of the contingent consideration associated with the acquisition of Somgas was reduced by £1.5m.

### Capital risk management

The Group manages its capital to ensure that entities in the Group are able to continue as going concerns while maximising the return to stakeholders through the appropriate balance of debt and equity. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 25, cash and cash equivalents in note 21 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 28, 29 and the Group Statement of Changes in Equity.

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

	2021 £m	2020 £m
Attributable to equity holders of the parent	564.0	635.7
Cash and cash equivalents	171.4	131.2
Bank and other loans	633.8	580.9

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).

	2021	2020
Increase in cost of borrowing	<b>100bps</b>	100bps
Reduction in profit before tax (£m)	<b>0.7</b>	2.6

**Credit risk**

Credit risk associated with trade receivables and accrued income contract assets is discussed in note 20. Credit risk related to cash and cash equivalents is discussed in note 21.

**Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Group's Board which sets the framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecast and actual cash flows. Included in note 25 are details of the undrawn facilities that are available to the Group to reduce liquidity risk further, along with the weighted average interest rates paid on bank and other loans.

The maturity profile of the Group's financial liabilities based on contractual maturities, is provided in the table below. Interest is payable on all bank and other loans. All cash flows are presented on an undiscounted basis.

	Bank and other loans £m	Trade payables £m	Other payables £m	Deferred and contingent consideration £m	Lease liabilities £m	Obligations under put options £m	Total £m
<b>2021</b>							
Under 2 months	24.6	97.2	39.3	6.1	2.5	—	<b>169.7</b>
Between 2 and 12 months	44.4	61.7	109.9	17.0	11.6	26.7	<b>271.3</b>
Between 1 and 2 years	72.2	0.1	1.5	3.9	12.1	—	<b>89.8</b>
Between 2 and 5 years	229.5	0.1	0.1	10.9	20.6	15.8	<b>277.0</b>
After 5 years	405.3	0.7	—	6.5	7.7	—	<b>420.2</b>
<b>Total</b>	<b>776.0</b>	<b>159.8</b>	<b>150.8</b>	<b>44.4</b>	<b>54.5</b>	<b>42.5</b>	<b>1,228.0</b>
<b>2020</b>							
Under 2 months	2.5	98.0	27.5	0.8	2.0	—	130.8
Between 2 and 12 months	49.7	57.5	130.2	5.8	12.9	—	256.1
Between 1 and 2 years	16.1	—	0.6	6.4	12.4	23.8	59.3
Between 2 and 5 years	404.2	—	0.1	8.3	26.2	18.9	457.7
After 5 years	213.4	—	1.0	9.0	9.8	—	233.2
<b>Total</b>	<b>685.9</b>	<b>155.5</b>	<b>159.4</b>	<b>30.3</b>	<b>63.3</b>	<b>42.7</b>	<b>1,137.1</b>

The revolving credit facility is drawn down and associated interest is settled on a monthly basis. The principal is included in the above maturity profile tables when the facility is due to expire.

# Notes to financial statements

Year ended 31 March 2021

## 28. Share capital

	2021 £m	2020 £m
Issued and fully paid 336,045,030 ordinary shares of 2 9/13p each (FY20: 334,634,278)	9.1	9.0

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 2020 to 31 March 2021 the Company issued 1,410,752 shares with a nominal value of 2 9/13p creating share capital and share premium with a combined value of £7.2m.

During the year from 1 April 2019 to 31 March 2020 the Company issued 2,143,901 shares with a nominal value of 2 9/13p creating share capital and share premium with a combined value of £8.6m.

## 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 (FY20: 2 9/13p).

### Share incentive reserve

The share incentive reserve represents the cumulative charges to income under IFRS 2 'Share-based payments' on all share options and schemes granted, net of share option exercises.

### Currency translation reserve

The currency translation reserve represents the cumulative foreign currency translation movement on the assets and liabilities of the Group's international operations at year end exchange rates.

### Investment revaluation reserve

The investment revaluation reserve represents the movement on revaluation of the Group's fair value through other comprehensive income investments disclosed in note 17.

### Other reserves

The movement on other reserves during the current and preceding years is set out in the table below:

	Capital redemption reserve £m	Merger reserve £m	Own shares reserve £m	Total other reserves £m
At 1 April 2019	1.2	81.0	—	82.2
Purchase of own shares	—	—	(3.0)	(3.0)
<b>At 1 April 2020 and 31 March 2021</b>	<b>1.2</b>	<b>81.0</b>	<b>(3.0)</b>	<b>79.2</b>

The capital redemption reserve arose on the redemption of 1.2m £1 redeemable preference shares on 1 July 2002.

### Merger reserve

The merger reserve represents:

- the issue on 6 April 2004 of 11.6m new shares relating to the acquisition of the minority interest held in the Group at that date. The reserve reflects the difference between the nominal value of shares at the date of issue of 12.5p and the share price immediately preceding the issue of 624.5p per share; and
- the issue on 17 November 2017 of 1.2m new shares relating to the acquisition of Checkatrade. The reserve reflects the difference between the nominal value of shares at the date of issue of 2 9/13p and the share price immediately preceding the issue of 838p per share. The shares issued formed part of the consideration for the acquisition of the remaining 60% of the equity of Checkatrade (taking the Group's overall holding to 100%) and therefore qualify for merger relief.

The own shares reserve represents the cost of shares in HomeServe plc purchased in the market and held by the HomeServe plc Employee Benefit Trust. The shares are held to satisfy obligations under the Group's share option schemes and are recognised at cost. During the year no shares (FY20: 249,975) were repurchased at a cost of £nil (FY20: £3.0m) to fulfil awards made under share incentive schemes. No shares were transferred to individuals to satisfy awards (FY20: nil).



**30. Non-controlling interests**

Summarised financial information in respect of the Group's non-controlling interests is set out below. In FY21 and FY20, this relates to the 21% non-controlling interest in eLocal USA Holdings LLC. The summarised financial information below represents amounts before intra-group eliminations.

	2021 £m	2020 £m
Current assets	12.1	8.6
Non-current assets	52.1	64.9
Current liabilities	(14.7)	(18.5)
Non-current liabilities	(3.5)	(4.6)
<b>Equity attributable to owners of the Company</b>	<b>46.0</b>	<b>50.4</b>
<b>Non-controlling interests</b>	<b>9.7</b>	<b>10.6</b>

**31. Notes to the cash flow statement**

	Notes	2021 £m	2020 £m
<b>Operating profit</b>		<b>71.8</b>	<b>158.6</b>
Adjustments for:			
Depreciation of property, plant and equipment	15	9.9	9.3
Depreciation of right-of-use assets	26	15.2	14.2
Amortisation of acquisition intangible assets	14	45.0	35.5
Amortisation of other intangible assets	14	44.4	38.3
Amortisation of contract costs	4	9.0	11.8
Share-based payments expense		4.3	7.2
Share of equity accounted investees results		2.5	2.1
Fair value movements on options and contingent consideration		2.3	(1.5)
Costs of put options on non-controlling interests accrued over time		2.8	1.0
Loss on disposal of associate	18	2.1	—
Loss on disposal of subsidiary	16	0.1	—
Loss/(gain) on disposal of property, plant and equipment, intangible assets and contract costs		1.1	(0.8)
Non-exceptional impairment of goodwill, intangible assets and contract costs		0.1	1.2
Exceptional impairment charges and associated costs	7	86.9	14.3
Other exceptional items		5.3	(6.7)
<b>Operating cash flows before movements in working capital</b>		<b>302.8</b>	<b>284.5</b>
Increase in inventories		(0.8)	(1.0)
Increase in receivables		(20.0)	(46.3)
(Decrease)/increase in payables and provisions		(4.3)	3.2
Net movement in working capital		(25.1)	(44.1)
<b>Cash generated by operations</b>		<b>277.7</b>	<b>240.4</b>
Income taxes paid		(35.1)	(30.2)
Interest paid (inclusive of payments on lease liabilities)		(19.6)	(18.2)
<b>Net cash inflow from operating activities</b>		<b>223.0</b>	<b>192.0</b>

# Notes to financial statements

Year ended 31 March 2021

## 32. Share-based payments

During the year ended 31 March 2021, the Group had three (FY20: four) share-based payment schemes, which are described below:

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

The LTIP provides for the grant of performance, matching and restricted awards. The vesting period is normally three years. Restricted awards are not subject to performance conditions. Until July 2020, 75% of each performance and matching award was subject to an Earnings Per Share performance condition and the remaining 25% was subject to comparative Total Shareholder Return performance.

From July 2020, for participants with Group roles, 50% of each performance award is subject to an Earnings Per Share performance condition and 50% to comparative Total Shareholder Return performance. For business unit participants, 50% of each performance award is subject to a Cumulative Profits Measure performance condition and the remaining 50% is subject to comparative Total Shareholder Return performance. For Executives who participate in the matching element of the LTIP, from July 2020, 100% of each performance award is subject to an Earnings Per Share performance condition and each matching award is subject to Total Shareholder Return performance.

### ii) Special Value Creation Plan ('SVCP')

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

### iii) Save As You Earn Scheme ('SAYE')

The SAYE scheme was open to all UK employees and provides for an exercise price equal to the closing quoted market price on the day before the date of grant, less a discretionary discount. The options can be exercised during a six month period following the completion of either a three or five year savings period. There were no awards made in the year (FY20: nil) as the scheme is now closed.

### iv) One Plan

One Plan is a share incentive scheme which is available to all employees. Since February 2021, for every partnership share purchased, participants will receive (or have the right to receive) one free matching share. Prior to this for every two partnership shares purchased, participants received (or had the right to receive) one free matching share. Matching shares are held in trust for a period of up to three years.

	LTIP	SVCP	One Plan
<b>2021</b>			
<b>Number</b>			
Outstanding at 1 April 2020	3,370,593	1,246,661	104,191
Granted	913,578	1,444,241	51,156
Lapsed	—	—	—
Forfeited	(56,769)	(550,565)	(14,806)
Exercised	(1,237,902)	—	(34,917)
<b>Outstanding at 31 March 2021</b>	<b>2,989,500</b>	<b>2,140,337</b>	<b>105,624</b>
Exercisable at 31 March 2021	107,877	—	—
Exercise price of options outstanding at 31 March 2021	£0.00	£0.00	£0.00
Weighted average remaining contractual life	2	3	2
Weighted average fair value of options granted	£11.20	£12.95	£11.81

	LTIP	SVCP	One Plan	SAYE
2020				
Number				
Outstanding at 1 April 2019	4,822,728	—	105,756	27,338
Granted	956,713	1,246,661	40,780	—
Lapsed	(7,526)	—	—	(1,879)
Forfeited	(309,596)	—	(14,432)	—
Exercised	(2,091,726)	—	(27,913)	(25,459)
Outstanding at 31 March 2020	3,370,593	1,246,661	104,191	—
Exercisable at 31 March 2020	7,967	—	—	—
Weighted average exercise price (£)				
Outstanding at 1 April 2019	—	—	—	3.35
Granted	—	—	—	—
Lapsed	—	—	—	3.35
Forfeited	—	—	—	—
Exercised	—	—	—	3.35
Outstanding at 31 March 2020	—	—	—	—
Exercisable at 31 March 2020	—	—	—	—
Exercise price of options outstanding at 31 March 2020	£0.00	£0.00	£0.00	n/a
Weighted average remaining contractual life	2	4	2	—
Weighted average fair value of options granted	£10.59	£11.99	£11.99	n/a

The weighted average share price at the date of exercise for share options exercised during the year was £12.96 (FY20: £11.72).

The estimated fair values are calculated by applying a Black-Scholes option pricing model for SVCP, SAYE 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% - 1.0%

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 FY21 the Group recognised an IFRS 2 charge of £4.3m (FY20: £7.2m) related to equity-settled share-based payment transactions.

# Notes to financial statements

Year ended 31 March 2021

## 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 £7.4m (FY20: £6.9m) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes. At 31 March 2021, contributions of £0.9m (FY20: £0.8m) due in respect of the current reporting period had not been paid over to the schemes.

### Defined benefit schemes

#### Water Companies Pension Scheme (WCPS)

In the UK, the Group participates in a defined benefit scheme, the Water Companies Pension Scheme, which is closed to new members. This is a sectionalised scheme and the Group participates in the HomeServe plc Section of the Scheme. The Section is administered by a Trustee and is independent of the Group's finances. Contributions are paid to the Section in accordance with the recommendations of an independent actuary and must not fall below a minimum limit specified by the Trustee on actuarial advice as being required to provide the benefits which if the scheme was terminated would be required to be paid to and in respect of the Section members. Each member's pension at retirement is related to their pensionable service and pensionable salary, and the weighted average duration of the expected benefit payments from the Section is around 19 years (FY20: 18 years).

#### GMP equalisation

On 26 October 2018 a High Court case in the UK confirmed that Guaranteed Minimum Pensions (GMP) need to be equalised between male and female pension scheme members. The Court did not specify the method to use to equalise GMP but did set out a number of possible approaches. Prior to this date the Group had excluded GMP equalisation from the valuation of scheme liabilities. In FY19 an allowance was made resulting in a past service cost of £0.1m being recorded. On 20 November 2020 the High Court concluded that pension schemes should pay uplifts in respect of members who had transferred benefits out in the past (back to 17 May 1990), where those benefits were not equalised in line with the 2018 judgement. An estimate of the potential costs of these uplifts has been recorded in the income statement totalling £15,000.

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 IAS 19. Re-measurements are recognised immediately through other comprehensive income.

	Valuation at	
	2021	2020
Key assumptions used:		
Discount rate at 31 March	<b>2.1%</b>	2.5%
Consumer price inflation	<b>3.0%</b>	1.9%
Retail price inflation	<b>3.5%</b>	2.9%
Expected rate of salary increases	<b>3.0%</b>	1.9%
Future pension increases	<b>3.0%</b>	1.9%
Life expectancy of female aged 60 at balance sheet date	<b>29.2yrs</b>	29.0yrs
Life expectancy of male aged 60 at balance sheet date	<b>27.5yrs</b>	27.6yrs

Pensions accounting entries are subject to judgement and volatility, as the majority of the assets are held within instruments with quoted market prices in an active market, whereas the present value of the obligation is linked to yields on AA-rated corporate bonds.

The scheme exposes the Group to actuarial risks including interest rate risk, longevity risk, investment risk and inflationary risk. The following table illustrates the sensitivity of the WCPS defined benefit obligation to some of the significant assumptions as at 31 March 2021, all other things being equal:

	£m
Price inflation -1%	(5.6)
Price inflation +1%	7.3
Discount rate -1%	8.0
Discount rate +1%	(6.1)
Life expectancy -1 year	(1.2)
Life expectancy +1 year	1.2

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

	2021 £m	2020 £m
Current service cost and section expenses	0.2	0.1
Interest income	(0.3)	(0.2)
	<b>(0.1)</b>	<b>(0.1)</b>

The actual return on scheme assets was a gain of £4.0m (FY20: loss of £2.6m). 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:

	2021 £m	2020 £m
Present value of defined benefit obligations	(35.7)	(27.1)
Fair value of scheme assets	44.0	37.4
Surplus in scheme recognised in the balance sheet in non-current assets	<b>8.3</b>	<b>10.3</b>

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:

	2021 £m	2020 £m
At 1 April	27.1	31.1
Employer's part of the current service cost and section expenses	0.2	0.1
Interest cost	0.7	0.7
Actuarial losses/(gains) due to:		
Changes in financial assumptions	8.5	(3.7)
Changes in demographic assumptions	0.1	—
Experience adjustments on benefit obligations	(0.2)	(0.5)
Benefits paid	(0.7)	(0.6)
<b>At 31 March</b>	<b>35.7</b>	<b>27.1</b>

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

	2021 £m	2020 £m
At 1 April	37.4	37.5
Interest on Section assets	1.0	0.9
Actual return less interest on Section assets	4.0	(2.6)
Contributions from the employer	2.3	2.2
Benefits paid	(0.7)	(0.6)
<b>At 31 March</b>	<b>44.0</b>	<b>37.4</b>

The amount recognised outside the income statement in the statement of comprehensive income for FY21 is a loss of £4.4m (FY20: gain of £1.6m). The cumulative amount recognised outside the income statement at 31 March 2021 is a loss of £8.4m (FY20: loss of £4.0m).

# Notes to financial statements

Year ended 31 March 2021

### 33. Retirement benefit schemes (continued)

The analysis of the fair value of WCPS scheme assets at the balance sheet date was as follows:

	2021 £m	2020 £m
Equity instruments	17.7	13.0
Diversified growth fund	4.8	4.0
Liability driven investment funds	12.8	20.4
Absolute return bonds	8.6	—
Cash	0.1	—
	<b>44.0</b>	<b>37.4</b>

The majority of the assets are held within instruments with quoted market prices in an active market. The HomeServe plc Section of the WCPS invests in BMO's Real Dynamic Liability Driven Investment Fund which makes use of derivative instruments to leverage its assets to more closely resemble the Scheme's liability profile. The fund helps to hedge the Section's interest rate and inflation risk which reduces the volatility of the Section's funding level.

The estimated amounts of contributions expected to be paid to the scheme during the forthcoming financial year is £2.3m (FY21: actual £2.3m) plus any Pension Protection Fund levy payable.

#### Indemnité de Fin de Carrière (IFC)

In France, companies are legally obligated by the labour code to provide a retirement indemnity plan or 'Indemnité de Fin de Carrière'. The IFC meets the definition of a defined benefit plan under IAS 19. Upon retiring, employees receive an end of career indemnity paid by their last employer with conditions governed by a collective agreement of each labour sector, or, in the absence of a collective agreement, by the French Law (article L. 122-14-13 al.2 of labour code). The Group's IFC obligations are not supported by any scheme assets.

At each year end, the Group must measure its anticipated obligation by assessing for each employee of in scope entities, an estimation of their date of departure, their expected gross wage as well as the estimated amount of benefits that will be paid to them. Actuarial movements associated with the obligation are recognised through other comprehensive income with all other movements recognised in the income statement.

Re-measurement of the Group's IFC obligations was performed at 31 March in accordance with IAS 19 using the following assumptions:

	Valuation at	
	2021	2020
Key assumptions used:		
Discount rate at 31 March	<b>0.7%</b>	1.2%
Employer social charges	<b>37 - 55%</b>	37% - 55%
Employee turnover rate	<b>14.2%</b>	14.2%
Expected rate of salary increases	<b>1.0 - 1.5%</b>	1.0 - 2.0%
Mortality rates	<b>INSEE 2019</b>	INSEE 2018
Legal retirement age	<b>60 - 67yrs</b>	60 - 67yrs

The following table illustrates the sensitivity of IFC obligations to reasonably possible changes in discount rates at 31 March 2021, all other things being equal:

	£m
Discount rate -0.5%	<b>0.1</b>
Discount rate +0.5%	<b>(0.1)</b>

In both FY21 and FY20 amounts recognised in the income statement, within operating costs, in respect of the IFC schemes were £0.1m, principally related to current service costs.



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

	2021 £m	2020 £m
At 1 April	1.0	0.9
Employer's part of the current service cost	0.1	0.1
Acquisition of subsidiaries	0.1	—
Actuarial losses due to changes in financial assumptions	0.1	—
Foreign exchange	(0.1)	—
<b>At 31 March</b>	<b>1.2</b>	<b>1.0</b>

In FY20 the carrying value of IFC obligations were recorded within trade and other payables – non-current on the balance sheet.

The amount recognised outside the income statement in the statement of comprehensive income for FY21 is a loss of £0.1m (FY20: £nil). The cumulative amount recognised outside the income statement at 31 March 2021 is a loss of £0.1m (FY20: £nil).

The estimated amounts of contributions expected to be paid to the scheme during the forthcoming financial year is £nil (FY21 actual: £nil).

#### 34. Related party transactions

The Group consists of a parent Company, HomeServe plc, incorporated in England and Wales, and a number of subsidiaries and associates held directly and indirectly by HomeServe plc, which operate and are incorporated internationally. Note 50 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements (note 50).

##### Transactions with equity accounted investees

	2021 £m	2020 £m
Sales to associates	—	0.1
Purchases from associates	0.3	0.3
Sales to joint ventures	0.1	0.4
Purchases from joint ventures	—	0.3
Amounts owed to joint ventures	—	0.1

Transactions and balances principally relate to salaries, consultancy, contractor costs and marketing services.

##### Other related party transactions

During the year Group companies purchased services amounting to £nil (FY20: £0.3m) from companies that are not members of the Group but that are related parties as they are controlled by or connected to Richard Harpin, Chief Executive of the Group and a Director of the parent company of the Group. These services related to the use by the Group of private aircraft, including the provision of pilots and all related operating costs that are controlled by the related parties. The provision of such services were made at arm's length prices, which were approved by the Remuneration Committee.

The specific companies that were subject to the transactions were Harpin Limited (FY21: £nil, FY20: £0.2m) and Centreline AV Limited (FY21: £nil, FY20: £0.1m). Amounts outstanding to all these companies on 31 March 2021 amounted to £nil (FY20: £nil).

##### Remuneration of key management personnel

The remuneration of the Directors and members of the Executive Committee, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration report.

	2021 £m	2020 £m
Short-term employee benefits	12.2	8.4
Post-employment benefits	0.4	0.3
Other long-term employee benefits	1.5	—
Share-based payments expense	1.3	5.6
Termination benefits	4.4	—
	<b>19.8</b>	<b>14.3</b>

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

#### 35. Post balance sheet events

There have been no post balance sheet events identified since the year end.

# Company statement of comprehensive income

Year ended 31 March 2021

	Notes	2021 £m	2020 £m
<b>Profit for the year</b>		<b>90.7</b>	80.0
<b>Items that will not be reclassified subsequently to profit and loss:</b>			
Actuarial (loss)/gain on defined benefit pension scheme	33	(4.4)	1.6
Deferred tax credit/(charge) relating to actuarial re-measurements	43	0.8	(0.3)
<b>Total other comprehensive (expense)/income</b>		<b>(3.6)</b>	1.3
<b>Total comprehensive income for the year</b>		<b>87.1</b>	81.3

# Company balance sheet

## 31 March 2021

	Notes	2021 £m	2020 £m
<b>Non-current assets</b>			
Other intangible assets	38	3.0	2.7
Property, plant and equipment	39	0.5	0.6
Right of use assets	45	1.3	1.6
Investment in subsidiaries	40	954.6	909.6
Amounts receivable from Group Companies	40	4.9	–
Retirement benefit assets	33	8.3	10.3
		<b>972.6</b>	<b>924.8</b>
<b>Current assets</b>			
Trade and other receivables	41	72.8	38.1
Current tax asset		1.7	–
Cash and cash equivalents	41	25.4	60.9
		<b>99.9</b>	<b>99.0</b>
<b>Total assets</b>		<b>1,072.5</b>	<b>1,023.8</b>
<b>Current liabilities</b>			
Trade and other payables	42	(15.8)	(11.0)
Current tax liabilities		–	(3.3)
Bank and other loans	44	(39.1)	(40.1)
Lease liabilities	45	(0.5)	(0.4)
		<b>(55.4)</b>	<b>(54.8)</b>
<b>Net current assets</b>		<b>44.5</b>	<b>44.2</b>
<b>Non-current liabilities</b>			
Bank and other loans	44	(577.8)	(540.3)
Lease liabilities	45	(0.9)	(1.1)
Deferred Tax liabilities	43	(0.3)	(0.1)
		<b>(579.0)</b>	<b>(541.5)</b>
<b>Total liabilities</b>		<b>(634.4)</b>	<b>(596.3)</b>
<b>Net assets</b>		<b>438.1</b>	<b>427.5</b>
<b>Equity</b>			
Share capital	28	9.1	9.0
Share premium account	29	196.4	189.3
Merger reserve	29	81.0	81.0
Share incentive reserve	47	16.5	19.8
Capital redemption reserve	29	1.2	1.2
Retained earnings		133.9	127.2
<b>Total equity</b>		<b>438.1</b>	<b>427.5</b>

As provided by s408 of the Companies Act 2006, the Company has not presented its own income statement. The Company's profit for the year was £90.7m (FY20: £80.0m).

The financial statements of HomeServe plc were approved by the Board of Directors and authorised for issue on 18 May 2021. They were signed on its behalf by:

**David Bower**  
Chief Financial Officer  
18 May 2021

Registered in England No. 2648297

# Company statement of changes in equity

Year ended 31 March 2021

	Share capital £m	Share premium account £m	Merger reserve £m	Share incentive reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2020	9.0	189.3	81.0	19.8	1.2	127.2	427.5
Profit for the year	—	—	—	—	—	90.7	90.7
Other comprehensive expense	—	—	—	—	—	(3.6)	(3.6)
<b>Total comprehensive income</b>	—	—	—	—	—	87.1	87.1
Dividends paid (note 11)	—	—	—	—	—	(80.5)	(80.5)
Issue of share capital	0.1	7.1	—	—	—	—	7.2
Share-based payments	—	—	—	3.8	—	—	3.8
Share options exercised	—	—	—	(7.1)	—	—	(7.1)
Tax on exercised share options	—	—	—	—	—	0.5	0.5
Deferred tax on share options	—	—	—	—	—	(0.4)	(0.4)
<b>Balance at 31 March 2021</b>	<b>9.1</b>	<b>196.4</b>	<b>81.0</b>	<b>16.5</b>	<b>1.2</b>	<b>133.9</b>	<b>438.1</b>

Year ended 31 March 2020

	Share capital £m	Share premium account £m	Merger reserve £m	Share incentive reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2019	9.0	180.7	81.0	21.2	1.2	118.6	411.7
Profit for the year	—	—	—	—	—	80.0	80.0
Other comprehensive income	—	—	—	—	—	1.3	1.3
<b>Total comprehensive income</b>	—	—	—	—	—	81.3	81.3
Dividends paid (note 11)	—	—	—	—	—	(73.5)	(73.5)
Issue of share capital	—	8.6	—	—	—	—	8.6
Share-based payments	—	—	—	7.2	—	—	7.2
Share options exercised	—	—	—	(8.6)	—	0.1	(8.5)
Tax on exercised share options	—	—	—	—	—	1.0	1.0
Deferred tax on share options	—	—	—	—	—	(0.3)	(0.3)
<b>Balance at 31 March 2020</b>	<b>9.0</b>	<b>189.3</b>	<b>81.0</b>	<b>19.8</b>	<b>1.2</b>	<b>127.2</b>	<b>427.5</b>

# Company cash flow statement

## Year ended 31 March 2021

	Notes	2021 £m	2020 £m
<b>Net cash (outflow)/inflow from operating activities</b>	48	<b>(77.9)</b>	419.2
<b>Investing activities</b>			
Interest received		1.4	14.1
Dividends received from subsidiary undertakings		99.8	114.0
Purchases of intangible assets		(0.4)	(2.2)
Purchases of tangible assets		(0.1)	(0.6)
Investment in subsidiary undertaking		(45.0)	(715.0)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>55.7</b>	(589.7)
<b>Financing activities</b>			
Dividends paid	11	(80.5)	(73.5)
Proceeds on issue of share capital	29	—	0.1
Repayment of lease principal	45	(0.4)	(0.3)
Purchase of own shares		—	(3.0)
New bank and other loans raised	44	247.6	—
Costs associated with new bank and other loans raised	44	(2.2)	(0.8)
Proceeds from loans and borrowings	44	27.1	204.3
Repayment of loans and borrowings	44	(213.3)	(11.0)
<b>Net cash (used in)/generated by financing activities</b>		<b>(21.7)</b>	115.8
<b>Net movement in cash and cash equivalents, net of bank overdrafts</b>		<b>(43.9)</b>	(54.7)
Cash and cash equivalents, net of bank overdrafts at the beginning of the year		60.9	117.4
Effect of foreign currency exchange rate changes		(0.1)	(1.8)
<b>Cash and cash equivalents, net of bank overdrafts, at the end of the year</b>	41	<b>16.9</b>	60.9

# Notes to Company financial statements

## Year ended 31 March 2021

### Company only

The following notes 36 to 50 relate to the Company only position and performance for the Year ended 31 March 2021.

### 36. Significant accounting policies

As provided by s408 of the Companies Act 2006, the Company has not presented its own income statement. The Company's profit for the year was £90.7m (FY20: £80.0m).

The separate financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

Furthermore, included within amounts receivable from Group companies are amounts advanced to the HomeServe plc Employee Benefit Trust for the purchase of shares. The shares held of 249,975 (FY20: 249,975) are in trust to satisfy obligations under share options schemes and are recognised at cost £3m (FY20: £3m).

None of the critical accounting judgements and key sources of estimation uncertainty disclosed in note 3 apply to the Company except for the key source of estimation uncertainty relating to retirement benefit obligations, refer to note 3 for more details. Other than the key source of estimation uncertainty relating to retirement benefit obligations, there are no other critical accounting judgements or key sources of estimation uncertainty.

### 37. Other information

#### Staff remuneration

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

	2021 number	2020 number
UK (all administrative roles)	91	81

	2021 £m	2020 £m
Their aggregate remuneration comprised:		
Wages and salaries	12.3	10.7
Social security costs	1.6	1.3
Other pension costs (note 33)	0.4	0.4
	<b>14.3</b>	<b>12.4</b>

#### Audit fees

	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Company's financial statements	202	153
<b>Total audit fees</b>	<b>202</b>	<b>153</b>



**38. Other intangible assets**

	Trademarks & access rights £m	Software £m	Total intangibles £m
<b>Cost</b>			
At 1 April 2019	2.5	6.7	9.2
Additions	0.4	1.8	2.2
Disposals	—	(3.2)	(3.2)
Transfers	—	0.1	0.1
At 1 April 2020	2.9	5.4	8.3
Additions	—	0.9	0.9
Disposals	—	(0.3)	(0.3)
<b>At 31 March 2021</b>	<b>2.9</b>	<b>6.0</b>	<b>8.9</b>
<b>Accumulated amortisation</b>			
At 1 April 2019	0.8	4.8	5.6
Charge for the year	0.3	1.9	2.2
Impairment	1.0	—	1.0
Disposals	—	(3.2)	(3.2)
At 1 April 2020	2.1	3.5	5.6
Charge for the year	0.1	0.5	0.6
Disposals	—	(0.3)	(0.3)
<b>At 31 March 2021</b>	<b>2.2</b>	<b>3.7</b>	<b>5.9</b>
<b>Carrying amount</b>			
<b>At 31 March 2021</b>	<b>0.7</b>	<b>2.3</b>	<b>3.0</b>
At 31 March 2020	0.8	1.9	2.7

# Notes to Company financial statements

Year ended 31 March 2021

## 39. Property, plant and equipment

	Leasehold improvements £m	Computer equipment £m	Motor Vehicles £m	Total tangible assets £m
<b>Cost</b>				
At 1 April 2019	0.3	0.4	—	0.7
Additions	0.4	0.1	0.1	0.6
Disposals	(0.1)	(0.2)	—	(0.3)
Transfers	—	(0.1)	—	(0.1)
At 1 April 2020	0.6	0.2	0.1	0.9
Additions	—	0.1	—	0.1
<b>At 31 March 2021</b>	<b>0.6</b>	<b>0.3</b>	<b>0.1</b>	<b>1.0</b>
<b>Accumulated depreciation</b>				
At 1 April 2019	0.2	0.3	—	0.5
Charge for the year	0.1	—	—	0.1
Disposals	(0.1)	(0.2)	—	(0.3)
At 1 April 2020	0.2	0.1	—	0.3
Charge for the year	0.1	0.1	—	0.2
<b>At 31 March 2021</b>	<b>0.3</b>	<b>0.2</b>	<b>—</b>	<b>0.5</b>
<b>Carrying amount</b>				
<b>At 31 March 2021</b>	<b>0.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.5</b>
At 31 March 2020	0.4	0.1	0.1	0.6

## 40. Subsidiaries

Details of the Company's subsidiaries at 31 March 2021, including the name, address, country of incorporation and proportion of ownership interest is given in note 50

### Investments in subsidiaries

	£m
<b>Cost and net book value</b>	
At 1 April 2019	194.6
Additions	715.0
At 1 April 2020	909.6
Additions	45.0
<b>At 31 March 2021</b>	<b>954.6</b>

The addition in the year of £45.0m (FY20: £715.0m) relates to an injection of capital of £45.0m (FY20: £715.0m) into HomeServe Enterprises Limited. At each balance sheet date the Company reviews the carrying amount of the investment in HomeServe Enterprises Limited to determine whether there is any indication of an impairment loss. Given that HomeServe Enterprises Limited owns directly or indirectly all subsidiaries in the HomeServe plc Group, a comparison is made between the carrying value of the investment in HomeServe Enterprises Limited and the market capitalisation of HomeServe plc. There has not been an impairment loss recorded in either the current or prior year.

### Amounts receivable from Group Companies

	2021 £m	2020 £m
Amounts receivable from Group Companies (note 50)	4.9	—

The amounts receivable from Group Companies of £4.9m (FY20: £nil) represents a long-term loan due from another Group company. In determining the recoverability of the loan, the Company considers any change in the credit quality of the loan. No allowance for doubtful debts is considered necessary based on prior experience and the Directors' assessment of the current economic environment.

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

**41. Financial assets****Trade and other receivables**

	2021 £m	2020 £m
Amounts receivable from Group companies (note 50)	71.5	36.6
Other receivables	1.1	0.8
Prepayments and accrued income	0.2	0.7
	<b>72.8</b>	<b>38.1</b>

**Trade receivables**

The Company has a policy for providing fully for those receivable balances that it does not expect to recover. This assessment has been undertaken in accordance with the IFRS 9 expected credit loss model as explained more fully in note 20.

**Ageing of past due but not impaired receivables:**

	2021 £m	2020 £m
Current	71.5	36.6
At 31 March	71.5	36.6

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is mitigated through the close management and regular review of performance of the subsidiary companies.

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

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

**Cash and cash equivalents**

Cash and cash equivalents in the balance sheet of £25.4m (FY20: £60.9m) comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

Cash and cash equivalents, net of bank overdrafts, in the cashflow of £16.9m (FY20: £60.9m) comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less and bank overdrafts. The carrying amount of these assets approximates to their fair value.

**42. Financial liabilities****Trade and other payables**

	2021 £m	2020 £m
Trade payables and accruals	14.7	9.1
Amounts payable to Group companies	—	0.4
Taxes and social security, excluding corporation tax	1.1	1.5
	<b>15.8</b>	<b>11.0</b>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 9 days (FY20: 9 days).

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

# Notes to Company financial statements

Year ended 31 March 2021

## 43. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Company and movements thereon:

	Retirement benefit obligations £m	Share schemes £m	Timing differences £m	Total £m
At 1 April 2019	(1.2)	2.0	0.2	<b>1.0</b>
Charge to income	(0.4)	(0.1)	—	<b>(0.5)</b>
Charge to equity	—	(0.3)	—	<b>(0.3)</b>
Charge to comprehensive income	(0.3)	—	—	<b>(0.3)</b>
At 1 April 2020	(1.9)	1.6	0.2	<b>(0.1)</b>
(Charge)/credit to income	(0.5)	(0.3)	0.2	<b>(0.6)</b>
Charge to equity	—	(0.4)	—	<b>(0.4)</b>
Credit to comprehensive income	0.8	—	—	<b>0.8</b>
<b>At 31 March 2021</b>	<b>(1.6)</b>	<b>0.9</b>	<b>0.4</b>	<b>(0.3)</b>

## 44. Bank and other loans

	2021 £m	2020 £m
Bank loans	<b>39.1</b>	40.1
<b>Due within one year</b>	<b>39.1</b>	40.1
Bank and other loans	<b>577.8</b>	540.3
<b>Due after one year</b>	<b>577.8</b>	540.3
<b>Total bank and other loans</b>	<b>616.9</b>	580.4

Bank and other loans due in less than one year of £39.1m (FY20: £40.1m) include the short term loan of £25m, bank overdrafts of £8.5m and other loans of £0.9m. The principal features of these loans are set out in note 25.

Bank and other loans due after more than one year comprise of the drawn loans from the revolving credit facility, the US Private Placements and other loans. The principal features of these loans are set out in note 25.

The weighted average of interest rates paid are set out in note 25.

## Reconciliation of movements in liabilities arising from financing

	Current liabilities Bank and other loans £m	Non-current liabilities Bank and other loans £m	Total £m
At 1 April 2019	39.7	334.9	374.6
Proceeds from loans and borrowings	—	204.3	204.3
Repayment of loans and borrowings	(11.0)	—	(11.0)
Interest paid	(4.3)	(11.6)	(15.9)
Costs associated with new bank and other loans raised	—	(0.8)	(0.8)
<b>Total changes from cash flows</b>	<b>(15.3)</b>	<b>191.9</b>	<b>176.6</b>
Non-cash movements			
Foreign exchange	0.2	12.1	12.3
Interest expense	4.5	12.4	16.9
Transfers to/(from)	11.0	(11.0)	—
At 1 April 2020	40.1	540.3	580.4
New bank and other loans raised	0.9	246.7	247.6
Proceeds from loans and borrowings	—	271	271
Repayment of loans and borrowings	(11.1)	(202.2)	(213.3)
Interest paid	(4.4)	(13.7)	(18.1)
Costs associated with new bank and other loans raised	—	(2.2)	(2.2)
<b>Total changes from cash flows</b>	<b>(14.6)</b>	<b>55.7</b>	<b>41.1</b>
Non-cash movements			
Foreign exchange	(0.1)	(33.3)	(33.4)
Interest expense	5.2	15.1	20.3
<b>Total changes from non-cash movements</b>	<b>5.1</b>	<b>(18.2)</b>	<b>(13.1)</b>
Bank overdrafts included within bank and other loans	8.5	—	8.5
<b>At 31 March 2021</b>	<b>39.1</b>	<b>577.8</b>	<b>616.9</b>

# Notes to Company financial statements

Year ended 31 March 2021

## 45. Leasing

The following disclosures about leases, for which the Company is a lessee, are presented in accordance with IFRS 16 for the year ended 31 March 2021.

Right of use assets	Properties £m	Motor vehicles £m	Total £m
<b>Cost</b>			
Additions on transition to IFRS 16	0.1	—	<b>0.1</b>
Additions	1.7	0.1	<b>1.8</b>
At 1 April 2020	1.8	0.1	<b>1.9</b>
Additions	—	0.2	<b>0.2</b>
Disposals	(0.2)	—	<b>(0.2)</b>
<b>At 31 March 2021</b>	<b>1.6</b>	<b>0.3</b>	<b>1.9</b>
<b>Accumulated depreciation</b>			
Charge for the year	0.3	—	<b>0.3</b>
At 1 April 2020	0.3	—	<b>0.3</b>
Charge for the year	0.4	—	<b>0.4</b>
Disposals	(0.1)	—	<b>(0.1)</b>
<b>At 31 March 2021</b>	<b>0.6</b>	<b>—</b>	<b>0.6</b>
<b>Carrying amount</b>			
<b>At 31 March 2021</b>	<b>1.0</b>	<b>0.3</b>	<b>1.3</b>
At 31 March 2020	1.5	0.1	1.6
<b>Lease liabilities</b>			
		2021 £m	2020 £m
Leases		<b>0.5</b>	0.4
<b>Due within one year</b>		<b>0.5</b>	0.4
Leases		<b>0.9</b>	1.1
<b>Due after one year</b>		<b>0.9</b>	1.1
<b>Total lease liabilities</b>		<b>1.4</b>	1.5

A maturity analysis of the contractual undiscounted cash flows associated with lease liabilities is provided in note 46. The total cash outflow for leases for the year ended 31 March 2021 was £0.4m (FY20: £0.3m) representing £0.4m (FY20: £0.3m) of principal repayments and £nil of interest charges in both years. Non cash movements on leases include additions of £0.2m (FY20: £1.8m) and interest expense of £0.1m (FY20: £nil).



#### 46. Financial instruments

The tables below set out the classification of financial instruments in the statement of financial position:

Financial assets	2021 £m	2020 £m
Amortised cost	102.9	98.3

Financial liabilities	2021 £m	2020 £m
Other financial liabilities at amortised cost	633.0	591.4

##### Principal financial instruments

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

- cash and cash equivalents
- bank loans, revolving credit facilities, Private Placements and other loans
- trade receivables
- other receivables
- trade payables
- other payables

##### Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the appropriate balance of debt and equity. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 44, cash and cash equivalents disclosed in note 41 and equity comprising issued capital, reserves and retained earnings as disclosed in this note and notes 28, 29 and the Company Statement of Changes in Equity.

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

	2021 £m	2020 £m
Shareholders' funds	438.1	427.5
Cash and cash equivalents	25.4	60.9
Bank and other loans	616.9	580.4

##### Financial risk management objectives

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

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

##### Interest rate risk

The Company's exposure to the risk of changes in market interest rates primarily relates to the Company's long-term debt requirements with floating interest rates. The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Company's exposure to interest rate risk is closely aligned to that of the Group, more details of which can be found in note 25.

##### Foreign currency risk

The Company has exposure to fluctuations in foreign currencies due to borrowings made to fund investments in its overseas subsidiaries which are affected by foreign exchange movements.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the year end are set out in the table below.

	Assets		Liabilities	
	2021 £m	2020 £m	2021 £m	2020 £m
Euro	37.3	16.8	(63.3)	(43.3)
US dollar	6.7	9.8	(286.3)	(269.4)

# Notes to Company financial statements

Year ended 31 March 2021

## 46. Financial instruments (continued)

The following table demonstrates the sensitivity to a reasonably possible change of 10% increase in sterling against the relevant foreign currencies, with all other variables held constant, of the Company's profit after tax and equity.

	2021	2020
Increase in £:\$ exchange rate:	<b>10%</b>	10%
Effect on profit after tax (£m)	<b>20.6</b>	19.1
Effect on equity (£m)	<b>20.6</b>	19.1
Increase in £:€ exchange rate:	<b>10%</b>	10%
Effect on profit after tax (£m)	<b>1.9</b>	1.9
Effect on equity (£m)	<b>1.9</b>	1.9

### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Company's Board which sets the framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecast and actual cash flows. Included in note 25 are details of the undrawn facilities that are available to the Company and the Group to further reduce liquidity risk.

The maturity profile of the Company's financial liabilities is provided in the table below. The revolving credit facility is drawn down and associated interest is settled on a monthly basis. The principal is included in the table below when the facility is due to expire. All cash flows are presented on an undiscounted basis.

	Lease liabilities £m	Bank and other loans £m	Trade, other and group payables £m	Total £m
<b>2021</b>				
Under 2 months	—	10.6	5.5	<b>16.1</b>
Between 2 and 12 months	0.5	43.6	9.2	<b>53.3</b>
Between 1 and 2 years	0.5	70.7	—	<b>71.2</b>
Between 2 and 5 years	0.5	229.0	—	<b>229.5</b>
Over 5 years	—	405.2	—	<b>405.2</b>
<b>Total</b>	<b>1.5</b>	<b>759.1</b>	<b>14.7</b>	<b>775.3</b>

	Lease liabilities £m	Bank and other loans £m	Trade, other and group payables £m	Total £m
2020				
Under 2 months	—	2.5	3.5	6.0
Between 2 and 12 months	0.4	49.5	5.8	55.7
Between 1 and 2 years	0.4	15.8	—	16.2
Between 2 and 5 years	0.8	404.3	—	405.1
Over 5 years	—	213.4	—	213.4
<b>Total</b>	<b>1.6</b>	<b>685.5</b>	<b>9.3</b>	<b>696.4</b>

It is, and has been throughout the year under review, the Company's policy that no speculative trading in financial instruments shall be undertaken.

The following table demonstrates the sensitivity to a reasonably possible increase of 100bps in the cost of borrowing, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

	2021	2020
Increase in cost of borrowing	<b>100bps</b>	100bps
Reduction in profit before tax (£m)	<b>0.3</b>	2.4

**47. Share incentive reserve**

	£m
At 1 April 2019	21.2
Share-based payment charges in the year	7.2
Share options exercised in the year	(8.6)
At 1 April 2020	19.8
Share-based payment charges in the year	3.8
Share options exercised in the year	(7.1)
<b>At 31 March 2021</b>	<b>16.5</b>

**48. Notes to the cash flow statement**

	2021 £m	2020 £m
<b>Operating loss</b>	<b>(23.2)</b>	<b>(24.0)</b>
Adjustments for:		
Amortisation of intangible assets	0.6	2.2
Depreciation of property, plant and equipment	0.2	0.1
Depreciation of right of use assets	0.4	0.3
Exceptional charges	4.1	1.0
Amounts received from subsidiary undertakings for share incentive schemes and other items	3.1	6.2
Share-based payment expense	1.1	2.4
Operating cash flows before movements in working capital	<b>(13.7)</b>	(11.8)
(Increase)/decrease in receivables	<b>(43.2)</b>	441.6
Decrease in payables	<b>(2.6)</b>	(0.7)
Movements in working capital	<b>(45.8)</b>	440.9
Cash used in operations	<b>(59.5)</b>	429.1
Income taxes (paid)/received	<b>(0.3)</b>	6.0
Interest paid	<b>(18.1)</b>	(15.9)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(77.9)</b>	419.2

The reduction in working capital between FY20 (inflow £441.6m) and FY21 (outflow £43.2m) arises due to the repayment of intercompany receivables in the prior year via a recapitalisation of subsidiary companies.

# Notes to Company financial statements

Year ended 31 March 2021

## 49. Share-based payments

During the year ended 31 March 2021, the Company had three (FY20: three) share-based payment arrangements, which are described in note 32.

	LTIP	SVCP	One Plan
<b>2021</b>			
<b>Number</b>			
Outstanding at 1 April 2020	1,218,460	233,332	7,012
Granted	341,453	—	3,234
Transfer	8,460	—	1,513
Forfeited	(5,137)	—	(48)
Exercised	(369,430)	—	(3,322)
<b>Outstanding at 31 March 2021</b>	<b>1,193,806</b>	<b>233,332</b>	<b>8,389</b>
Exercisable at 31 March 2021	104,784	—	—
Exercise price of options outstanding at 31 March 2021	£0.00	£0.00	£0.00
Weighted average remaining contractual life	2	3	2
Weighted average fair value of options granted in 2021	£11.13	N/A	£11.79
	LTIP	SVCP	One Plan
<b>2020</b>			
<b>Number</b>			
Outstanding at 1 April 2019	1,790,863	—	7,341
Granted	331,926	233,332	2,146
Transfer	—	—	1,339
Lapsed	(3,216)	—	—
Forfeited	(160,880)	—	(511)
Exercised	(740,233)	—	(3,303)
<b>Outstanding at 31 March 2020</b>	<b>1,218,460</b>	<b>233,332</b>	<b>7,012</b>
Exercisable at 31 March 2020	3,864	—	—
Exercise price of options outstanding at 31 March 2020	£0.00	£0.00	£0.00
Weighted average remaining contractual life	2	4	1
Weighted average fair value of options granted in 2020	£10.58	£12.47	£11.99

The weighted average share price at the date of exercise for share options exercised during the year was £12.98 (FY20: £11.77).

The estimated fair values are calculated by applying a Black-Scholes option pricing model for SVCP and One Plan and in addition Monte Carlo and Stochastic simulations for the LTIP. The assumptions used in the models are set out in note 32.

In FY21 the Company recognised an IFRS 2 charge of £1.1m (FY20: £2.4m) related to equity-settled share-based payment transactions.

**50. Related party transactions**

During the year the Company purchased services amounting to £nil (FY20: £0.3m) from companies that are not members of the Group but that are related parties as they are controlled by or connected to Richard Harpin, Chief Executive of the Group and a Director of the parent company of the Group. These services related to the use by the Group of private aircraft, including the provision of pilots and all related operating costs that are controlled by the related parties. The provision of such services were made at arm's length prices, which were approved by the Remuneration Committee.

The specific companies that were subject to the transactions were Harpin Limited (FY21: £nil, FY20: £0.2m) and Centreline AV Limited (FY21: £nil, FY20: £0.1m). Amounts outstanding to all these companies on 31 March 2021 amounted to £nil (FY20: £nil). No guarantees have been given or received.

In respect of transactions with subsidiaries of the Group, the Company provided goods of £nil (FY20: £nil), provided services of £9.5m (FY20: £6.8m), lent monies to of £56.3m (FY20: £40.2m) and borrowed monies from of £nil (FY20: £nil). Amounts due to subsidiary companies total £nil (FY20: £0.4m). Amounts owed by subsidiary companies total £76.4m (FY20: £36.6m) which principally relate to intercompany loans receivable. The Company provided services of £nil (FY20: £0.1m) to associates during the year and £0.1m (FY20: £0.4m) to joint ventures during the year. The Company purchased services of £nil (FY20: £0.3m) from joint ventures during the year. There are no amounts outstanding in either year with associates and £nil outstanding (FY20: £0.1m) with joint ventures.

Provision of services to and the purchase of services from related parties were made at arm's length prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

**Remuneration of key management personnel**

The remuneration of the Directors and relevant members of the Executive Committee, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration report.

	2021 £m	2020 £m
Short-term employee benefits	4.3	3.4
Post-employment benefits	0.2	0.2
Termination benefits	3.6	—
Share-based payments expense	0.2	2.8
	<b>8.3</b>	<b>6.4</b>

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

# Notes to Company financial statements

Year ended 31 March 2021

## 50. Related party transactions (continued)

### Interests held in related companies

All interests in the companies listed below are owned by HomeServe plc and all interests held are in the ordinary share capital. All companies operate principally in their country of incorporation.

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
<b>Directly held entities of HomeServe plc:</b>				
HomeServe Enterprises Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
<b>Indirectly held entities of HomeServe plc:</b>				
<b>Holding Companies</b>				
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) <sup>1</sup>	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
Mouse Holding SAS	Trading	France	20	73 Boulevard Hausmann, 75008 Paris
HomeServe USA Holdings Corp	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe Beteteiligungs GmbH	Trading	Germany	100	Rheinstr. 30-32, 65185, Wiesbaden
Sherrington Mews Limited (No. 09167024) <sup>4</sup>	Trading	England	100	Building 2000, Lakeside North Harbour, Western Road, Portsmouth, PO6 3EN
<b>UK &amp; Ireland</b>				
HomeServe Membership Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Servowarm Limited (No. 560810) <sup>4</sup>	Non-Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe At Home Limited (No. 4186398) <sup>1</sup>	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) <sup>1</sup>	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Home Energy Services Limited (No. 8419975) <sup>4</sup>	Non-Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Manufacturer Warranties Limited (No. 4079068) <sup>1</sup>	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Heating Services Limited (No. 3468609) <sup>4</sup>	Non-Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Trustees Limited (No. 3349817) <sup>1</sup>	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe France Limited (No. 9469168) <sup>4</sup>	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe USA Limited (No. 9468635) <sup>4</sup>	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Now Limited (No. 12523412) <sup>4</sup>	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) <sup>1</sup>	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Home Service (GB) Limited (No. 3546370) <sup>1</sup>	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Fastfix Plumbing and Heating Limited (No. 3120932) <sup>1</sup>	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Care Solutions Limited (No. 3228902) <sup>1</sup>	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Warranties Limited (No. 3156861) <sup>1</sup>	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Multimaster Limited (No. 3670180) <sup>1</sup>	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Labs Limited <sup>6</sup>	Trading	England	100	Cable Drive, Walsall, WS2 7BN
Help-Link UK Limited	Trading	England	100	3310 Century Way, Thorpe Park, Colton, Leeds, LS15 8ZB



Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
Energy Insurance Services Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
Aqua Plumbing & Heating Services Limited (No. 04121404) <sup>4,5</sup>	Trading	England	100	Cable Drive, Walsall, WS2 7BN
<b>Continental Europe</b>				
HomeServe SAS	Trading	France	100	9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7
Electro Gaz Service SA	Trading	France	100	17, rue Bavastro, 06300, Nice
ID Energies SAS	Trading	France	100	ZA d'Armanville, route de la brique, 50700 Valognes
Sylvain Brun Froid SAS	Trading	France	100	401 rue des Champagnes 73290 La Motte-Servolet
HomeServe On Demand SAS	Trading	France	100	9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7
Groupe Maison.fr SAS (formerly HomeServe Home Experts SAS)	Trading	France	20	350 avenue JRGG de la Lauzière, 13290 Aix-en-Provence
Societe V.B. Gaz	Trading	France	100	1 rue George Sand, 94000 Creteil
Aujard SAS <sup>5</sup>	Trading	France	100	37 Quater 1 route d'Hericy 77870 Vulaines sur Seine
Conviflamme SAS <sup>5</sup>	Trading	France	100	Chemin des Carrières 14123 Fleury-sur-Orne
Lesage SAS <sup>5</sup>	Trading	France	100	ZA d'Armanville secteur de prêmesnil 50700 Valognes
Réseau Energies SAS <sup>5</sup>	Trading	France	100	Chemin des Carrières 14123 Fleury-sur-Orne
Société de Maintenance Thermique SAS <sup>5</sup>	Trading	France	100	117 avenue du 8 mai 1945 42340 Veauche
G2M SAS <sup>5</sup>	Trading	France	100	41 route de la libération 69110 Ste Foy les Lyon
PH Energies SAS <sup>5</sup>	Trading	France	100	318 rue des digues, 14123 Fleury-sur-Orne
PH9 SAS <sup>5</sup>	Trading	France	100	318 rue des digues, 14123 Fleury-sur-Orne
Pack SD SAS <sup>5</sup>	Trading	France	100	318 rue des digues, 14123 Fleury-sur-Orne
Roussin Energies SAS <sup>5</sup>	Trading	France	100	34, allée des Balmes, 38600 Fontaines
HomeServe Belgium SRL	Trading	Belgium	100	Square de Meeüs 38/40 1000 Bruxelles
HomeServe Asistencia Spain SAU <sup>2</sup>	Trading	Spain	100	Camino del Cerro de los Gamos 1, Parque empresarial – Edificios 5 y 6, 28224 Pozuelo de Alarcon
HomeServe Spain SLU <sup>2</sup>	Trading	Spain	100	Camino del Cerro de los Gamos 1, Parque empresarial – Edificios 5 y 6, 28224 Pozuelo de Alarcon
Seguragua SAU <sup>2</sup>	Trading	Spain	100	Camino del Cerro de los Gamos 1, Parque empresarial – Edificios 5 y 6, 28224 Pozuelo de Alarcon
Habitissimo S.L. <sup>2</sup>	Trading	Spain	100	c/ Rita Levi, Edificio Blue - Parc Bit CP 07121, Palma de Mallorca, Balears
Bit Advanced Marketing S.L. <sup>2</sup>	Trading	Spain	100	Passeig Mallorca 17C, 07011 Palma de Mallorca
Oscagas Hogar SLU <sup>2</sup>	Trading	Spain	100	Rafael Alberti N° 8, Zaragoza CP 50018
Somgas Hogar S.L. <sup>2</sup>	Trading	Spain	100	Paseo Can Feu Num14, 08205 Sabadell, Barcelona
Linacal S.L.U. <sup>2</sup>	Trading	Spain	100	Polig. Las Labradas, C. Estella S/N. 31500 Tudela, Navarra
Tecno Arasat Servicios de Mantenimiento S.L. <sup>2</sup>	Trading	Spain	100	Calle Barón de eroles num. 31, 2400 Monzón, Huesca
Servicios Tecnicos Sate S.L. <sup>2</sup>	Trading	Spain	100	Calle Anselmo Pie Sopena 1-Local 4, Esquina Avenida Monegros No 31, Huesca
Solusat Asistencia Tecnica S.L. <sup>2,5</sup>	Trading	Spain	100	Avda Ingeniero Torres Quevedo 6, 28022 Madrid
Servicio Tecnico Urueña S.L. <sup>2,5</sup>	Trading	Spain	100	Calle Orixe 54 48015 Bilbao,Vizcaya
Aragonesa De Postventa S.L.U. <sup>2,5</sup>	Trading	Spain	100	Calle Centro, N° 40 Parque Tecnológico Nave 40 50298 Pinseque, Zaragoza
Infocale Navarra S.L.U. <sup>2,5</sup>	Trading	Spain	100	Plaza De Los Sauces, 2, Trasera 31010 Baranain, Navarra
Técnica del frío Landaluce S.L.U. <sup>2,5</sup>	Trading	Spain	100	Calle Quinta (La) Num 29-A 39750 Colindres, Cantabria

# Notes to Company financial statements

Year ended 31 March 2021

## 50. Related party transactions (continued)

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
Mantenimientos Holguin S.L.U. <sup>25</sup>	Trading	Spain	100	Plaza De Los Tilos S/N 31010 Baranain, Navarra
Mesos Gestión y Servicios S.L. <sup>25</sup>	Trading	Spain	100	Avda Industria18 28820 Coslada, Madrid
Mesos Portugal, Unipessoal LDA <sup>25</sup>	Trading	Portugal	100	Praça Duque De Saldanha 1, EDIF. Atrium, 4º H-O.1069-244, Lisbon
Preventivi SRL <sup>5</sup>	Trading	Italy	100	Via Martiri di Bologna, 13, 76123 Andria
<b>North America</b>				
HomeServe USA Corp	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp	Trading	USA	100	1232 Premier Drive, Chattanooga, TN 37421
HomeServe USA Repair Management (Florida)	Trading	USA	100	1232 Premier Drive, Chattanooga, TN 37421
Leakguard Inc	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
Leakguard Repair Services Inc	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp (Iowa)	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp (California)	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp (Virginia)	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp (Wisconsin)	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Energy Services LLC	Trading	USA	100	500 Bi-County Blvd, Farmingdale, NY 11735
HomeServe USA Energy Services (New England ) LLC	Trading	USA	100	5 Constitution Way, Woburn, MA 01801
LI PH Enterprises LLC	Trading	USA	49	1307 Manatuck Blvd, Bay Shore, NY 11706
NYC PH Enterprises LLC	Trading	USA	49	4295 Arthur Kill Rd, Staten Island, NY 10309
SJESP Plumbing Services LLC	Trading	USA	90	420 N. 2nd Road, Unit 1, Hammonton NJ 08037
USP Holding 1 LLC	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
USP Holdings 2 LLC	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Utility Service Partners Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Utility Service Partners Private Label, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
USP Water Heater Rentals LLC	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Utility Service Partners Private Label of Virginia, Inc	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners Inc	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of America, Inc - Delaware.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of America, Inc - California.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of Canada Holdings, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of Pennsylvania, Inc	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of Kentucky, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of Ohio, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of West Virginia, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of Canada Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
HomeServe HVAC LLC	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
Gregg Mechanical Corp.	Trading	USA	100	198 Pulaski Avenue, Staten Island, New York 10303

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
Geisel Heating and Air Conditioning Inc.	Trading	USA	100	633 Broad Street, Elyria, Ohio 44035
Cropp-Metcalf Air Conditioning and Heating Company	Trading	USA	100	8421 Hilltop Road, Fairfax, VA 22031
American Home Guardian Inc	Trading	USA	100	1839 S Alma School Rd, Mesa, AZ 85210
Nations Preferred Home Warranty Inc	Trading	USA	100	3530 Forest Lane, Dallas, TX 75234
Fab Electric Inc	Trading	USA	100	25-B Chestnut St. Gaithersburg, MD 20877
Newcore Inc	Trading	USA	100	24750 Lakeland Blvd., Euclid, OH 44132
Crawford Services, Inc	Trading	USA	100	1405 Avenue T. Grand Prairie, TX 75050
eLocal Holdings LLC	Trading	USA	79	1100 East Hector Street, Suite 101, Conshohocken, PA 19428
eLocal USA LLC	Trading	USA	79	1100 East Hector Street, Suite 101, Conshohocken, PA 19428
HomeServe SEM LLC	Trading	USA	100	2300 East Lincoln Highway, Suite 317 Langhorne, PA 19047
Hays Cooling and Heating LLC <sup>5</sup>	Trading	USA	100	24825 N 16th Ave #115, Phoenix, AZ 85085
Worry Free Comfort Systems Inc <sup>5</sup>	Trading	USA	100	630 20th St. N, Bessemer, AL 35020
Arizona's Dukes of Air LLC <sup>5</sup>	Trading	USA	100	6938 E. Parkway Norte Mesa, AZ 85212
Canyon State Air Conditioning & Heating LLC <sup>5</sup>	Trading	USA	100	13632 West Camino Del Sol, Sun City West, AZ 85375
Sterling Air Services LLC <sup>5</sup>	Trading	USA	100	7256 89th Place, Suite 101 & 103 Mesa, AZ 85212
Environmental Systems Associates, Inc <sup>5</sup>	Trading	USA	100	9375 Gerwig Ln J, Columbia, MD 21046
<b>Asia</b>				
HomeServe Japan Corporation <sup>3</sup>	Trading	Japan	50	MH-KIYA BLDG. 12-1, Mikuracho Kanda, Chiyoda-ku, Tokyo 101-0038 Japan

<sup>1</sup> 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.

<sup>2</sup> These companies have a 31 December year end due to the statutory reporting requirements in Spain.

<sup>3</sup> The Group includes equity accounted investments; please refer to note 18 for full details.

<sup>4</sup> 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.

<sup>5</sup> These companies were acquired during FY21. Please refer to note 16 for full details.

<sup>6</sup> This company has a 30 September year end due to local management requirements.

# Five year summary

## Continuing operations

Unaudited	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
<b>External revenue</b>					
North America	506.4	429.5	333.4	282.1	227.8
UK	330.2	365.1	384.4	357.7	319.3
France	132.6	111.8	104.6	100.0	91.1
Spain	195.7	154.1	140.8	141.3	130.2
New Markets	—	—	—	—	16.6
Home Experts	139.8	71.8	40.4	18.6	—
External sales	<b>1,304.7</b>	1,132.3	1,003.6	899.7	785.0
<b>Profit/(loss)</b>					
North America	105.0	85.4	67.6	48.6	21.2
UK	72.5	81.0	66.0	61.1	63.2
France	35.6	33.8	33.3	31.5	27.1
Spain	17.7	20.1	17.7	16.6	13.3
New Markets	(6.3)	(4.7)	(2.4)	(1.6)	(6.0)
Home Experts	(10.2)	(13.9)	(7.4)	(2.8)	—
<b>Adjusted operating profit</b>	<b>214.3</b>	201.7	174.8	153.4	118.8
Amortisation of acquisition intangibles	(45.0)	(35.5)	(26.8)	(18.4)	(14.1)
Certain transaction related costs	(5.1)	—	—	—	—
Exceptional items	(92.4)	(7.6)	4.6	—	—
Operating profit	<b>71.8</b>	158.6	152.6	135.0	104.7
Net interest	(24.6)	(20.7)	(13.1)	(11.7)	(6.4)
<b>Profit before tax</b>	<b>47.2</b>	137.9	139.5	123.3	98.3

# Glossary

HomeServe uses a number of alternative performance measures (APMs) to assess the performance of the Group and its individual segments. APMs used in this announcement address profitability, leverage and liquidity and together with operational KPIs give an indication of the current health and future prospects of the Group.

Definitions of APMs and the rationale for their usage are included below with a reconciliation, where applicable, back to the equivalent statutory measure.

## Profitability

The Group uses adjusted operating profit, adjusted EBITDA, adjusted profit before tax and adjusted earnings per share as its primary profit performance measures. These are non-IFRS measures which exclude the impact of the amortisation of acquisition intangible assets, certain transaction related costs and exceptional items.

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their size, nature or incidence.

Acquisition intangible assets are calculated using the estimated and discounted incremental future cash flows resulting from the affinity relationship or future policy renewals as appropriate, which will include the impact of the past actions of the former owners. These past actions will include historical marketing and business development activity, including but not limited to, the staff and operational costs of the business. In addition the specific construct of the policy terms and conditions and the current and expected future profitability to be derived from the acquired business or asset is also a factor in determining the valuation of acquisition intangible assets.

Certain financial instruments which the Group becomes party to by virtue of its transactional activity (typically, but not limited to, acquisitions and disposals) have the potential to create volatility that is not representative of the underlying performance of the business. These include;

- Fair value movements on financial instruments generated from transaction related activity;
- Unwinding of discount on contingent financial instruments (including options); and
- Charges associated with put options over non-controlling interests.

The on-going service and operating costs incurred by the Group in managing the acquired businesses or assets, including but not limited to print, postage, telephony, claims costs and overheads are recognised as operating costs within these adjusted measures in the reporting period in which they are incurred. Certain transaction related costs do not include deal fees, financing charges on deferred consideration or the market rate salaries and bonuses of employees who hold non-controlling interest puts. All these items are included within the Group's adjusted performance measures.

Accordingly, by excluding the amortisation of acquisition intangibles, exceptional items and certain transaction related costs from the adjusted performance measures reported by the Group in each specific reporting period 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 historical costs of the vendor or considerations of the future profits to be derived from the acquired business or assets.

Moreover, excluding these items from the Group's adjusted metrics provides for a consistent measure of underlying profitability on which to assess the Group's performance both period-on-period and relative to its peers.

# Glossary

## Reconciliations of statutory to adjusted profit measures

### Total group

£million	2021	2020
Operating profit (statutory)	71.8	158.6
Exceptional items	92.4	7.6
Certain transaction related costs	5.1	—
Amortisation of acquisition intangibles	45.0	35.5
<b>Adjusted operating profit</b>	<b>214.3</b>	<b>201.7</b>
Operating profit (statutory)	71.8	158.6
Exceptional items	92.4	7.6
Certain transaction related costs	5.1	—
Depreciation of property, plant and equipment	9.9	9.3
Depreciation of right of use assets	15.2	14.2
Amortisation of acquisition intangibles	45.0	35.5
Amortisation of other intangible assets	44.4	38.3
Amortisation of contract costs	9.0	11.8
<b>Adjusted EBITDA</b>	<b>292.8</b>	<b>275.3</b>
Profit before tax (statutory)	47.2	137.9
Exceptional items	92.4	7.6
Certain transaction related costs	6.7	—
Amortisation of acquisition intangibles	45.0	35.5
<b>Adjusted profit before tax</b>	<b>191.3</b>	<b>181.0</b>
<b>Pence per share</b>		
Earnings per share (statutory)	9.3	31.7
Exceptional items and certain transaction related costs (net of tax)	23.0	1.8
Amortisation of acquisition intangibles (net of tax)	10.4	7.8
<b>Adjusted earnings per share</b>	<b>42.7</b>	<b>41.3</b>



## Segmental

2021		Membership & HVAC – EMEA				
£m	Membership & HVAC – North America	UK	France	Spain	New Markets	Home Experts
<b>Revenue</b>	<b>506.4</b>	<b>338.9</b>	<b>132.6</b>	<b>195.7</b>	–	<b>139.8</b>
<b>Statutory operating profit/(loss)</b>	<b>82.2</b>	<b>(18.5)</b>	<b>28.4</b>	<b>14.7</b>	<b>(10.0)</b>	<b>(25.0)</b>
Operating margin %	16%	–	21%	8%	–	–
<b>Adjusting items</b>						
Certain transaction related costs	2.0	–	–	–	–	3.1
Exceptional items	–	87.8	–	0.6	3.7	0.3
Amortisation of acquisition intangibles	20.8	3.2	7.2	2.4	–	11.4
<b>Total adjusting items</b>	<b>22.8</b>	<b>91.0</b>	<b>7.2</b>	<b>3.0</b>	<b>3.7</b>	<b>14.8</b>
Effect on operating margin (ppts)	5ppts	n/a	6ppts	1ppts	n/a	n/a
<b>Adjusted operating profit/(loss)</b>	<b>105.0</b>	<b>72.5</b>	<b>35.6</b>	<b>17.7</b>	<b>(6.3)</b>	<b>(10.2)</b>
Adjusted operating margin %	21%	21%	27%	9%	–	–

2020		Membership & HVAC – EMEA				
£m	Membership & HVAC – North America	UK	France	Spain	New Markets	Home Experts
Revenue	429.5	372.9	111.8	154.1	–	71.8
Statutory operating profit/(loss)	67.6	62.8	26.9	19.6	(0.9)	(17.4)
Operating margin %	16%	17%	24%	13%	–	–
<b>Adjusting items</b>						
Exceptional items	–	15.0	–	–	(3.8)	(3.6)
Amortisation of acquisition intangibles	17.8	3.2	6.9	0.5	–	7.1
<b>Total adjusting items</b>	<b>17.8</b>	<b>18.2</b>	<b>6.9</b>	<b>0.5</b>	<b>(3.8)</b>	<b>3.5</b>
Effect on operating margin (ppts)	4ppts	5ppts	6ppts	–	n/a	n/a
<b>Adjusted operating profit/(loss)</b>	<b>85.4</b>	<b>81.0</b>	<b>33.8</b>	<b>20.1</b>	<b>(4.7)</b>	<b>(13.9)</b>
Adjusted operating margin %	20%	22%	30%	13%	–	–

# Glossary

2021		Membership & HVAC – EMEA					Home Experts
Local currency million	Membership & HVAC – North America	UK	France	Spain	New Markets		
Revenue	665.8	338.9	148.5	219.0	—	139.8	
Statutory operating profit/(loss)	107.9	(18.5)	31.8	16.4	(10.0)	(25.0)	
Operating margin %	16%	—	21%	8%	—	—	
<b>Adjusting items</b>							
Certain transaction related costs	2.6	—	—	—	—	3.1	
Exceptional items	—	87.8	—	0.7	3.7	0.3	
Amortisation of acquisition intangibles	27.4	3.2	8.1	2.7	—	11.4	
<b>Total adjusting items</b>	<b>30.0</b>	<b>91.0</b>	<b>8.1</b>	<b>3.4</b>	<b>3.7</b>	<b>14.8</b>	
Effect on operating margin (ppts)	5ppts	n/a	6ppts	1ppts	n/a	n/a	
<b>Adjusted operating profit/(loss)</b>	<b>137.9</b>	<b>72.5</b>	<b>39.8</b>	<b>19.8</b>	<b>(6.3)</b>	<b>(10.2)</b>	
Adjusted operating margin %	21%	21%	27%	9%	—	—	

2020		Membership & HVAC – EMEA					Home Experts
Local currency million	Membership & HVAC – North America	UK	France	Spain	New Markets		
Revenue	546.1	372.9	128.4	176.6	—	71.8	
Statutory operating profit/(loss)	86.1	62.8	31.2	22.5	(0.9)	(17.4)	
Operating margin %	16%	17%	24%	13%	—	—	
<b>Adjusting items</b>							
Exceptional items	—	15.0	—	—	(3.8)	(3.6)	
Amortisation of acquisition intangibles	22.5	3.2	7.8	0.6	—	7.1	
<b>Total adjusting items</b>	<b>22.5</b>	<b>18.2</b>	<b>7.8</b>	<b>0.6</b>	<b>(3.8)</b>	<b>3.5</b>	
Effect on operating margin (ppts)	4ppts	5ppts	6ppts	—	n/a	n/a	
Adjusted operating profit/(loss)	108.6	81.0	39.0	23.1	(4.7)	(13.9)	
Adjusted operating margin %	20%	22%	30%	13%	—	—	

**Leverage**

The Group targets net debt in the range of 1.0 to 2.0x adjusted EBITDA measured at the year end. The range reflects HomeServe's relatively low risk appetite. Due to the seasonality of the business and depending on M&A opportunities, HomeServe is able to operate outside 1.0 to 2.0x for periods of time but with a highly cash generative business model HomeServe will seek to return to its target range. The leverage ratio is also important as it factors into the Group's banking covenants and the rolling 12 month rate at each half year period influences the future interest rates payable on the Group's Revolving Credit Facility.

Certain of the Group's segmental bonus measures relate to net cash. Net cash is defined and calculated in the same way as net debt but returns a positive closing balance.

The 2021 Annual Report provides a full reconciliation of the movements in liabilities arising from borrowings and lease liabilities. The closing balances at 31 March were as follows:

	2021 £m	2020 £m
<b>Current liabilities from borrowing and lease liabilities</b>		
Lease liabilities	12.7	14.1
Banks and other loans	54.0	40.3
	<b>66.7</b>	54.4
<b>Non-current liabilities from borrowings and lease liabilities</b>		
Lease liabilities	38.6	45.2
Bank and other loans	579.8	540.6
	<b>618.4</b>	585.8
<b>Total liabilities from borrowings and lease liabilities</b>	<b>685.1</b>	640.2
<b>Cash and cash equivalents</b>	<b>(171.4)</b>	(131.2)
<b>Net debt</b>	<b>513.7</b>	509.0
<b>Adjusted EBITDA</b>	<b>292.8</b>	275.3
<b>Leverage</b>	<b>1.8x</b>	1.8x

# Glossary

## Liquidity

Cash conversion % is defined as cash generated by operations divided by adjusted operating profit. The measure demonstrates the cash generative nature of the ordinary trading operations of HomeServe's business model and the ability to produce positive cashflows that can be invested for future growth initiatives or in capital projects to maintain customer service initiatives, digital enhancements or efficiencies that benefit the long-term health of the business.

Free cash flow is stated after capital expenditure, tax and interest obligations and is an indication of the strength of the business to generate funds to meet its liabilities and repay borrowings. It also shows the funds that might be made available to pursue M&A activities and to pay dividends.

	2021 £m	2020 £m
Adjusted operating profit	214.3	201.7
Exceptional items	(92.4)	(7.6)
Certain transaction related costs	(5.1)	—
Amortisation of acquisition intangibles	(45.0)	(35.5)
<b>Operating profit</b>	<b>71.8</b>	158.6
Exceptional items	92.2	7.6
Certain transaction related costs	5.1	—
Depreciation and amortisation	123.5	109.1
Non-cash items	10.2	9.2
Increase in working capital	(25.1)	(44.1)
<b>Cash generated by operations</b>	<b>277.7</b>	240.4
Net interest and borrowing costs	(21.7)	(18.5)
Repayment of lease principal	(14.8)	(12.4)
Taxation	(35.1)	(30.2)
Capital expenditure - ordinary	(71.1)	(79.0)
Capital expenditure - acquisitions of policy books	—	(6.9)
<b>Free cash flow</b>	<b>135.0</b>	93.4

	2021 £m	2020 £m
Adjusted operating profit	214.3	201.7
<b>Cash generated by operations</b>	<b>277.7</b>	240.4
<b>Cash conversion</b>	<b>129%</b>	119%

**KPIs**

The Group uses a number of operational key performance indicators that provide insight into past performance and are an indicator of the future prospects of the Group as a whole and its individual segments.

**Affinity partner households** tracks the growth in addressable market delivered through existing and new partnerships with utilities and municipals.

**Customers** tracks success in converting addressable market into revenue-generating customers, by delivering great products and service.

**Retention rate** reflects ability to deliver fit-for-purpose products and great service to customers.

**Policies** tracks ability to grow the product line through customer focus and innovation.

**Income per customer** measures ability to design and market increasingly valuable products, and sell them efficiently. Due to currency differences, this measure is tracked at a geographic level. Income per customer is calculated as the last 12 months' net policy income divided by customers.

**Trades** are customers in the Home Experts business. Growing the network of vetted and reviewed trades will enable HomeServe to meet consumer needs and grow its business.

**Adjusted profit before tax** is the profit measure we use to operationally manage the business and by which business growth, efficiency and sustainability are monitored.

**Net debt to EBITDA** is the key cash ratio, which is used to monitor usage of financial resources within agreed risk parameters.

**Customers**

IFRS 15 defines a customer as 'a party that has contracted with an entity to obtain goods or services'. In the Membership businesses where the Group acts as an intermediary selling contracts and insurance policies to end consumers, the 'IFRS 15 customer' is considered to be the underwriter with which the Group has contracted to sell policies.

This is different, however, from how the Group markets and communicates the value of its products and services to end consumers. Here, the businesses' strategy and communications (both internally and externally) refer to the end consumer as the customer. As a result, for the purposes of describing the strategy and operational performance of the business, the Business review and the Group's KPIs refer to the end consumer as the customer of the Group, rather than the underwriter. However, for the purposes of preparing the financial statements, the accounting transactions are recorded in accordance with IFRS 15 where the customer is the underwriter.

For all other sources of revenue, it is the party that has contracted with the Group to obtain goods and services that is classified as the customer. The following table summarises this position:

Revenue Stream	IFRS 15 'contracted' customer	Customer as referred to in the Business and Operating Reviews
Policy Income – insurance intermediary commissions	Underwriters	End user of the service
Policy Income – repairs	Underwriters or other B2B contracted parties	
Policy Income – home assistance	End user of the service	
Home Experts		
HVAC		
Other		

# Shareholder information

## Financial calendar

### 2021

16 July	Annual General Meeting
2 August	Final dividend for the year ended 31 March 2021
16 November	Interim results for the six months ending 30 September 2021

### 2022

January	Interim dividend for the year ending 31 March 2022
May	Preliminary results for the year ending 31 March 2022
June	2022 Annual Report & Accounts available

## Shareholder helpline

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

Tel: 0370 707 1053

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

Website: [www-uk.computershare.com/investor](http://www-uk.computershare.com/investor)



## [homeserveplc.com](http://homeserveplc.com)

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



 HomeServe

Checkatrade

habitissimo

 eLocal.com

Every job.  
Every home.

HomeServe plc  
Registered Office:  
Cable Drive, Walsall, WS2 7BN  
Registered in England No. 2648297  
Tel: 01922 426262

[homeserveplc.com](http://homeserveplc.com)