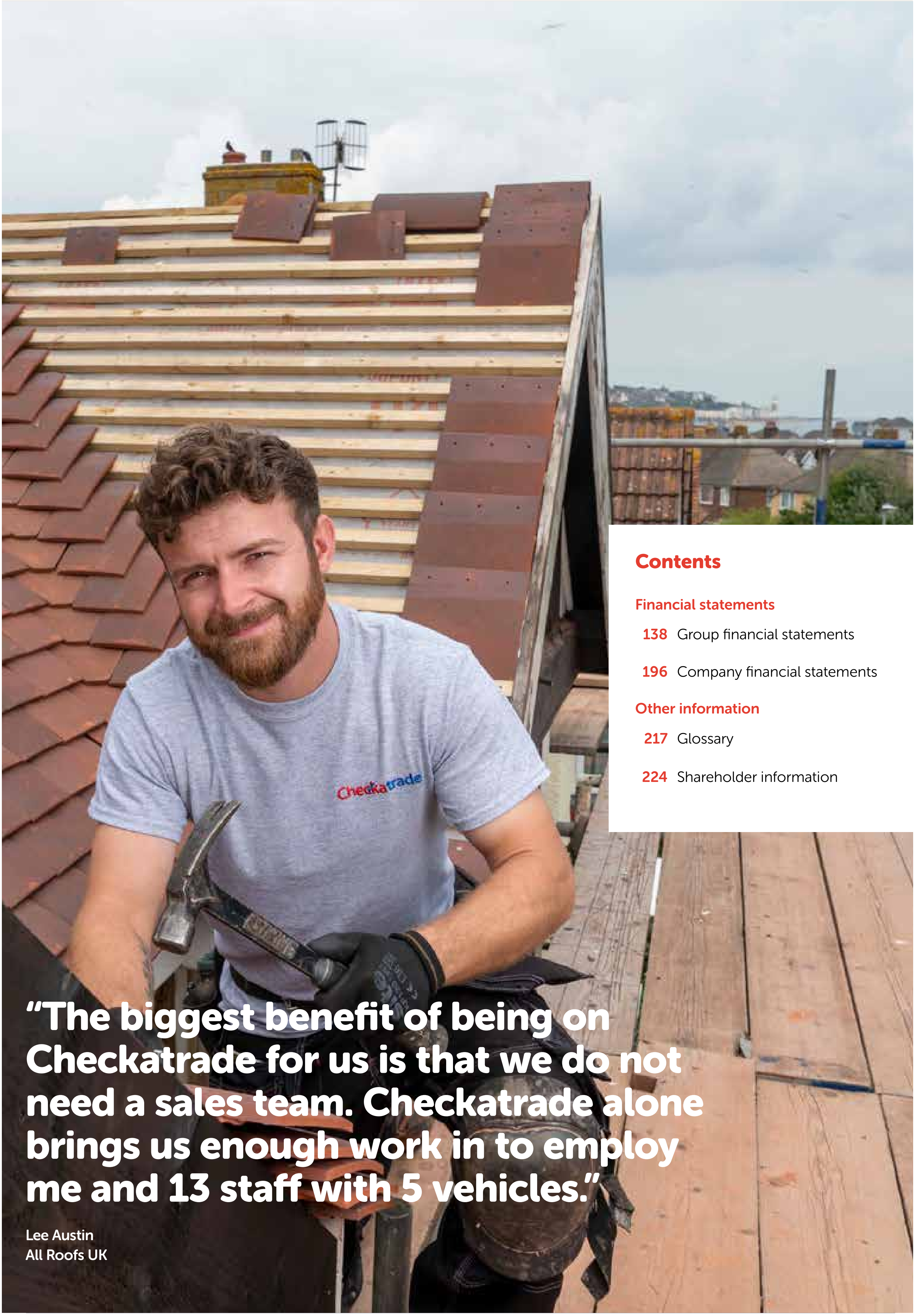


# Contents



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

Lee Austin
All Roofs UK

# Group income statement
## Year ended 31 March 2022

| | Notes | 2022 £m | 2021 £m |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | **1,429.3** | 1,304.7 |
| Operating costs | 5 | **(1,223.3)** | (1,230.4) |
| Share of results of equity accounted investments | 18 | **(3.4)** | (2.5) |
| **Operating profit** | | **202.6** | 71.8 |
| Investment income | 8 | **0.3** | 0.4 |
| Finance costs | 9 | **(27.8)** | (25.0) |
| **Adjusted profit before tax** | | **220.3** | 191.3 |
| Amortisation of acquisition intangibles | 5 | **(44.9)** | (45.0) |
| Certain transaction related costs | 7 | **(0.3)** | (6.7) |
| Exceptional items | 7 | **—** | (92.4) |
| **Profit before tax** | | **175.1** | 47.2 |
| Tax | 10 | **(41.7)** | (15.4) |
| **Profit for the year** | | **133.4** | 31.8 |
| | | | |
| **Attributable to:** | | | |
| Equity holders of the parent | | **132.8** | 31.1 |
| Non-controlling interests | | **0.6** | 0.7 |
| | | **133.4** | 31.8 |
| | | | |
| **Dividends per share, paid and proposed** | 11 | **6.8p** | 26.0p |
| **Earnings per share** | | | |
| Basic | 12 | **39.5p** | 9.3p |
| Diluted | 12 | **39.3p** | 9.2p |

# Group statement of comprehensive income

**Year ended 31 March 2022**

| | Notes | 2022 £m | 2021 £m |
|---|---|---|---|
| **Profit for the year** | | **133.4** | 31.8 |
| **Items that will not be reclassified subsequently to profit and loss:** | | | |
| Re-measurement gain/(loss) on defined benefit pension schemes | 33 | **3.7** | (4.5) |
| Deferred tax (charge)/credit relating to re-measurements | 10 | **(0.9)** | 0.9 |
| Fair value (loss)/gain on "fair value through other comprehensive income" (FVTOCI) investments in equity instruments | 17 | **(0.1)** | 4.6 |
| Deferred tax charge relating to fair value movements on FVTOCI investments in equity instruments | 10 | **–** | (1.3) |
| | | **2.7** | (0.3) |
| **Items that may be reclassified subsequently to profit and loss:** | | | |
| Exchange movements on translation of foreign operations | | **7.1** | (26.4) |
| Exchange movements on non-controlling interests | | **0.3** | (1.1) |
| | | **7.4** | (27.5) |
| **Total other comprehensive income/(expense)** | | **10.1** | (27.8) |
| **Total comprehensive income for the year** | | **143.5** | 4.0 |
| | | | |
| **Attributable to:** | | | |
| Equity holders of the parent | | **142.6** | 4.4 |
| Non-controlling interests | | **0.9** | (0.4) |
| | | **143.5** | 4.0 |

# Group balance sheet
## 31 March 2022

| | Notes | 2022<br>£m | 2021<br>£m |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 13 | **667.9** | 564.3 |
| Other intangible assets and prepaid software | 14 | **424.1** | 391.3 |
| Contract costs | 4 | **4.1** | 8.2 |
| Right-of-use assets | 26 | **48.3** | 48.6 |
| Property, plant and equipment | 15 | **40.4** | 41.7 |
| Equity accounted investments | 18 | **1.3** | 0.8 |
| Other investments | 17 | **14.3** | 12.9 |
| Other financial assets | 27 | **1.5** | 1.2 |
| Deferred tax assets | 10 | **2.3** | 12.8 |
| Retirement benefit assets | 33 | **14.3** | 8.3 |
| | | **1,218.5** | 1,090.1 |
| **Current assets** | | | |
| Inventories | 19 | **20.4** | 12.2 |
| Trade and other receivables | 20 | **549.6** | 501.0 |
| Other financial assets | 27 | **0.9** | – |
| Current tax assets | | **0.7** | 2.5 |
| Cash and cash equivalents | 21 | **174.5** | 171.4 |
| | | **746.1** | 687.1 |
| **Total assets** | | **1,964.6** | 1,777.2 |
| **Current liabilities** | | | |
| Trade and other payables | 22 | **(447.4)** | (454.9) |
| Bank and other loans | 25 | **(100.9)** | (54.0) |
| Current tax liabilities | | **(5.7)** | (9.2) |
| Lease liabilities | 25 | **(15.2)** | (12.7) |
| Provisions | 24 | **(5.2)** | (6.0) |
| | | **(574.4)** | (536.8) |
| **Net current assets** | | **171.7** | 150.3 |
| **Non-current liabilities** | | | |
| Bank and other loans | 25 | **(664.9)** | (579.8) |
| Trade and other payables | 23 | **(36.8)** | (31.8) |
| Deferred tax liabilities | 10 | **(18.6)** | (15.3) |
| Lease liabilities | 25 | **(36.3)** | (38.6) |
| Retirement benefit obligations | 33 | **(0.8)** | (1.2) |
| | | **(757.4)** | (666.7) |
| **Total liabilities** | | **(1,331.8)** | (1,203.5) |
| **Net assets** | | **632.8** | 573.7 |
| **Equity** | | | |
| Share capital | 28 | **9.1** | 9.1 |
| Share premium account | 29 | **199.3** | 196.4 |
| Share incentive reserve | 29 | **20.5** | 18.6 |
| Currency translation reserve | 29 | **17.7** | 10.6 |
| Investment revaluation reserve | 29 | **2.6** | 2.7 |
| Other reserves | 29 | **79.2** | 79.2 |
| Retained earnings | | **299.2** | 247.4 |
| **Attributable to equity holders of the parent** | | **627.6** | 564.0 |
| Non-controlling interests | 30 | **5.2** | 9.7 |
| **Total equity** | | **632.8** | 573.7 |

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2022. They were signed on its behalf by:

**David Bower**
Chief Financial Officer
24 May 2022

# Group statement of changes in equity

## Year ended 31 March 2022

| | Share capital £m | Share premium account £m | Share incentive reserve £m | Currency translation reserve £m | Investment revaluation reserve £m | Other reserves [1] £m | Retained earnings £m | Attributable to equity holders of the parent £m | Non-controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 April 2021 | 9.1 | 196.4 | 18.6 | 10.6 | 2.7 | 79.2 | 247.4 | **564.0** | 9.7 | **573.7** |
| Profit for the year | – | – | – | – | – | – | 132.8 | **132.8** | 0.6 | **133.4** |
| Other comprehensive income for the year | – | – | – | 7.1 | (0.1) | – | 2.8 | **9.8** | 0.3 | **10.1** |
| **Total comprehensive income** | **–** | **–** | **–** | **7.1** | **(0.1)** | **–** | **135.6** | **142.6** | **0.9** | **143.5** |
| Dividends paid (note 11) | – | – | – | – | – | – | (89.3) | **(89.3)** | – | **(89.3)** |
| Issue of share capital (note 28) | – | 2.9 | – | – | – | – | – | **2.9** | – | **2.9** |
| Share-based payments | – | – | 4.8 | – | – | – | – | **4.8** | – | **4.8** |
| Share options exercised | – | – | (2.9) | – | – | – | – | **(2.9)** | – | **(2.9)** |
| Tax on exercised share options (note 10) | – | – | – | – | – | – | 0.2 | **0.2** | – | **0.2** |
| Deferred tax on share options (note 10) | – | – | – | – | – | – | 0.1 | **0.1** | – | **0.1** |
| Changes in non-controlling interests | – | – | – | – | – | – | 5.2 | **5.2** | (5.4) | **(0.2)** |
| **Balance at 31 March 2022** | **9.1** | **199.3** | **20.5** | **17.7** | **2.6** | **79.2** | **299.2** | **627.6** | **5.2** | **632.8** |

## Year ended 31 March 2021

| | Share capital £m | Share premium account £m | Share incentive reserve £m | Currency translation reserve £m | Investment revaluation reserve £m | Other reserves [1] £m | Retained earnings £m | Attributable to equity holders of the parent £m | Non-controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 April 2020 | 9.0 | 189.3 | 21.9 | 37.0 | (0.6) | 79.2 | 299.9 | 635.7 | 10.6 | 646.3 |
| Profit for the year | – | – | – | – | – | – | 31.1 | 31.1 | 0.7 | 31.8 |
| Other comprehensive expense for the year | – | – | – | (26.4) | 3.3 | – | (3.6) | (26.7) | (1.1) | (27.8) |
| Total comprehensive income | – | – | – | (26.4) | 3.3 | – | 27.5 | 4.4 | (0.4) | 4.0 |
| Dividends paid (note 11) | – | – | – | – | – | – | (80.5) | (80.5) | – | (80.5) |
| Issue of share capital (note 28) | 0.1 | 7.1 | – | – | – | – | – | 7.2 | – | 7.2 |
| Share-based payments | – | – | 3.8 | – | – | – | – | 3.8 | – | 3.8 |
| Share options exercised | – | – | (7.1) | – | – | – | – | (7.1) | – | (7.1) |
| Tax on exercised share options (note 10) | – | – | – | – | – | – | 1.5 | 1.5 | – | 1.5 |
| Deferred tax on share options (note 10) | – | – | – | – | – | – | (1.0) | (1.0) | – | (1.0) |
| Changes in non-controlling interests | – | – | – | – | – | – | – | – | (0.5) | (0.5) |
| Balance at 31 March 2021 | 9.1 | 196.4 | 18.6 | 10.6 | 2.7 | 79.2 | 247.4 | 564.0 | 9.7 | 573.7 |

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

# Group cash flow statement

## Year ended 31 March 2022

| | Notes | 2022<br>£m | 2021<br>£m |
|---|---|---|---|
| **Net cash inflow from operating activities** | 31 | **207.6** | 223.0 |
| **Investing activities** | | | |
| Interest received | | **0.1** | 0.1 |
| Proceeds on disposal of fixed assets | | **8.8** | 0.3 |
| Purchases of intangible assets | | **(63.0)** | (62.8) |
| Contract costs | | **(1.3)** | (1.5) |
| Purchases of property, plant and equipment | | **(6.2)** | (7.1) |
| Contribution to equity accounted investee | 18 | **(3.6)** | (2.2) |
| Loan to investee | 17 | **(1.3)** | – |
| Business disposals | 16 | **3.0** | (3.9) |
| Business acquisitions | 16 | **(130.8)** | (77.3) |
| **Net cash used in investing activities** | | **(194.3)** | (154.4) |
| **Financing activities** | | | |
| Dividends paid | 11 | **(89.3)** | (80.5) |
| Repayment of lease principal | 25 | **(14.7)** | (14.8) |
| Acquisition of non-controlling interests | 30 | **(18.2)** | – |
| New bank and other loans raised | 25 | **30.0** | 243.4 |
| Costs associated with new bank and other loans raised | 25 | **(0.3)** | (2.2) |
| Proceeds from loans and borrowings | 25 | **123.2** | 27.1 |
| Repayment of loans and borrowings | 25 | **(39.9)** | (214.6) |
| **Net cash used in financing activities** | | **(9.2)** | (41.6) |
| **Net increase in cash and cash equivalents, net of bank overdrafts** | | **4.1** | 27.0 |
| Cash and cash equivalents, net of bank overdrafts, at the beginning of the year | | **149.4** | 131.2 |
| Impact of foreign exchange rate changes | | **4.0** | (8.8) |
| **Cash and cash equivalents, net of bank overdrafts, at the end of the year** | | **157.5** | 149.4 |

# Notes to financial statements
Year ended 31 March 2022



## 1. General information
HomeServe plc (the 'Company'), the ultimate Parent Company, is a public company, limited by shares and incorporated in England and Wales under the Companies Act. The address of the registered office is Cable Drive, Walsall, WS2 7BN.

These financial statements are presented in pounds sterling. Foreign operations are consolidated in accordance with the policies set out in note 2.

## 2. Significant accounting policies
**Basis of accounting**
The financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with International Financial Reporting Standards. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group and the Company transitioned to UK adopted International Accounting Standards in its consolidated financial statements on 1 April 2021. There were no impacts on, or changes in accounting from the transition.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in note 27.

**Adoption of new or revised standards**
The following accounting standards, interpretations and amendments have been adopted in the year:

| | |
|---|---|
| Amendments to IFRS 16 | COVID-19 Related Rent Concessions and COVID-19 Related Rent Concessions beyond 30 June 2021 |
| Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

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

**IFRIC Agenda Decision – Configuration or customisation costs in 'Software as a Service' (SaaS) cloud computing arrangements**
In April 2021, the International Financial Reporting Interpretations Committee (IFRIC) clarified the treatment of customisation and configuration costs in SaaS cloud computing arrangements. As a result, from 1 April 2021, the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS solutions.

Historically, the Group has capitalised costs directly attributable to the configuration and customisation of SaaS arrangements as intangible assets on the balance sheet. Following the adoption of the IFRIC agenda decision, all SaaS arrangements were identified and assessed to determine if the Group had control of the underlying SaaS software or a separate intangible asset had been generated. For those arrangements where the Group does not have control of the SaaS software asset and customisation and configuration services are provided by the SaaS supplier, the Group recognises the costs of that software as a prepayment over the period it expects to utilise the software. Where those services are provided by another party the costs are expensed in the income statement when the service is received.

The change in accounting policy did not have a material impact on earlier periods and therefore the comparatives were not restated. The timing and quantum of cash flows associated with SaaS arrangements are unaffected by this change.

**Standards in issue but not yet effective**
At the date of authorisation of these financial statements the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

| | |
|---|---|
| IFRS 17 | Insurance Contracts |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-Current |
| Amendments to IFRS 3 | Reference to Conceptual Framework |
| Amendments to IAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to IAS 37 | Onerous Contracts – Costs of Fulfilling a Contract |
| Annual Improvements to IFRSs | Standards 2018-2020 Cycle |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future years.

# Notes to financial statements
# Year ended 31 March 2022

## 2. Significant accounting policies (continued)

**Going concern**

The Group's business activities, together with the factors likely to affect its future development, including the potential impacts of the COVID-19, climate change, performance and position are set out in the Strategic report.

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

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

On 19 May 2022, Brookfield Infrastructure announced a recommended cash offer for the entire issued, and to be issued share capital of the Company, to be effected by means of a court approved scheme of arrangement under Part 26 of the UK Companies Act 2006. The proposed acquisition is subject to shareholder approval, approval of the courts and approval from a number of regulatory authorities.

The Viability statement and Going Concern statement in this report take no account of the proposed acquisition and have therefore been prepared on a stand-alone basis.

Based on the collective assessment of the information described above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

**Other accounting policies**

The following accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at, and for the year ended, 31 March 2021:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from the Group's equity interest. Non-controlling interests consist of those interests at the date of the original business combination and the minority's share of the changes in equity since the date of the combination.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### Foreign currencies

Transactions in currencies other than a Group entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies except for those that are designated as long-term equity investments, are retranslated at the rates prevailing on the balance sheet date, with changes taken to the income statement. Foreign exchange translation movements on monetary assets that are designated as long-term equity investments are transferred to the Group's translation reserve. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Borrowings in foreign currencies are treated as monetary liabilities and are translated at the rates prevailing on the balance sheet date. Exchange rate movements on foreign currency borrowings are recognised immediately in the income statement. Foreign currency borrowings are not treated as hedges of net investments.

On consolidation, the assets and liabilities of the Group's overseas operations are translated to presentational currency at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange movements, if any, are classified as equity and transferred to the Group's translation reserve. Such cumulative exchange movements are recognised as income or expense in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## Revenue recognition

The Group records revenue in accordance with the five-step recognition model outlined in IFRS 15:

1) Identify the contract with the customer
2) Identify the performance obligations in the contract
3) Determine the transaction price
4) Allocate the transaction price to the performance obligations
5) Recognise revenue when (or as) each performance obligation is satisfied

Revenue is recognised, net of discounts, VAT, Insurance Premium Tax and other sales related taxes, either at the point in time a performance obligation has been satisfied or over time as control of the asset associated with the performance obligation is transferred to the customer.

For all contracts identified, the Group determines if the arrangement with the customer creates enforceable rights and obligations. For contracts with multiple components to be delivered, such as those with underwriters to sell policies on behalf of the underwriter as well as deliver claims handling and administration services, management applies judgement to consider whether those promised goods and services are:

i) distinct – to be accounted for as separate performance obligations;

ii) not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or

iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has present enforceable rights to under the contract. Where applicable, this includes management's best estimate of any variable consideration to be included in the transaction price based on the expected value or most likely amount approach, and only to the extent that it is highly probable that no significant revenue reversal will occur.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative standalone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

Where available, observable prices of goods or services are utilised, when that good or service is sold separately, to similar customers in similar circumstances. Where a standalone selling price is not directly observable the Group applies judgement to determine an appropriate estimated standalone selling price, typically using an expected cost plus margin, adjusted market assessment or residual approach.

Variable consideration is allocated to an entire contract or a specific part of a contract depending on:

i) whether allocating the variable amount entirely to part of the contract depicts the amount of consideration the Group expects to be entitled to in exchange for transferring the promised good or service to the customer; or

ii) the terms of the variable payment relate specifically to the satisfaction of an individual performance obligation.

The Group's variable consideration primarily relates to intermediary commissions received on contracts with underwriters to sell policies and provide claims handling and administration services. Amounts are typically allocated to the entire contract.

Discounts are allocated proportionally across all performance obligations in the contract unless directly observable evidence exists that the discount relates to one or more, but not all, performance obligations.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method, typically based on the expected profile of the deferral event (for example claims handling cost through the policy term or time elapsed).

# Notes to financial statements
# Year ended 31 March 2022

## 2. Significant accounting policies (continued)

**Other accounting policies (continued)**

Revenue recognition (continued)

*Revenue by category*

The Group disaggregates revenue from contracts with customers between Net policy income, Repair income, Home Experts, HVAC installations and Other as management believe this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors. The following table outlines the principal activities from which the Group derives revenue and how it is recognised:

| Revenue stream | Nature and timing of satisfaction of performance obligations | Significant payment terms |
|---|---|---|
| **Membership: Net policy income** – Intermediary commissions | Includes commissions received for the obligation to sell policies, handle claims and provide administration services for underwriters. The Group satisfies its obligation to sell policies over time, recognising revenue as each policyholder is contracted on behalf of the Group's customers, the underwriters.<br><br>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).<br><br>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.<br><br>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).<br><br>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.<br><br>Where the Group's role on behalf of the underwriter is only as an intermediary in the cash collection process, such amounts are not included in revenue. Consequently, net policy income consists of only a component of the overall policy price, representing the commission receivable for the services the Group provides to the underwriter, stated net of sales related taxes. | HomeServe receives its commission from its customer, the underwriter, in line with the payment terms of the underlying individual policyholder which are typically either billed and paid upfront or over the term of the contract. |
| **Membership: Net policy income** – Home assistance | Includes arrangements whereby the Group contracts directly with the end user to provide home assistance services (such as repair network access, emergency assistance, HVAC maintenance contracts and non-urgent engineer visits). Revenue is recognised rateably over the life of the member's contract. | Billed and paid over the term of the contract. |
| **Membership: Repair income** | Includes repair services provided to third parties, including underwriters and insurance companies, subject to separate contractual arrangements. Revenue is recognised over time as each repair job is completed. | Billed and paid upon completion of the job. |
| **Home Experts** – Web and directory | Includes website subscriptions and directory advertising fees from contracted members (tradespeople). For website subscriptions, revenue is recognised evenly over the contractual term, for directory membership fees, revenue is recognised as each directory is delivered throughout the contractual term. | Billed and paid over the term of the contract. |

| Revenue stream | Nature and timing of satisfaction of performance obligations | Significant payment terms |
|---|---|---|
| **Home Experts** – Lead generation | Includes commissions received for the provision of job leads to trades. Revenue is recognised at the point in time a lead is transferred. | Either billed and paid as leads are delivered or deposits from customers received in advance then reduced as billed when leads are delivered. |
| **HVAC installations** | Includes the provision of installation services at the point in time the installation is complete. | Billed and paid upon completion of the installation. |
| **Other** | Principally includes services provided to customers who do not hold policies. Revenue is recognised at the point in time the service is complete. | Billed and paid following the performance of the services provided. |

As a result of the contracts which the Group enters into with its customers, the following assets and liabilities are recognised on the Group's balance sheet:

- Assets generated from the capitalisation of costs to obtain a contract
- Trade receivables (see financial instruments accounting policies below)
- Accrued income
- Deferred income

### Capitalisation of costs to obtain a contract
The incremental costs of obtaining a contract with the Group's direct customers are recognised as an asset if the Group expects to recover them. Primarily, such costs relate to fees payable to Affinity Partners or other third parties authorised to enter into new contracts on behalf of a Group entity. Only fees which are directly related to acquiring contracts with the Group's direct customers are capitalised as incremental contract costs under IFRS 15.

### Accrued and deferred income
Where payments made are greater than the revenue recognised at the period end date, the Group recognises a deferred income contract liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Group recognises an accrued income contract asset for this difference.

### Marketing expenses
Costs incurred in respect of marketing activity, including for example, direct mail and inbound/outbound telephone costs, which is undertaken to acquire or renew a policy, are charged to the income statement in the period in which the related marketing campaign is performed.

Marketing expenses also include payments made to Affinity Partners in recognition of their support for the Group's selling and policy renewal activities. The terms of their support and related payments are included in contractual agreements with each Affinity Partner. Amounts incurred upon the sale and renewal of an individual policy by the Group, referred to as Affinity Partner Commissions, are recognised as an operating expense when individual policies incept or renew. Commissions are payable to Affinity Partners only when the Group has collected the premium due on behalf of the underwriter from the policyholder.

### Operating profit
Operating profit is stated after charging or crediting all operating costs and incomes, but before investment income and finance costs.

### Adjusting and exceptional items
The Group uses the following adjusted profitability performance measures:

- adjusted operating profit
- adjusted earnings before interest, taxation, depreciation and amortisation (EBITDA)
- adjusted profit before tax
- adjusted profit attributable to equity holders of the parent
- adjusted basic and adjusted diluted earnings per share

The Group believes that the consistent presentation of the above adjusted measures provide additional useful information to users on the underlying trends and comparable performance of the Group over time. The adjusted measures are used by HomeServe for internal performance analysis and incentive compensation arrangements for employees. All the adjustments made to the IFRS measures are considered exceptional and/or non-operational in nature. These terms are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures.

# Notes to financial statements
# Year ended 31 March 2022

## 2. Significant accounting policies (continued)

**Other accounting policies (continued)**

Adjusting and exceptional items (continued)

The term 'adjusted' refers to the relevant measure of profit or earnings being reported excluding the impact (pre and post-tax where applicable) of the following items:

*Amortisation of acquisition intangibles*

Acquisition intangible assets are calculated using the estimated and discounted incremental cash flows resulting from the affinity relationship or future policy renewals as appropriate, which will include the impact of the past actions of the former owners. These past actions will include historic marketing and business development activity, including but not limited to, the staff and operating costs of the business. In addition the specific construct of the policy terms and conditions and the current and expected future profitability to be derived from the acquired business or asset is also a factor in determining the valuation of the acquisition intangible.

The on-going service and operating costs incurred by the Group in managing the acquired businesses or assets, including but not limited to print, postage, telephony, claims costs and overheads are recognised as operating costs within these adjusted measures in the reporting period in which they are incurred.

Accordingly, excluding the amortisation of acquisition intangibles from the adjusted performance measures reported by the Group in each specific reporting period ensures that these measures only reflect the revenue attributable to, and costs incurred by, the Group in managing and operating those businesses and assets at that time in each reporting period and do not include the impact of the historic costs of the vendor or considerations of the future profits to be derived from the acquired business or assets.

*Certain transaction related costs*

Certain financial instruments which the Group becomes party to by virtue of its transactional activity (typically, but not limited to, acquisitions and disposals) have the potential to create volatility that is not representative of the underlying performance of the business. These include:

- Fair value movements on financial instruments generated from transaction related activity. Currently the Group's portfolio of such instruments includes contingent consideration arising on business combinations (see note 27), put options over the acquisition of non-controlling interests (see note 22 & 23) and call options over both the acquisition of additional equity in associates and the sale of equity in subsidiaries (see note 27);
- Unwinding of discount on contingent financial instruments (including options); and
- Charges associated with put options over non-controlling interests, which are expensed through the income statement over time to reflect the requirement for the recipients to remain employed in the business at the payment date. The charges are subject to fair value volatility associated with the non-controlling interest puts and are not representative of the ongoing cost of the recipient remaining in the business.

Excluding these items from the Group's adjusted metrics provides for a consistent measure of underlying profitability on which to assess the Group's performance both period on period and relative to its peers. Certain transaction related costs do not include deal fees, financing charges on deferred consideration or the market rate salaries and bonuses of employees who hold non-controlling interest puts. All these items are included within the Group's adjusted performance measures.

*Exceptional items*

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that eventually vest. The Group provides employees with the ability to purchase shares through its One Plan scheme. Since February 2021, for every share purchased, employees receive one free matching share at the end of the vesting period. Prior to February 2021, for every two shares purchased, employees received one free matching share at the end of the vesting period.

Fair values are measured utilising the Black-Scholes, Monte Carlo and Stochastic simulation models.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses and the return on scheme assets (excluding interest) are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of comprehensive income. Re-measurements recorded in the statement of comprehensive income are not recycled.

Past service costs are recognised in the income statement in the period of scheme amendment, curtailment or when the related restructuring costs or termination benefits are recognised, if earlier. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Any retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from the calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Any tax currently payable is based on taxable profit for the year along with a small number of provisions in relation to open tax positions. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement, as incurred, in operating costs.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent or deferred consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values that qualify as measurement period adjustments are adjusted against the cost of acquisition. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs and recognised immediately in the consolidated income statement. Changes in the fair value of contingent consideration classified as equity are not recognised. Deferred consideration is subsequently measured at amortised cost. Payments of contingent and deferred consideration are reported within cash flows from investing activities in the Group statement of cash flows.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

### Goodwill

Goodwill arising in a business combination is recognised at cost as an asset at the date control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date. The interest of the non-controlling shareholders in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

# Notes to financial statements
# Year ended 31 March 2022

## 2. Significant accounting policies (continued)

**Other accounting policies (continued)**

Goodwill (continued)

Goodwill is not amortised but is reviewed for impairment annually, or more frequently if there is an indication that it may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs) expected to benefit from the synergies of the combination. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Intangible assets

*Acquisition intangible assets*

Acquired access rights relate to the contractual agreements entered into with the former owners of businesses acquired as part of a business combination; or where the former owners previously operated a business, and the Group has purchased specific access rights from the former owners. These agreements set out the contractual terms of the Affinity Partnership and provide the contractual framework within which the Group markets, sells and renews policies with the individual customers of the Affinity Partner. Acquired access rights are recorded at fair value by using the estimated and discounted incremental future cash flows resulting from the relationship.

Acquired customer databases represent the value attributable to the portfolios of renewable policies that exist at the date of acquisition and are acquired by the Group as part of a business combination; or where the former owners previously operated a business, and the Group has purchased specific customer databases from the former owners. Acquired customer databases are recorded at fair value using the estimated and discounted incremental future cash flows resulting from the future renewal of the portfolio of acquired policies over their estimated residual lives.

Other acquired intangibles include acquired brands recorded at fair value using the relief from royalty valuation method and technology assets recorded at fair value using a replacement cost approach.

*Other intangible assets*

Access rights arise from the contractual agreements with Affinity Partners which provide the contractual framework within which the Group markets, sells and renews policies with the individual customers of the Affinity Partner. Access rights are valued at the discounted present value of the contractually committed payments, where such payments are not related to the success or otherwise of activity under the contractual agreements.

Trademarks represent costs incurred to legally protect the established brand names of the Group. Trademarks are stated at cost.

Customer databases represent the value attributable to the portfolios of renewable policies that have been created by our Affinity Partners through their own sales and marketing activity and subsequently purchased by the Group. Such databases are recorded at their fair value based on the amount paid to the Affinity Partner.

Software costs are stated at cost less accumulated amortisation. Capitalised costs comprise third party and internal payroll costs where the employee time is directly attributable to the development of the software. In accordance with the criteria of IAS 38, software costs are capitalised if the Group has control over the asset generated or a separately identifiable asset has been created. External costs incurred as part of a service agreement, which do not meet the criteria of IAS 38 are prepaid and amortised over the period of expected use of the service. Other costs which do not meet the criteria for capitalisation are expensed to the income statement as incurred.

When the software is available for its intended use, these costs are amortised on a straight-line basis over the expected useful economic life.

*Amortisation*

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful economic lives, using the straight-line method, on the following bases:

| | | | |
|---|---|---|---|
| Acquired access rights | 3 - 20 years | Access rights and trademarks | up to a maximum of 20 years |
| Acquired customer databases | 3 - 15 years | Customer databases | 3 - 10 years |
| Other acquired intangibles | 8 - 11 years | Computer software | 3 - 10 years |

## Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

| | |
|---|---|
| Buildings and leasehold improvements | 25 - 50 years |
| Furniture, fixtures and equipment | 5 - 7 years |
| Computer equipment | 3 - 7 years |
| Motor vehicles | 3 years (with 25% residual value) |

## Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised as income immediately.

## Inventory

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct material cost only. Cost is measured on a weighted average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items where appropriate

## Leases

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (where the value of the asset is below £4k). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

*Lease liabilities*

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses a lease specific incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives;
- fixed service costs associated with the Group's property and vehicle lease portfolios (as the Group has elected to apply the expedient available under paragraph 15 of IFRS 16 not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement);
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease liabilities are subsequently measured at amortised cost using the effective interest method by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;

# Notes to financial statements
# Year ended 31 March 2022

## 2. Significant accounting policies (continued)

**Other accounting policies (continued)**

Leases (continued)

*Lease liabilities (continued)*

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the change in lease payments is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

*Right-of-use assets*

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at, or before, the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. Depreciation begins at the commencement date of the lease.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset.

*Variable rents*

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in operating costs in the income statement.

Interests in equity accounted investments

The results and assets and liabilities of associates and joint ventures are incorporated into these financial statements using the equity method of accounting. Under the equity method, investments are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the investee. If the Group's share of the profit or loss exceeds the Group's interest in the investee, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

On acquisition of equity accounted investment interests, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included in the carrying amount of the investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment.

The Group discontinues the use of the equity method of accounting if the investment becomes a subsidiary. Upon becoming a subsidiary, the Group accounts for the entity in accordance with the business combinations policy above. Any fair value gain or loss on re-measurement of an equity accounted investee on acquisition of control is taken to the profit and loss account at the date of acquisition.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted to present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost.

*Onerous contracts*

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The classification depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVTOCI) or Fair Value through Profit or Loss (FVTPL). The classification is based on two criteria:

- the Group's business model for managing the assets; and
- whether the instruments' contractual cash flows represent "Solely Payments of Principal and Interest" on the principal amount outstanding (the "SPPI criterion").

*Trade and other receivables*
Trade receivables do not carry any interest and are stated at amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts, as the business model of the Group is to collect contractual cash flows and the debt meets the SPPI criterion. They are recognised when the Group's right to consideration is only conditional on the passage of time. Allowances incorporate an expectation of life-time credit losses from initial recognition and are determined using an expected credit loss approach.

*Cash and cash equivalents*
Cash and cash equivalents are held at amortised cost and comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents in the balance sheet are presented net of outstanding bank overdrafts where the Group has a legally enforceable right of set off and is able to demonstrate the intention to settle on a net basis. All other overdrafts are presented as liabilities within bank and other loans. Cash and cash equivalents may include amounts which are subject to contractual restrictions and not available for general use by the Group.

For the purpose of the Group Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of all outstanding bank overdrafts.

*Other investments*
At each balance sheet date the Group conducts a fair value assessment of its investments, the difference between the fair value and carrying value is charged or credited to the Statement of Comprehensive Income accordingly and held in the investment revaluation reserve.

*Financial liabilities and equity*
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

*Borrowings*
Interest-bearing loans and overdrafts are stated at amortised cost and are recorded at the notional amount of the proceeds received, net of direct issue costs. Interest-bearing loans are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. For the Group's floating Revolving Credit Facilities (RCFs), and with the cessation of GBP LIBOR, the Group successfully negotiated to transition to SONIA plus a credit adjustment spread. The facilities will continue to apply USD LIBOR where applicable until June 2023 at which point it is expected that facilities will transition to SOFR based rates.

*Trade and other payables*
Trade payables are non interest-bearing and are stated at amortised cost.

*Equity instruments*
Equity instruments issued by the Company are recorded at the notional amount of the proceeds received, net of direct issue costs.

*'Put' options over the equity of subsidiary companies*
The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities. The amounts that may become payable under the option on exercise are initially recognised at the present value of the expected gross obligation with the corresponding entry being recognised in retained earnings. Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. The present value of the expected gross obligation is reassessed at the end of each reporting period and any changes are recorded in the income statement. In the event that an option expires unexercised, the liability is derecognised with a corresponding adjustment to retained earnings.

*Other 'put' and 'call' options*
Other put and call options are recognised at fair value with any associated benefit being recognised directly in the income statement.

# Notes to financial statements
# Year ended 31 March 2022

## 3. Accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Where sensitivity analyses have been prepared below, management determine reasonably possible increases/decreases to primary inputs at appropriate thresholds to illustrate the potential impact on profit in the year. Currently these sensitivities reflect the potential increased volatility and uncertainty of forward looking judgements and estimates when operating in an emerging 'COVID endemic' environment.

As set out in the Task Force on Climate-Related Financial Disclosures (TCFD) report on page 29, climate change is a global challenge and an emerging risk to businesses, people and the environment. Therefore, in preparing the financial statements, the Group has considered the impact of climate-related risks on its financial position and performance. While the effects of climate change represent a source of uncertainty, the Group does not consider there to be a material impact on its judgements and estimates from the physical or transition risks in the short to medium-term.

All key estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The nature of the principal assumptions underlying sources of estimation uncertainty and other areas of focus remain consistent with the prior year.

**Critical accounting judgements**
No critical accounting judgements have been identified in the application of the Group's accounting policies.

**Key sources of estimation uncertainty**
Impairment of goodwill and acquisition intangible assets
The annual impairment assessment in respect of goodwill and acquisition intangibles requires estimates of the value in use (or fair value less costs to sell) of the CGU to which goodwill and acquisition intangibles have been allocated. CGUs are aligned to the lines of business within each geographic territory in which the Group operates. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows. Where significant investment is planned in a CGU during the typical three year plan period approved by the Directors, a period of actual cash flows deviating from the standard period may be deemed more appropriate for purposes of impairment testing.

The carrying value of goodwill is £667.9m (FY21: £564.3m). The carrying value of acquisition intangibles is £264.9m (FY21: £253.2m). Following the FY22 annual impairment review, no impairment charges were recorded (FY21: £nil). See notes 13 and 14.

As set out in note 13, changes in respect of commercial outcomes around sales volumes, prices, margins and discount rates can impact the recoverable value.

At 31 March 2022 all CGUs, with the exception of Habitissimo, have recoverable amounts that exceed the carrying value of goodwill by more than 70% (FY21: all CGUs by more than 40% with the exception of Habitissimo at 14%). For Habitissimo, significant investment is planned within the typical three year recoverable period. This investment is designed to accelerate growth over the medium to long-term but results in a supressed cash flow position in the short-term. As a result, we have extended the cash flows in the test of the Habitissimo CGU to cover a five-year period. This enables a more balanced analysis that includes both the significant investment and the returns associated with that investment. In this scenario, the recoverable value of net assets in this CGU exceeds its carrying value at 31 March 2022 by 131%. Using the three year cash flow forecast for Habitssimo, which includes the investment but excludes the associated returns, would see an impairment of £7.8m.

**Other areas of focus**
Whilst not considered to be critical accounting judgements or key sources of estimation uncertainty, the following are areas of focus for management.

Valuation of acquisition intangible assets
When acting as the acquirer in a business combination, the Group is required to recognise separately from goodwill all intangibles that are either separable or arise from contractual or other legal rights. The Group's acquired access rights, acquired customer databases and other acquired intangibles are principally valued using the multiple period excess earnings method. This valuation approach can include a variety of judgemental assumptions including, but not limited to, estimates of expected future cash flows, retention or attrition rates and discount rates.

In FY22 the Group identified intangible assets associated with business combinations totalling £45.0m (FY21: £28.6m). If the various judgements the Group takes in valuing these assets deviated such that the total acquired fair value of FY22 acquisition intangibles was 15% different to the recorded value, the impact of the variance would be recorded against goodwill in the balance sheet and would unwind through the income statement via the revised carrying value of the intangibles, over their useful lives. Based on an average useful economic life of 7.5 years for in-year acquired intangibles, this would cause a per annum impact of +/- £0.9m to the income statement (FY21: average useful economic life of 6.8 years, +/- £0.6m).

### Valuation of put options over non-controlling interests

On acquisition of a subsidiary the Group records any associated put options over non-controlling interests at the expected gross present value of the obligations. Subsequent changes in the present value of the expected gross obligations are recorded in the income statement at the end of each reporting period. Determining the value of the obligations, both at initial recognition and subsequent reporting dates requires that management make assumptions and utilise techniques that are sources of estimation uncertainty. Key assumptions include using Monte Carlo simulations, to determine the expected performance of the acquired business over a period of up to five years as well as the probability of a range of actions available to the non-controlling interests regarding the timing of exercise. Initial estimates of expected performance are made by the Directors responsible for completing the acquisition and form a key component of the financial due diligence that takes place prior to completion. Subsequent measurement is based on the Directors' appraisal of the acquired business' performance in the post-acquisition period with any required adjustments to the amount payable recognised in the income statement.

The Monte Carlo simulation utilised by the Group to value its obligations contains a number of variable inputs, including estimates of future business performance (revenue, EBITDA and net debt projections), discount rates as well as certain volatility and correlation assumptions. The most consequential of these variables to the valuation of the instruments is the estimates of future business performance. Consequently, sensitivities of the carrying value to reasonably possible 'downside' and 'upside' forecast scenarios were performed. In the upside forecast scenario the carrying value of the obligations at 31 March 2022 increased from the amount recorded (£19.0m, see notes 22 & 23) by £0.5m (FY21: £1.6m, amount recorded £34.3m). In the downside forecast scenario the carrying value of the obligations at 31 March 2022 decreased by £1.5m (FY21: £2.1m).

### Claims handling obligations

Regarding revenue recognition, a proportion of revenue is deferred to cover the Group's future obligations in respect of handling future claims arising on those policies that are on risk at the year end.

The key sources of estimation uncertainty in determining an appropriate proportion of revenue to defer are the assumptions made with regards to claims frequency and the estimated cost of handling a claim. The Group uses historical experience of claim volumes and forecast activity levels to estimate these assumptions. The total amount of revenue deferred at 31 March 2022 in respect of the Group's future claims handing obligations is £41.7m (FY21: £40.7m). If either of these assumptions were individually 15% higher or lower, which reflects management's judgement based on historical experience, the impact to the profit in the year would be £6.3m (FY21: £6.1m).

### Policy cancellations

Policies may be cancelled by the policyholder part way through the contractual term, which will affect the economic benefits that flow to the Group. Consequently, in accordance with IFRS 15, a refund liability is recognised to ensure that the related revenue is appropriately constrained at the point that the policy incepts in order to ensure that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once the uncertainty associated with the possibility of cancellation is resolved. The total amount of revenue deferred at 31 March 2022 in respect of potential future cancellations is £26.5m (FY21: £23.6m).

The Group uses historical experience to ensure revenue is appropriately constrained analysing expected mid-term cancellation percentages and the period of cover remaining on the policy at the point of cancellation. The most significant estimation uncertainty within this judgement is the mid-term cancellation percentage (or, inversely, the rate at which policyholders are retained).

In the most recent ten-year period, the Group retention rate has not deteriorated from its current level, 84% (FY21: 83%), by more than 3 ppts (FY21: 2 ppts), making it highly probable that a significant reversal of cumulative revenue will not occur. Consequently the 'reasonably probable' sensitivity analysis has focused on the 'upside' scenario only. Were cancellation rates to be 15% lower, which reflects management's judgement based on historical experience, the impact to profit in the year would be £4.0m (FY21: £3.5m).

## 4. Segmental information and revenue from contracts with customers

**Segment revenues and results**

Underneath the Group's three division structure (being: Membership & HVAC – North America, Membership & HVAC – EMEA and Home Experts), the Group's IFRS 8 reportable segments are principally geographic in nature as these are the components which the Group's chief operating decision maker (CODM), the Chief Executive, regularly reviews internal reports about how to allocate resources to the segments and to assess their performance.

The two 'Membership & HVAC' divisions incorporate the Group's net policy, repair, HVAC installations and other revenue streams. The Membership & HVAC – North America division represents a separate segment based on the IFRS 8 criteria outlined above. The Membership & HVAC – EMEA division splits into four geographic segments: UK, France, Spain and New Markets (including the Group's Membership & HVAC international development initiatives, its Japanese joint venture and the results of Germany (since acquisition on 12 January 2022)).

# Notes to financial statements
# Year ended 31 March 2022

## 4. Segmental information and revenue from contracts with customers (continued)

**Segment revenues and results (continued)**

The Home Experts division, splits into three geographic IFRS 8 segments; UK (including the results of Checkatrade), North America (including the results of eLocal) and Other (including the results of Habitissimo (Spain), Preventivi (Italy) (since acquisition on 30 December 2020), Shermin Finance (UK) (since acquisition on 14 June 2021, see note 16) and Home Experts France (until the point of disposal on 15 May 2020)).

Segment operating profit/(loss) represents the result of each segment including allocating costs associated with head office and shared functions, but without allocating investment income, finance costs and tax. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The accounting policies of the operating segments are the same as those described in note 2. Group cost allocations are deducted in arriving at segmental operating profit. Inter-segment revenue relates to transactions with other Group companies, removed on consolidation, and principally comprises royalty and other similar charges charged at prevailing market prices. Disaggregation of revenue by both line of business and geography are disclosed below. Management believes that these are the most relevant categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The line of business analysis also illustrates the Group's revenue by major products and services.

| | Membership & HVAC | Membership & HVAC – EMEA | | | | Home Experts | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2022 | North America £m | UK £m | France £m | Spain £m | New Markets £m | UK £m | North America £m | Other £m | Total £m |
| **Revenue** | | | | | | | | | |
| Net policy income | 408.7 | 212.5 | 116.2 | 43.8 | — | — | — | — | **781.2** |
| Repair income | 80.4 | 95.7 | 0.2 | 145.1 | — | — | — | — | **321.4** |
| HVAC installations | 89.3 | 17.2 | 30.7 | 7.6 | 0.8 | — | — | — | **145.6** |
| Home Experts | — | — | — | — | — | 55.6 | 88.9 | 10.7 | **155.2** |
| Other | 4.6 | 12.1 | 5.6 | 11.0 | — | — | — | — | **33.3** |
| Total revenue | 583.0 | 337.5 | 152.7 | 207.5 | 0.8 | 55.6 | 88.9 | 10.7 | **1,436.7** |
| Inter-segment | — | (7.4) | — | — | — | — | — | — | **(7.4)** |
| **External revenue** | **583.0** | **330.1** | **152.7** | **207.5** | **0.8** | **55.6** | **88.9** | **10.7** | **1,429.3** |
| **Result** | | | | | | | | | |
| Adjusted operating profit/(loss) [1] | 117.7 | 72.9 | 36.4 | 20.8 | (5.6) | (2.8) | 10.6 | (3.5) | **246.5** |
| Certain transaction related income/(costs) | 3.2 | — | (0.1) | — | — | — | (2.0) | (0.1) | **1.0** |
| Amortisation of acquisition intangibles | (19.2) | (4.0) | (6.9) | (3.2) | — | (4.6) | (5.9) | (1.1) | **(44.9)** |
| Operating profit/(loss) | 101.7 | 68.9 | 29.4 | 17.6 | (5.6) | (7.4) | 2.7 | (4.7) | **202.6** |
| Investment income | | | | | | | | | **0.3** |
| Finance costs | | | | | | | | | **(27.8)** |
| Profit before tax | | | | | | | | | **175.1** |
| Tax | | | | | | | | | **(41.7)** |
| **Profit for the year** | | | | | | | | | **133.4** |

| 2021 | Membership & HVAC<br>North America<br>£m | Membership & HVAC – EMEA<br>UK<br>£m | France<br>£m | Spain[2]<br>£m | New Markets<br>£m | Home Experts<br>UK<br>£m | North America<br>£m | Other<br>£m | Total<br>£m |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | | |
| Net policy income | 388.1 | 233.2 | 113.0 | 48.9 | — | — | — | — | 783.2 |
| Repair income | 57.1 | 80.3 | 0.3 | 131.2 | — | — | — | — | 268.9 |
| HVAC installations | 57.9 | 12.1 | 16.0 | 6.9 | — | — | — | — | 92.9 |
| Home Experts | — | — | — | — | — | 38.9 | 91.3 | 9.6 | 139.8 |
| Other | 3.3 | 13.3 | 3.3 | 8.7 | — | — | — | — | 28.6 |
| Total revenue | 506.4 | 338.9 | 132.6 | 195.7 | — | 38.9 | 91.3 | 9.6 | 1,313.4 |
| Inter-segment | — | (8.7) | — | — | — | — | — | — | (8.7) |
| External revenue | 506.4 | 330.2 | 132.6 | 195.7 | — | 38.9 | 91.3 | 9.6 | 1,304.7 |
| Result | | | | | | | | | |
| Adjusted operating profit/(loss) [1] | 105.0 | 72.5 | 35.6 | 17.7 | (6.3) | (16.0) | 13.2 | (7.4) | 214.3 |
| Exceptional items | — | (87.8) | — | (0.6) | (3.7) | — | — | (0.3) | (92.4) |
| Certain transaction related costs | (2.0) | — | — | — | — | — | (3.1) | — | (5.1) |
| Amortisation of acquisition intangibles | (20.8) | (3.2) | (7.2) | (2.4) | — | (4.6) | (6.2) | (0.6) | (45.0) |
| Operating profit/(loss) | 82.2 | (18.5) | 28.4 | 14.7 | (10.0) | (20.6) | 3.9 | (8.3) | 71.8 |
| Investment income | | | | | | | | | 0.4 |
| Finance costs | | | | | | | | | (25.0) |
| Profit before tax | | | | | | | | | 47.2 |
| Tax | | | | | | | | | (15.4) |
| Profit for the year | | | | | | | | | 31.8 |

[1] Adjusted operating profit is defined in the Glossary to the Annual Report & Accounts on page 217.
[2] Comparatives for the year to 31 March 2021 have been updated for the reclassification of £8.7m of Spanish HVAC on demand revenue from HVAC installations to other income.

Net policy income includes £52.2m of home assistance revenue (FY21: £52.7m) where the Group contracts directly with the end user and not through an underwriter.

**Segment information**

| | Assets<br>2022<br>£m | Assets<br>2021<br>£m | Liabilities<br>2022<br>£m | Liabilities<br>2021<br>£m | Non-current asset additions<br>2022<br>£m | Non-current asset additions<br>2021<br>£m | Depreciation, amortisation and impairment<br>2022<br>£m | Depreciation, amortisation and impairment<br>2021<br>£m |
|---|---|---|---|---|---|---|---|---|
| **Membership & HVAC** | | | | | | | | |
| North America | **636.1** | 586.7 | **709.6** | 670.7 | **24.0** | 24.0 | **42.0** | 41.0 |
| **Membership & HVAC – EMEA** | | | | | | | | |
| UK | **1,225.3** | 1,068.3 | **895.4** | 768.7 | **14.6** | 19.2 | **18.6** | 116.1 |
| France | **286.1** | 265.0 | **185.4** | 174.3 | **19.0** | 19.0 | **19.5** | 17.1 |
| Spain | **201.2** | 176.6 | **142.9** | 117.6 | **8.0** | 9.8 | **13.4** | 16.2 |
| New Markets | **10.2** | 0.8 | **9.2** | — | **—** | — | **—** | — |
| **Home Experts** | | | | | | | | |
| UK | **105.9** | 111.8 | **19.2** | 20.8 | **9.5** | 9.3 | **11.3** | 9.1 |
| North America | **129.3** | 122.3 | **13.0** | 18.3 | **1.7** | 0.1 | **6.4** | 6.7 |
| Other | **26.8** | 21.3 | **13.4** | 8.7 | **2.3** | 2.7 | **2.9** | 2.1 |
| Inter-segment | **(656.3)** | (575.6) | **(656.3)** | (575.6) | **—** | — | **—** | — |
| Total | **1,964.6** | 1,777.2 | **1,331.8** | 1,203.5 | **79.1** | 84.1 | **114.1** | 208.3 |

All assets and liabilities including inter-segment loans and trading balances are allocated to reportable segments.

In FY21 these figures included £84.7m of impairment charges booked in the Membership & HVAC - EMEA UK segment in relation to eServe and other intangible software assets (see note 7) and £0.1m of non-exceptional impairment charges booked in the Home Experts UK segment in relation to contract costs.

# Notes to financial statements
# Year ended 31 March 2022

## 4. Segmental information and revenue from contracts with customers (continued)

### Information about major customers

During FY22 two (FY21: three) underwriters were customers of the Group that individually accounted for over 10% of the Group's revenue:

| | 2022 % | 2021 % |
|---|---|---|
| Customer 1 - UK | **19.9** | 23.5 |
| Customer 2 - North America | **15.9** | 16.1 |
| Customer 3 - North America | **9.1** | 11.8 |
| Other customers individually representing below 10% of Group revenue | **55.1** | 48.6 |
| | **100.0** | 100.0 |

### Geographical information

The Group operates in four principal geographical areas as disclosed below.

The Group's revenue from external customers (by customer domicile) and information about its segment assets (non-current assets excluding deferred tax, retirement benefit assets and financial instruments) by geographical location are detailed below:

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| USA | **670.1** | 596.0 | **426.0** | 399.1 |
| UK | **385.4** | 368.5 | **417.2** | 354.9 |
| Spain | **207.0** | 199.1 | **144.5** | 100.6 |
| France | **152.3** | 132.6 | **191.2** | 181.0 |
| Other | **14.5** | 8.5 | **7.2** | 19.3 |
| | **1,429.3** | 1,304.7 | **1,186.1** | 1,054.9 |

The other category in the table above principally includes the Group's revenue and non-current assets from Canada, Latin America and Continental European countries, excluding Spain and France.

### Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) on the Group's contractual arrangements is £66.6m (FY21: £62.2m). In the Membership & HVAC businesses this balance relates to the Group's contracts with underwriters to sell policies and subsequently provide ancillary services, including claims handling, as well as scenarios where the Group contracts directly with the end user on a non-underwritten basis and is obligated to provide further services after the point of sale. In the Home Experts businesses, our future performance obligations principally include the provision of leads or directory advertising services. The obligations associated with the outstanding transaction price are expected to be fulfilled, and revenue fully recognised, within the next 12 months.

Applying the practical expedient of paragraph 121 of IFRS 15, information about remaining performance obligations on these contracts has not been disclosed.

### Contract balances

An analysis of the Group's contract balances is as follows:

| | 2022 £m | 2021 £m |
|---|---|---|
| **Current assets** | | |
| Amounts receivable for the provision of services (see note 20) | **458.0** | 424.0 |
| Accrued income | **19.5** | 18.1 |
| **Current liabilities** | | |
| Deferred income | **66.6** | 62.2 |

All contract balances are classified as current. Accrued income contract assets primarily relate to services performed for customers in our Spanish claims operations in advance of payment being received, or falling due. Accrued income contract assets are transferred to trade receivables when the right to consideration becomes unconditional. Deferred income contract liabilities principally relate to advanced consideration received from customers, for which revenue is recognised as the associated performance obligation is satisfied. Significant deferred income contract liabilities are recorded across the Group in the Membership and Home Experts businesses.

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

| | Accrued Income £m | Deferred Income £m |
|---|---|---|
| At 1 April 2020 | 16.9 | 51.7 |
| Transfers to receivables | (14.6) | — |
| Revenue recognised from the opening balance | — | (44.9) |
| Revenue deferred not yet earned | — | 54.6 |
| Revenue earned not yet due | 16.3 | — |
| Business combinations | — | 4.0 |
| Foreign exchange | (0.5) | (3.2) |
| At 1 April 2021 | 18.1 | 62.2 |
| Transfers to receivables | (18.1) | — |
| Revenue recognised from the opening balance | — | (62.2) |
| Revenue deferred not yet earned | — | 62.0 |
| Revenue earned not yet due | 19.5 | — |
| Business combinations | 0.1 | 3.6 |
| Foreign exchange | (0.1) | 1.0 |
| **At 31 March 2022** | **19.5** | **66.6** |

Revenue deferred not yet earned is presented net of amounts created and released within the same reporting period. Revenue recognised in 2022 and 2021 in relation to performance obligations satisfied (or partially satisfied) in previous periods was immaterial.

**Contract costs**

| | £m |
|---|---|
| At 1 April 2020 | 16.8 |
| Additions | 0.6 |
| Amortisation | (9.0) |
| Impairment | (0.1) |
| Foreign exchange | (0.1) |
| At 1 April 2021 | 8.2 |
| Additions | 1.5 |
| Amortisation | (5.6) |
| Foreign exchange | — |
| **At 1 April 2022** | **4.1** |

Contract costs primarily represent the value attributable to the portfolio of renewable customers created by Affinity Partners through their own sales and marketing activity, subsequently purchased by the Group. Where these capitalised commission costs are incremental to the cost of obtaining the contract with the Group's direct customer they are capitalised under IFRS 15. Management anticipate these costs to be recoverable over the expected life of the associated customer relationship, over which they will be amortised.

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental cost of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

# Notes to financial statements
# Year ended 31 March 2022

## 5. Profit for the year

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

| | Notes | 2022 £m | 2021 £m |
|---|---|---|---|
| **Included in operating costs:** | | | |
| Staff remuneration | 6 | **414.1** | 389.1 |
| Cost of inventories recognised as an expense | | **39.1** | 25.2 |
| Depreciation of right-of-use assets | 26 | **15.1** | 15.2 |
| Depreciation of property, plant and equipment | 15 | **10.3** | 9.9 |
| Amortisation of acquisition intangible assets | 14 | **44.9** | 45.0 |
| Amortisation of other intangible assets | 14 | **38.2** | 44.4 |
| Amortisation of contract costs | 4 | **5.6** | 9.0 |
| (Gain)/loss on disposal of property, plant and equipment, intangibles and contract costs[1] | | **(6.0)** | 1.1 |
| (Gain)/loss on disposal of associate | 18 | **(0.8)** | 2.1 |
| (Gain)/loss on disposal of businesses | 16 | **(4.3)** | 0.1 |
| Net amounts written off on trade receivables and contract assets | 20 | **3.5** | 2.1 |
| Impairment of goodwill, acquired intangibles and contract costs | | **—** | 0.1 |
| Exceptional items | 7 | **—** | 92.4 |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | | **2.4** | 1.4 |
| Expenses relating to leases of low value assets, excluding short-term leases of low value assets | | **0.4** | 0.4 |
| Expenses relating to short-term leases | | **1.9** | 0.7 |

[1] The gain on disposal predominately relates to the Piedmont policy book disposal (see note 14), the gain has been fully reinvested in marketing.

| **The analysis of auditor's remuneration is as follows:** | 2022 £000 | 2021 £000 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the Company's annual financial statements | **312** | 202 |
| The audit of the Company's subsidiaries pursuant to legislation | **1,378** | 1,137 |
| **Total audit fees** | **1,690** | 1,339 |
| Audit-related assurance services | **103** | 66 |
| **Total non-audit fees** | **103** | 66 |
| **Total auditor's remuneration** | **1,793** | 1,405 |

Audit related assurance services are in respect of the review of the interim financial information, review of the iXBRL electronically tagged Group accounts and regulatory legal dividend reporting requirements in France.

Fees payable to Deloitte LLP and their member firms for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

A description of the work of the Audit and Risk Committee is set out in the Corporate Governance report and includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by the auditor.

## 6. Staff remuneration

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

| | 2022 number | 2021 number |
|---|---|---|
| UK (including Head Office) | **3,165** | 3,068 |
| Continental Europe | **2,879** | 2,271 |
| North America | **2,590** | 2,108 |
| | **8,634** | 7,447 |

| | 2022 £m | 2021 £m |
|---|---|---|
| Their aggregate remuneration comprised: | | |
| Wages and salaries | **359.6** | 337.7 |
| Social security costs | **43.8** | 40.9 |
| Other pension costs (note 33) | **8.0** | 7.7 |
| Other long-term benefits | **2.7** | 2.8 |
| | **414.1** | 389.1 |

Other long-term benefits relate to costs accrued in association with options held by employees of eLocal Holdings LLC to put their non-controlling interest equity to the Group.

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

## 7. Adjusting and exceptional items

Adjusting items, in addition to amortisation of acquired intangibles of £44.9m (FY21: £45.0m), comprised the following:

| | 2022 £m | 2021 £m |
|---|---|---|
| Costs of put options on non-controlling interests accrued over time | **2.7** | 2.8 |
| Fair value (gains)/losses on option obligations and contingent consideration | **(3.7)** | 2.3 |
| **Certain transaction related (income)/costs included within operating costs** | **(1.0)** | 5.1 |
| Unwinding of discount on option obligations and contingent consideration | **1.3** | 1.6 |
| **Certain transaction related costs included within finance costs** | **1.3** | 1.6 |
| **Total certain transaction related costs included in profit before tax** | **0.3** | 6.7 |
| Net taxation on certain transaction related costs | **(0.1)** | (1.7) |
| **Total certain transaction related costs after tax** | **0.2** | 5.0 |

Exceptional items, booked to operating costs, comprised the following:

| | 2022 £m | 2021 £m |
|---|---|---|
| Impairment charges and associated costs | **–** | 86.9 |
| Restructuring costs | **–** | 5.5 |
| **Exceptional items included within operating profit before tax** | **–** | 92.4 |
| Net taxation on exceptional items | **–** | (17.6) |
| **Net exceptional items after tax** | **–** | 74.8 |

# Notes to financial statements
# Year ended 31 March 2022

## 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, similar to that implemented successfully in France and which is planned for implementation in North America. This change resulted in an impairment charge being recognised for the asset's full carrying amount. Impairment and associated charges related to eServe were classified as exceptional in the consolidated income statement due to their size, nature and incidence.

Additionally, as part of the refocusing exercise discussed under restructuring costs below, additional impairment charges of £2.1m were recorded in relation to other intangible software assets bringing their carrying values to £nil. The assets in question were built to allow UK Membership jobs to be deployed to smaller trades via an app. However, the expected benefits associated with its deployment have not been realised and therefore the functionality will not be used going forward. Aggregate costs of the refocusing exercise were classified as exceptional in the consolidated income statement due to their size, nature and incidence.

### Restructuring costs

As well as looking for new opportunities, the Group frequently reviews its existing activity and considers whether there is anything that it should stop doing. During the prior year, significant charges were incurred as part of a refocusing exercise in two main areas. Firstly, having reviewed international development opportunities and considered where capital allocated to this activity would create the most value for shareholders, it was agreed that adopting a 'near neighbour' strategy, focusing on adjacent territories of our existing businesses, such as Canada, Belgium and Portugal, was the optimum way to proceed. Development of these opportunities will be run by the management teams of our existing businesses and, as a result, the central International Business Development team was streamlined, which resulted in an exceptional cost of £3.7m. Secondly, as part of this refocusing, additional redundancy charges of £1.8m were recorded as the Group seeked to refocus its corporate functions and migrate back to a more federated operating model. Aggregate costs of the refocusing exercise were classified as exceptional in the consolidated income statement due to their size, nature and incidence.

## 8. Investment income

| | **2022 £m** | 2021 £m |
|---|---|---|
| Interest on bank deposits | **0.1** | 0.1 |
| Other interest | **0.2** | 0.3 |
| | **0.3** | 0.4 |

## 9. Finance costs

| | **2022 £m** | 2021 £m |
|---|---|---|
| Interest on bank and other loans | **24.2** | 20.3 |
| Interest on lease liabilities | **1.2** | 1.4 |
| Unwinding of discount on deferred consideration | **0.7** | 0.8 |
| Unwinding of discount on contingent consideration | **0.6** | 0.6 |
| Unwinding of discount on obligations under put options | **0.7** | 1.0 |
| Other interest | **0.6** | 0.8 |
| Exchange movements | **(0.2)** | 0.1 |
| | **27.8** | 25.0 |

## 10. Taxation

| | 2022 £m | 2021 £m |
|---|---|---|
| Current tax | | |
| Current year charge | **39.1** | 40.5 |
| Adjustments in respect of prior years | **(1.0)** | (2.0) |
| Total current tax charge | **38.1** | 38.5 |
| | | |
| Deferred tax charge/(credit) | **3.6** | (23.1) |
| Total tax charge | **41.7** | 15.4 |

The pre-exceptional effective tax rate for the year ended 31 March 2022 was 24% (FY21: 24%). The post-exceptional effective tax rate for the same period was 24% (FY21: 33%). UK corporation tax is calculated at 19% (FY21: 19%) of the estimated assessable profit for the year. The UK Government in its 2021 Budget announced that the main UK corporate rate would be maintained at 19% until 31 March 2023, before being increased to 25% from 1 April 2023. This proposal was substantively enacted on 24 May 2021 when the UK's deferred taxes were re-measured accordingly. However, based on the UK's deferred tax position this UK tax rate increase did not give rise to a material effect.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions, these being a blended (Federal/State) rate of 26% in the US (FY21: 25%), 27% in France (FY21: 28%), 25% in Spain (FY21: 25%), a blended rate of 30% in Germany (FY21: 30%) and a blended rate of 28% in Italy (FY21: substitute tax of 12%), which explains the 'Overseas tax rate differences' below. The US administration has recently proposed to increase the Federal tax rate but given the uncertainty as to when this proposal might be substantively enacted, and in exactly what form, it is not possible to estimate its impact. We will continue to monitor the progress of this US tax proposal and the impact upon the Group's effective tax rate.

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

| | 2022 £m | 2021 £m |
|---|---|---|
| **Profit before tax on continuing operations** | **175.1** | 47.2 |
| Tax at the UK corporation tax rate of 19% (FY21: 19%) | **33.3** | 9.0 |
| Tax effect of items that are not deductible in determining taxable profit | **0.5** | — |
| Adjustments in respect of prior years – current tax | **(1.0)** | (2.0) |
| Deferred tax rate adjustment | **(0.3)** | — |
| Adjustments in respect of prior years – deferred tax | **0.2** | 1.3 |
| Overseas tax rate differences | **9.0** | 7.1 |
| Tax expense for the year | **41.7** | 15.4 |

Given the UK parented nature of the Group, the majority of financing that the overseas businesses require is provided from the UK, and as such the UK has provided a number of intra-group loans to its overseas operations in order to fund their growth plans. In light of the different tax rates applicable in each of the markets in which the Group operates, as noted above, these loans result in a reduction in the Group's effective tax rate, which is included in 'Overseas tax rate differences' in the table above.

In April 2019, the European Commission (the Commission) of the European Union (the EU) published its official decision in relation to certain aspects of the UK's Controlled Foreign Company ('CFC') rules. In particular, the Commission has decided that the 'Group Financing Exemption' is in breach of the EU's State Aid rules. The UK Government and a number of taxpayers have appealed this judgement applying for the decision to be annulled. These annulment proceedings are likely to take several years before a final decision is handed down. Whilst we await the outcome of these annulment proceedings the UK has implemented legislation in order to give the European Commission's judgement legal effect. As a result, the Group was issued with a charging notice in January 2021, which represented the tax that was exempted under the UK's CFC group financing exemption rules. The Group has submitted an appeal to HMRC in respect of this charging notice, but under EU State Aid rules, the notice required payment within 30 days irrespective of this appeal being lodged. As a result, the Group paid the tax arising during the financial year ended 31 March 2021, which was not material. The Group had previously included the calculation of the potential liability within its uncertain income tax estimation within current tax liabilities in the Group Balance Sheet. The Group in FY21 had utilised this tax provision in settling the HMRC charging notice and therefore it had no adverse impact upon the Group's effective tax rate in FY21.

# Notes to financial statements
# Year ended 31 March 2022

## 10. Taxation (continued)

A retirement benefit tax charge of £0.9m (FY21: credit £0.9m) has been recognised directly in other comprehensive income. In addition to the amounts (charged)/credited to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

| | **2022 £m** | 2021 £m |
|---|---|---|
| **Current tax** | | |
| Excess tax deductions related to share-based payments on exercised options | **0.2** | 1.5 |
| **Deferred tax** | | |
| Change in estimated excess tax deductions related to share-based payments | **0.1** | (1.0) |
| Total tax recognised directly in equity | **0.3** | 0.5 |

### Deferred tax

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

| Asset/(liability) | Timing differences £m | Elected goodwill deductions £m | Retirement benefit obligations £m | Share schemes £m | Acquired intangible assets £m | Unutilised losses £m | Investment revaluation reserve £m | **Total £m** |
|---|---|---|---|---|---|---|---|---|
| At 1 April 2020 | (8.0) | (0.8) | (1.9) | 4.6 | (18.9) | 4.8 | – | **(20.2)** |
| Credit/(charge) to Income | 15.7 | (1.0) | (0.4) | (1.0) | 10.7 | (0.9) | – | **23.1** |
| Charge to equity | – | – | – | (1.0) | – | – | – | **(1.0)** |
| (Charge)/credit to Comprehensive Income | – | – | 0.9 | – | – | – | (1.3) | **(0.4)** |
| Business acquisitions | – | (0.3) | – | – | (3.5) | – | – | **(3.8)** |
| Transfers | (0.6) | 0.1 | 0.1 | – | 0.3 | 0.1 | – | **–** |
| Exchange movements | – | 0.1 | – | (0.1) | 0.2 | (0.4) | – | **(0.2)** |
| At 1 April 2021 | 7.1 | (1.9) | (1.3) | 2.5 | (11.2) | 3.6 | (1.3) | **(2.5)** |
| (Charge)/credit to Income | (7.9) | 1.8 | (1.3) | (0.2) | 4.7 | (0.7) | – | **(3.6)** |
| Credit to equity | – | – | – | 0.1 | – | – | – | **0.1** |
| Charge to Comprehensive Income | – | – | (0.9) | – | – | – | – | **(0.9)** |
| Business acquisitions | – | – | – | – | (9.3) | – | – | **(9.3)** |
| Adjustments to prior year acquisitions | – | – | – | – | (0.3) | – | – | **(0.3)** |
| Transfers | – | 0.3 | – | – | (0.3) | – | – | **–** |
| Exchange movements | (0.1) | (0.1) | – | – | 0.3 | 0.1 | – | **0.2** |
| **At 31 March 2022** | **(0.9)** | **0.1** | **(3.5)** | **2.4** | **(16.1)** | **3.0** | **(1.3)** | **(16.3)** |

The majority of the FY22 charge within timing differences is driven by HVAC acquisitions in our North American segment whereby tax deductions on tangible assets are claimed more quickly when compared to the associated accounting expense which is amortised over longer useful economic lives, resulting in deferred tax liabilities being recognised. Due to the acquisitive nature of the Group, we have also recognised deferred tax liabilities in respect of our business acquisitions as some of this capital expenditure will not be tax deductible. The majority of unutilised losses are expected to be utilised within twelve months.

Certain deferred tax assets and liabilities have been offset in the table above. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| **2022** | UK £m | France £m | Spain £m | Italy £m | Germany £m | North America £m | **Total £m** |
|---|---|---|---|---|---|---|---|
| Deferred tax assets | — | — | — | — | — | 2.3 | **2.3** |
| Deferred tax liabilities | (2.2) | (13.3) | (1.4) | — | (1.7) | — | **(18.6)** |
| **Net deferred tax (liabilities)/assets** | **(2.2)** | **(13.3)** | **(1.4)** | **—** | **(1.7)** | **2.3** | **(16.3)** |

| 2021 | UK £m | France £m | Spain £m | Italy £m | Germany £m | North America £m | Total £m |
|---|---|---|---|---|---|---|---|
| Deferred tax assets | 4.6 | — | 0.9 | — | — | 7.3 | 12.8 |
| Deferred tax liabilities | — | (13.7) | — | (0.3) | (1.3) | — | (15.3) |
| Net deferred tax (liabilities)/assets | 4.6 | (13.7) | 0.9 | (0.3) | (1.3) | 7.3 | (2.5) |

Deferred tax has not been recognised on £13.2m (FY21: £13.2m) of unused losses in Help-Link UK Limited due to the uncertainty over the timing of future recovery. There are no expiry dates in respect of the unrecognised tax losses in either year.

## 11. Dividends

| | **2022 £m** | 2021 £m |
|---|---|---|
| Amounts recognised as distributions to equity holders in the year: | | |
| Final dividend for the year ended 31 March 2021 of 19.8p (2020: 17.8p) per share | **66.5** | 59.7 |
| Interim dividend for the year ended 31 March 2022 of 6.8p (2021: 6.2p) per share | **22.8** | 20.8 |
| | **89.3** | 80.5 |

In light of the offer for the Group, the Board is not recommending payment of a final dividend. However, if the offer terminates, the Board will look to declare an interim dividend in accordance with the Company's Articles of Association (FY21: final dividend of 19.8p per share amounting to £66.5m).

# Notes to financial statements
# Year ended 31 March 2022

## 12. Earnings per share

| | 2022 pence | 2021 pence |
|---|---|---|
| Basic | **39.5** | 9.3 |
| Diluted | **39.3** | 9.2 |
| Adjusted basic | **49.3** | 42.7 |
| Adjusted diluted | **49.1** | 42.6 |

The calculation of the basic and diluted earnings per share is based on the following data:

| **Number of shares** | 2022 m | 2021 m |
|---|---|---|
| Weighted average number of shares | | |
| Basic | **336.3** | 335.8 |
| Dilutive impact of share options | **1.2** | 1.0 |
| Diluted | **337.5** | 336.8 |

| **Earnings** | 2022 £m | 2021 £m |
|---|---|---|
| Profit for the year attributable to equity holders of the parent | **132.8** | 31.1 |
| Amortisation of acquisition intangibles | **44.9** | 45.0 |
| Certain transaction related costs (note 7) | **0.3** | 6.7 |
| Exceptional items (note 7) | **—** | 92.4 |
| Tax impact arising on adjusting and exceptional items | **(10.9)** | (29.7) |
| Non-controlling interests' share of adjusting items | **(1.4)** | (2.1) |
| Adjusted profit for the year attributable to equity holders of the parent | **165.7** | 143.4 |

Basic and diluted earnings per ordinary share have been calculated in accordance with IAS 33 Earnings Per Share. Basic earnings per share is calculated by dividing the profit or loss in the financial year by the weighted average number of ordinary shares in issue during the year. Adjusted earnings per share is calculated excluding the amortisation of acquisition intangibles, certain transaction related costs, exceptional items and the associated tax impacts.

The Group uses adjusted operating profit, adjusted operating margin, adjusted EBITDA, adjusted profit before tax and adjusted earnings per share as its primary performance measures. These are non-IFRS measures which exclude the impact of exceptional items, certain transaction related costs, the amortisation of acquisition intangibles and the associated tax impacts. For further details refer to the 'Profitability' section of the Glossary.

Diluted earnings per share includes the impact of dilutive share options in issue throughout the year.

## 13. Goodwill

| | £m |
|---|---|
| **Cost** | |
| At 1 April 2020 | 509.9 |
| Recognised on business acquisitions | 72.3 |
| Adjustment related to prior year acquisitions | 4.1 |
| Exchange movements | (22.0) |
| At 1 April 2021 | 564.3 |
| Recognised on business acquisitions | 96.3 |
| Adjustment related to prior year acquisitions | (0.1) |
| Exchange movements | 7.4 |
| **At 31 March 2022** | **667.9** |

### Adjustments to provisional balances

During FY22 the provisional fair values for the acquisitions completed in FY21 and disclosed as part of the Group's FY21 Annual Report were updated leading to a total net £0.1m decrease to goodwill at 31 March 2022. This decrease in goodwill arose due to fair value adjustments increasing the value of intangible assets identified on acquisition by £1.1m, deferred tax liabilities by £0.3m and a £0.7m decrease in other acquired net assets. The fair value adjustments arose across nine prior year acquisitions.

### Impairment testing methodology and goodwill allocation

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group's CGUs are defined as the lines of business within each geographic territory in which the Group operates, because they represent the smallest identifiable group of assets that generate cash flows. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations.

The key assumptions for the value in use calculations are those regarding growth rates, discount rates and expected changes to selling prices and direct costs during the period. The Group prepares cash flow forecasts derived from the most recent financial budgets and plans for the next three years approved by the Directors and extrapolates the annual cash flows using estimated, long-term growth rates.

The growth rates are based on detailed business plans and although long-term growth rate forecasts may be higher in certain territories, the lowest rate across the Group has been applied to reduce the risk that value in use calculations are overstated. The long-term growth rate utilised is 2% (FY21: 2%). Changes in selling prices and direct costs are based on expectations of future changes in the market.

Where significant investment is planned in a CGU during the typical three year plan period approved by the Directors, a period of actual cash flows deviating from the standard period may be deemed more appropriate for purposes of impairment testing.

Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money. The pre-tax cost of capital rates used to discount the forecast pre-tax cash flows are different for each CGU and are as follows:

| Segment | CGUs | **2022** | 2021 |
|---|---|---|---|
| Membership & HVAC – North America | North America | **10.7%** | 10.9% |
| Membership & HVAC – EMEA UK | UK | **10.8%** | 10.4% |
| Membership & HVAC – EMEA France | France | **10.1%** | 9.5% |
| Membership & HVAC – EMEA Spain | Spain | **10.7%** | 10.2% |
| Membership & HVAC – EMEA New Markets | Germany | **11.1%** | – |
| Home Experts - UK | Checkatrade | **12.8%** | 11.8% |
| Home Experts - North America | eLocal | **12.6%** | 12.5% |
| Home Experts - Other | Habitissimo | **12.6%** | 11.6% |
| Home Experts - Other | Consumer Finance | **12.8%** | – |

Pre-tax cost of capital rates reflect the latest cost of debt and equity for a sample of comparable companies in accordance with the market participant premise detailed in IAS 36. The increase in the discount rates versus FY21 reflects the increased market uncertainty brought about by recent geopolitical events and the associated impact of this on the cost of both equity and debt.

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value, which also reflects the different risk profile of each CGU. Having performed this analysis, the Group believes that, for all CGUs other than Habitissimo, that there are no reasonably possible changes to the key assumptions in the next year which would result in the carrying amount of goodwill exceeding the recoverable amount. This view is based upon inherently judgemental assumptions, although the judgements taken are prudent and reasonable, and also takes account of the headroom in the value in use calculation versus the current carrying value. In Habitissimo, with all other assumptions held static, the relevant discount rate within the value in use calculation would need to increase by 4.0ppts (to 16.6%) for headroom to reduce to £nil. Performing the same sensitivities on the terminal free cash flow assumption would require reductions of 25% to reduce headroom to £nil. As detailed in note 3 the Group performed additional scenario analysis over the Habitissimo CGU, due to the significant investment and associated returns, see note 3 for further details.

# Notes to financial statements
# Year ended 31 March 2022

## 13. Goodwill (continued)
The carrying amount of goodwill has been allocated, by CGU, as follows:

| | 2022 £m | 2021 £m |
|---|---|---|
| North America | **119.4** | 94.3 |
| UK | **227.9** | 183.8 |
| France | **110.2** | 103.4 |
| Spain | **73.1** | 53.6 |
| Germany | **3.9** | – |
| Checkatrade | **58.6** | 58.6 |
| eLocal | **60.9** | 58.2 |
| Habitissimo | **12.4** | 12.4 |
| Consumer Finance | **1.5** | – |
| | **667.9** | 564.3 |

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

## 14. Other intangible assets and prepaid software
Other intangible assets and prepaid software on the balance sheet include £421.4m (FY21: £391.3m) of intangible assets and £2.7m (FY21: £nil) of prepaid software assets related to 'Software as a Service' arrangements. Other intangible assets are categorised as follows:

| | Acquired access rights £m | Acquired customer databases £m | Other acquired intangibles £m | Total acquisition intangibles £m | Trademarks & access rights £m | Customer databases £m | Software £m | Total intangibles £m |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 April 2020 | 207.9 | 246.9 | 15.3 | **470.1** | 43.0 | 31.4 | 298.4 | **842.9** |
| Additions | 0.8 | 0.6 | – | **1.4** | 0.7 | 15.0 | 52.8 | **69.9** |
| Business acquisitions | 2.0 | 26.6 | – | **28.6** | – | – | 1.2 | **29.8** |
| Disposals | – | (1.2) | – | **(1.2)** | (0.4) | – | (1.7) | **(3.3)** |
| Disposal of business | – | – | – | **–** | – | – | (0.3) | **(0.3)** |
| Adjustments to prior year acquisitions [1] | (1.2) | – | (0.2) | **(1.4)** | – | – | – | **(1.4)** |
| Exchange movements | (19.7) | (15.7) | (0.1) | **(35.5)** | (1.7) | (2.2) | (8.0) | **(47.4)** |
| At 1 April 2021 | 189.8 | 257.2 | 15.0 | **462.0** | 41.6 | 44.2 | 342.4 | **890.2** |
| Additions | 2.8 | 0.1 | – | **2.9** | – | 14.2 | 42.0 | **59.1** |
| Business acquisitions | 4.5 | 37.8 | 2.7 | **45.0** | – | – | – | **45.0** |
| Disposals | – | (0.6) | – | **(0.6)** | (0.3) | (0.6) | (13.7) | **(15.2)** |
| Disposal of businesses | – | – | – | **–** | – | – | (14.1) | **(14.1)** |
| Adjustments to prior year acquisitions [1] | – | 1.1 | – | **1.1** | – | – | – | **1.1** |
| Exchange movements | 8.0 | 5.1 | – | **13.1** | 0.8 | 0.2 | 3.2 | **17.3** |
| **At 31 March 2022** | **205.1** | **300.7** | **17.7** | **523.5** | **42.1** | **58.0** | **359.8** | **983.4** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Accumulated amortisation** | | | | | | | | |
| At 1 April 2020 | 51.4 | 122.3 | 4.1 | **177.8** | 35.1 | 9.3 | 123.6 | **345.8** |
| Charge for the year | 15.6 | 27.4 | 2.0 | **45.0** | 2.3 | 6.8 | 35.3 | **89.4** |
| Impairment | — | — | — | **—** | — | — | 84.7 | **84.7** |
| Disposals | — | (1.2) | — | **(1.2)** | (0.2) | — | (1.0) | **(2.4)** |
| Exchange movements | (4.5) | (8.3) | — | **(12.8)** | (1.2) | (0.7) | (3.9) | **(18.6)** |
| At 1 April 2021 | 62.5 | 140.2 | 6.1 | **208.8** | 36.0 | 15.4 | 238.7 | **498.9** |
| Charge for the year | 17.8 | 25.1 | 2.0 | **44.9** | 2.0 | 8.5 | 27.7 | **83.1** |
| Disposals | — | (0.6) | — | **(0.6)** | (0.1) | (0.2) | (13.3) | **(14.2)** |
| Disposal of businesses | — | — | — | **—** | — | — | (13.9) | **(13.9)** |
| Transfers | 4.0 | (4.0) | — | **—** | — | — | — | — |
| Exchange movements | 2.5 | 3.0 | — | **5.5** | 0.6 | 0.1 | 1.9 | **8.1** |
| **At 31 March 2022** | **86.8** | **163.7** | **8.1** | **258.6** | **38.5** | **23.8** | **241.1** | **562.0** |
| **Carrying amount** | | | | | | | | |
| **At 31 March 2022** | **118.3** | **137.0** | **9.6** | **264.9** | **3.6** | **34.2** | **118.7** | **421.4** |
| At 31 March 2021 | 127.3 | 117.0 | 8.9 | 253.2 | 5.6 | 28.8 | 103.7 | 391.3 |

[1] The carrying value of acquired intangible assets relating to prior year acquisitions were adjusted during the associated re-measurement periods increasing the value of acquired customer databases by £1.1m (FY21: reducing acquired access rights by £1.2m), and goodwill by £1.1m (FY21: increasing goodwill by £1.4m and reducing other acquired intangibles by £0.2m). See note 13 for further details.

Other acquired intangibles include acquired brands and technology assets. At the balance sheet date, there are no contractual commitments for the purchase of intangible assets (FY21: £nil).

The most significant intangible assets are customer relationships acquired as part of the acquisition of eLocal Holdings LLC in FY20 with a book value of £46.8m (FY21: £51.0m), held within acquired access rights. The assets are being amortised over periods ranging between 10 and 11 years on a straight-line basis and have over 7 to 8 years useful economic life remaining.

### Year ended 31 March 2022

**Disposal of Piedmont policy book**

On 10 December 2021, HomeServe USA Corp ('HSUSA') entered into an agreement to sell the book of policies built up during the affinity partnership to Piedmont Natural Gas Company, Inc. ('Piedmont') ahead of the affinity partnership ending in April 2022. HSUSA disposed of the policy book in two tranches, the first tranche completing in March 2022 and the second tranche in April 2022. As a result in FY22 for tranche one of the transaction, the Group received \$10.9m/£8.2m of cash consideration, derecognised intangible assets of \$0.5m/£0.4m, receivables of \$2.9m/£2.1m and payables of \$0.8m/£0.6m relating to commissions and underwriter payables. This resulted in an initial gain on disposal of £6.3m being recorded in the income statement. The gain will be finalised following the completion of the post close cash collection process on transferred accounts receivable balances during June. For further details on the disposal of tranche two see note 35.

### Year ended 31 March 2021

**Impairment**

At 31 March 2021 the carrying value of the eServe customer relationship management system and associated intangibles within the UK Membership business were reviewed for impairment resulting in impairment charges of £82.6m being recorded within software assets, bringing the post impairment carrying value of the eServe CRM system to £nil. In addition, an impairment of £2.1m was recognised in association with other intangible software assets, bringing the post impairment carrying value of the asset to £nil. Total impairment charges of £84.7m have been treated as exceptional due to their size, nature and incidence (see note 7).

# Notes to financial statements
# Year ended 31 March 2022

## 15. Property, plant and equipment

| | Land & buildings £m | Furniture, fixtures & equipment £m | Computer equipment £m | Motor vehicles £m | **Total £m** |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2020 | 40.8 | 14.9 | 35.5 | 4.7 | **95.9** |
| Additions | 0.5 | 0.7 | 4.2 | 1.7 | **7.1** |
| Disposals | (0.2) | (0.1) | (1.9) | (0.3) | **(2.5)** |
| Business acquisitions | 0.7 | 0.3 | 0.3 | 2.9 | **4.2** |
| Exchange movements | (0.6) | (0.4) | (1.3) | (0.6) | **(2.9)** |
| At 1 April 2021 | 41.2 | 15.4 | 36.8 | 8.4 | **101.8** |
| Additions | 1.3 | 1.5 | 3.9 | 0.1 | **6.8** |
| Disposals | (0.3) | (0.4) | (0.9) | (0.8) | **(2.4)** |
| Business acquisitions | 0.1 | 0.5 | — | 1.4 | **2.0** |
| Exchange movements | 0.1 | 0.1 | 0.7 | 0.5 | **1.4** |
| **At 31 March 2022** | **42.4** | **17.1** | **40.5** | **9.6** | **109.6** |
| **Accumulated depreciation** | | | | | |
| At 1 April 2020 | 17.2 | 10.4 | 24.9 | 1.4 | **53.9** |
| Charge for the year | 2.1 | 1.5 | 4.9 | 1.4 | **9.9** |
| Disposals | (0.2) | (0.1) | (1.5) | (0.2) | **(2.0)** |
| Exchange movements | (0.4) | (0.3) | (0.9) | (0.1) | **(1.7)** |
| At 1 April 2021 | 18.7 | 11.5 | 27.4 | 2.5 | **60.1** |
| Charge for the year | 2.0 | 2.3 | 4.5 | 1.5 | **10.3** |
| Disposals | (0.2) | (0.4) | (0.9) | (0.6) | **(2.1)** |
| Exchange movements | 0.1 | 0.2 | 0.4 | 0.2 | **0.9** |
| **At 31 March 2022** | **20.6** | **13.6** | **31.4** | **3.6** | **69.2** |
| **Carrying amount** | | | | | |
| **At 31 March 2022** | **21.8** | **3.5** | **9.1** | **6.0** | **40.4** |
| At 31 March 2021 | 22.5 | 3.9 | 9.4 | 5.9 | 41.7 |

At the balance sheet date, there are no contractual commitments for the purchase of property, plant and equipment (FY21: £nil).

## 16. Acquisitions and Disposals

The Group has incurred a net cash outflow in respect of business combinations of £130.8m in the year (FY21: £77.3m).

There were three material acquisitions in the year ended 31 March 2022:

- On 16 July 2021, HomeServe Skilled Trades LLC, a Group company, acquired 100% of the issued share capital and obtained control of McLoughlin Plumbing & Heating Co., (hereafter 'McLoughlin'), for total consideration of £13.4m. The acquisition of McLoughlin continues to enhance the scale and scope of the Group's HVAC capabilities in North America.
- On 22 October 2021, HomeServe Assistance Limited, a Group company, acquired 100% of the issued share capital and obtained control of CET Structures Limited, (hereafter 'CET'), for total consideration of £53.9m. The acquisition of CET is a significant step in broadening the UK's capabilities in home emergency assistance.
- On 14 January 2022, HomeServe Iberia S.L.U., a Group company acquired 100% of the issued share capital and obtained control of Atecal 2001 S.L.U. and Sanimamp 2005 S.L.U. (hereafter collectively 'Grupo MH'), for total consideration of £17.8m. The acquisition of Grupo MH enhances the scale and scope of the Group's HVAC capabilities in Spain.

Additionally, the following immaterial acquisitions, which have been combined and presented as 'Other' for the purpose of provisional fair value disclosures, were made during the year ended 31 March 2022.

### Membership

- On 7 June 2021, HomeServe Asistencia Spain SAU, a Group company, acquired 100% of the issued share capital and obtained control of Servitis LDA (hereafter 'Servitis'). The acquisition of Servitis continues to expand the Group's home assistance services and increases the opportunity for future growth in this market.

### HVAC

In the year the Group made 18 HVAC acquisition for total consideration of £43.8m. The acquisitions made during FY22 enhance the scale and scope of the Group's HVAC capabilities and increase the opportunity for future growth related to new HVAC system installations.

| Date | Acquiree | Acquirer | Acquired |
|---|---|---|---|
| 14 April 2021 | Mark Gillece Plumbing and Heating LLC | HomeServe Skilled Trades LLC | 100% share capital |
| 31 August 2021 | Mauger | ID Energies SAS | Group of assets constituting a business under IFRS 3 |
| 31 August 2021 | Confort & Chaleur | Roussin Energies SAS | Group of assets constituting a business under IFRS 3 |
| 31 August 2021 | JM Autin | Aujard SAS | Group of assets constituting a business under IFRS 3 |
| 3 September 2021 | Voinot Services | Aujard SAS | Group of assets constituting a business under IFRS 3 |
| 10 September 2021 | Esven Servicio Tecnico S.L. | HomeServe Iberia S.L.U. | 100% share capital |
| 20 September 2021 | Vimar Sociedad Civil | Aragonesa De Postventa S.L.U. and Servicio Tecnico Sate S.L. | 100% share capital – 50% by each acquirer (both Group companies) |
| 30 September 2021 | Alain Beal | SMT SAS | Group of assets constituting a business under IFRS 3 |
| 30 September 2021 | APG Domestic Services Limited | HomeServe Membership Limited | 100% share capital |
| 31 October 2021 | JCM Confort SAS & JC Technique SAS | HomeServe Energy Services SAS | 100% share capital |
| 20 December 2021 | Montgomery Brothers LLC (known as United Plumbing Company) | HomeServe Skilled Trades LLC | 100% share capital |
| 31 December 2021 | Dépann'Gaz SAS | ID Energies SAS | 100% share capital |
| 12 January 2022 | Schneider & Steffens GmbH & Co. KG | HomeServe Deutschland Handwerksdienstleistung GmbH | 100% share capital |
| 28 January 2022 | John Wilkinson Heating Services Limited | HomeServe Membership Limited | 100% share capital |
| 31 January 2022 | Hainaut Chauffage C.S.T.E SA | HomeServe Energy Services Belgium SLR | 100% share capital |
| 7 February 2022 | Olympic Aire Services Inc | HomeServe Skilled Trades LLC | 100% share capital |
| 14 March 2022 | SureTemp Air Conditioning LLC | Arizona Dukes of Air LLC | 100% share capital |
| 25 March 2022 | Electricidad Angulo | Atecal 2001 S.L.U. | Group of assets constituting a business under IFRS 3 |

### Home Experts

- On 14 June 2021, HomeServe Assistance Limited, a Group company, acquired 100% of the issued share capital and obtained control of VBF Holdings Limited. VBF Holdings Limited is the parent entity of Shermin Finance Limited (hereafter 'Shermin'). The acquisition of Shermin expands the Group's Home Experts offering through providing specialist point of sale finance brokering services.

# Notes to financial statements
# Year ended 31 March 2022

## 16. Acquisitions and Disposals (continued)

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

| At fair value | CET £m | Grupo MH £m | McLoughlin £m | Other £m | **Total £m** |
|---|---|---|---|---|---|
| Property, plant and equipment | 0.1 | 0.1 | 0.2 | 1.6 | **2.0** |
| Right-of-use assets | 0.4 | 0.4 | 0.1 | 2.7 | **3.6** |
| Cash and cash equivalents | 2.0 | 0.8 | 1.5 | 5.7 | **10.0** |
| Inventories | — | 0.4 | — | 2.7 | **3.1** |
| Trade and other receivables | 4.2 | 0.6 | 0.4 | 6.8 | **12.0** |
| Trade and other payables, provisions & retirement benefit obligations | (5.9) | (0.9) | (0.6) | (8.1) | **(15.5)** |
| Deferred income | — | (2.3) | — | (1.3) | **(3.6)** |
| Lease liabilities | (0.4) | (0.4) | (0.1) | (2.7) | **(3.6)** |
| Bank & other loans | — | (0.2) | — | (1.2) | **(1.4)** |
| Intangible assets identified on acquisition | 16.6 | 7.1 | 3.3 | 18.0 | **45.0** |
| Deferred tax liabilities | (3.6) | (1.8) | (0.9) | (3.0) | **(9.3)** |
| Net assets acquired | 13.4 | 3.8 | 3.9 | 21.2 | **42.3** |
| Goodwill | 40.5 | 14.0 | 9.5 | 32.3 | **96.3** |
| **Total** | **53.9** | **17.8** | **13.4** | **53.5** | **138.6** |
| Satisfied by: | | | | | |
| Cash | 53.9 | 17.4 | 10.7 | 40.4 | **122.4** |
| Deferred consideration | — | 0.4 | 0.6 | 4.2 | **5.2** |
| Contingent consideration at fair value | — | — | 2.1 | 8.9 | **11.0** |
| **Total** | **53.9** | **17.8** | **13.4** | **53.5** | **138.6** |
| Net cash outflow arising on acquisition: | | | | | |
| Cash consideration | 53.9 | 17.4 | 10.7 | 40.4 | **122.4** |
| Less: cash acquired | (2.0) | (0.8) | (1.5) | (5.7) | **(10.0)** |
| **Total** | **51.9** | **16.6** | **9.2** | **34.7** | **112.4** |

The information above is provisional with fair value assessment activities ongoing. The 'Other' column relates to 20 individually immaterial business combinations completed during the year.

The goodwill arising on the excess of consideration over the fair value of the assets and liabilities acquired represents the expectation of future growth, synergistic benefits and efficiencies. Where elections are made to treat an acquisition that is in scope of US tax legislation as an asset purchase for tax, goodwill is deemed deductible for tax purposes. Where goodwill arises on consolidation within the Group it is not deductible for tax purposes, but tax deductions on goodwill amortisation may arise at a local level in certain territories, subject to specific local rules. Deferred tax liabilities associated with elected goodwill deductions are disclosed in note 10. The gross contracted amounts due are equal to the fair value amounts stated above for trade and other receivables.

The post-acquisition revenue, adjusted operating profit and acquisition-related costs (included in operating costs) from these acquisitions in the year ended 31 March 2022 were as follows:

| | CET £m | Grupo MH £m | McLoughlin £m | Other £m | **Total £m** |
|---|---|---|---|---|---|
| Revenue | 15.7 | 2.1 | 5.8 | 21.5 | **45.1** |
| Adjusted operating profit | 1.1 | 0.1 | 0.9 | 2.9 | **5.0** |
| Acquisition-related costs | 0.5 | 0.2 | — | 1.1 | **1.8** |

If all of the acquisitions had been completed on the first day of the financial year, Group revenues for the year would have been £1,480.8m and Group adjusted profit before tax would have been £228.6m.

In addition to the net cash outflow on the acquisitions above of £112.4m, deferred and contingent consideration was paid relating to previous business combinations of £18.4m (FY21: £3.6m).

**Disposal of HomeServe Labs Limited**
On 21 March 2022, HomeServe Assistance Limited ('HAL'), a Group company, disposed of its 100% interest in HomeServe Labs Limited. The total fair value of consideration was £4.9m. The net assets of the Group's interest in the business at the date of the disposal were:

| **At fair value** | **£m** |
|---|---|
| Total identifiable net liabilities | (0.1) |
| Gain on disposal | 3.6 |
| Transaction costs | 1.4 |
| **Total** | **4.9** |
| Satisfied by: | |
| Cash | 1.6 |
| Interest in acquiror | 1.8 |
| Fair value of loan notes | 1.5 |
| **Total** | **4.9** |
| Net cash inflow arising on disposal: | |
| Consideration received in cash and cash equivalents | 1.6 |
| Less: cash and cash equivalent balances disposed | — |
| **Total** | **1.6** |

The loan notes receivable as consideration in this transaction represent an originated credit impaired financial asset under IFRS 9. They have a face value of £6.4m and have been measured at a day one fair value of £1.5m. They will be subsequently measured at amortised cost less any provision for impairment using the effective interest method.

As a result of the transaction, at 31 March 2022, HAL held a 19.99% interest in the acquiror, Spinnaker Acquisitions Plc, subsequently renamed Ondo InsurTech Plc ('Ondo'). The Group have assessed that HAL does not have significant influence over Ondo and as a result the holding is to be accounted for as a non-controlling interest under IFRS 9. The Group has elected to classify the instrument as an investment recorded at fair value through other comprehensive income. See note 17 and 27 for further details.

**Disposal of Brazilian operations**
On 30 June 2021, Habitissimo S.L disposed of its Brazilian operations to Juntos Somos Mais Fidelizacao S.A. for total consideration of €1.8m/£1.6m, including cash of €1.6m/£1.4m recognising a net gain on disposal of €0.8m/£0.7m after the write off of intangible assets and other associated disposal costs. The net gain on disposal is realised within Group operating profit.

# Notes to financial statements
# Year ended 31 March 2022

## 17. Other investments

| Equity investments carried at fair value through other comprehensive income | £m |
|---|---|
| At 1 April 2020 | 5.6 |
| Additions | 2.9 |
| Fair value gain on FVTOCI investment | 4.6 |
| Exchange movements | (0.2) |
| At 1 April 2021 | 12.9 |
| Additions | 1.6 |
| Fair value loss on FVTOCI investments | (0.1) |
| Exchange movements | (0.1) |
| **At 31 March 2022** | **14.3** |

On 21 March 2022, HomeServe Assistance Limited ('HAL'), a Group company, disposed of 100% of its interest in HomeServe Labs Limited (see note 16). As part of the total consideration HAL obtained a 19.99% holding in the acquiror, Spinnaker Acquisitions Plc, subsequently renamed Ondo InsurTech Plc ('Ondo'). The Group has elected to classify the investment at fair value through other comprehensive income under IFRS 9. For the period from initial recognition to 31 March 2022 the change in fair value recorded in other comprehensive income was a loss of £0.2m.

HomeServe France Holding SAS ('HFH'), a Group company retained a 20% holding in Groupe Maison.fr SAS in May 2020, during FY22 the Group provided additional funding on an arm's length basis in the form of a €3.7m loan facility of which €1.5m/£1.3m had been drawn down at 31 March 2022. The majority shareholders also provided additional equity funding which reduced HFH shareholding to 19.49%. The fair value of the equity investment has been assessed at 31 March 2022 by analysing the future outlook for the business. The result of this reassessment increased the fair value of the investment by £0.1m.

At 31 March 2022 the fair value of the Group's investment held in a manufacturer of smart thermostat connected home technology was held at the valuation indicated by the investee's latest equity funding round (May 2021).

## 18. Equity accounted investments

A list of equity accounted investments, including the name, address, country of incorporation, and proportion of ownership is given in note 50 to the Company's separate financial statements.

### Contributions to joint ventures

The Group made additional contributions to its joint venture investment in HomeServe Japan Corporation during the year of £3.6m (FY21: £2.2m).

### Disposal of interest in associate

On 31 March 2021 HomeServe USA Corp disposed of its 20% equity interest in Centriq Technology Inc. ('Centriq') in exchange for a perpetual licence to the technology underpinning Centriq's mobile application which provides customers with a cutting-edge digital home product and system catalogue with ancillary maintenance and repair service solutions. This transaction represented a non-monetary asset exchange in which the Group determined the fair value of the consideration received by reference to the fair value of the asset given up, namely the 20% equity interest in Centriq, which was estimated to be $1.1m/£0.8m at 31 March 2021. At 31 March 2021, the carrying value of the Group's investment in Centriq of $4.0m/£2.9m was derecognised and the Group recorded a loss on disposal of £2.1m in the income statement and recognised an intangible asset for £0.8m representing the value of the licence acquired.

Subsequently in FY22, the fair value of the asset received in exchange for the 20% equity interest was finalised with an increase of $1.0m/£0.8m, bringing the total asset to $2.1m/£1.6m. This resulted in an increase in the intangible asset recognised and a gain on disposal of $1.0m/£0.8m being recorded in the income statement.

### Acquisition of interest in associate

On 22 February 2021, HomeServe France Holding, a Group company, acquired a 20% holding in Mouse Holding SAS for €2,000.

**Summary Financial Information**

The following amounts relate to the combined results of the Group's joint venture interest in HomeServe Japan Corporation and associate interests in (including Centriq until date of disposal):

| | 2022 £m | 2021 £m |
|---|---|---|
| Loss after tax | **(6.8)** | (5.5) |
| Total comprehensive expense | **(6.8)** | (5.5) |
| **Amounts recognisable** | **(3.4)** | (2.5) |

## 19. Inventories

| | 2022 £m | 2021 £m |
|---|---|---|
| Consumables | **20.4** | 12.2 |

## 20. Trade and other receivables

| | 2022 £m | 2021 £m |
|---|---|---|
| Amounts receivable for the provision of services | **458.0** | 424.0 |
| Other receivables | **48.5** | 44.7 |
| Accrued income | **19.5** | 18.1 |
| Prepayments | **23.6** | 14.2 |
| | **549.6** | 501.0 |

**Credit risk**

Where the Group contracts directly with the consumer of its services, the counterparty to the financial asset in question (the tradesperson or policyholder) is the primary driver of the Group's credit exposure. Where the Group acts as an insurance intermediary, the counterparty to the financial asset in question (the underwriter) is not the primary driver of the Group's credit exposure, rather the risk derives from the creditworthiness of the underlying policyholder. In both instances the relevant credit risk pools are numerous and diverse, thereby mitigating the significance of the Group's exposure to any single pool of risk. Of the at risk balance at the end of the year there is no significant concentration of credit risk within an individual pool, with risk exposure spread across a large number of policyholders or tradespersons. There are no risk exposures that represent more than 5% of the total balance at risk. Note 3 contains further detail regarding the potential risk if policy cancellations were to be higher than expected.

Risks associated with the environments in which customers and policyholders operate may also influence the credit risk. Credit quality of customers is assessed by taking into account the current financial position of the counterparty, past experience and forward looking factors, including economic outlook. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality from the date credit was initially granted up to the reporting date. The Group's exposures are further reduced by its ability, in the event of default, to cease providing member services or to take policyholders "off risk". A default on a trade receivable is when the counterparty fails to make contractual payments within the stated payment terms. Balances are written off when there is no reasonable expectation of recovery and carrying amounts represent the maximum potential credit exposure.

Trade receivables and accrued income are subject to impairment using the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. Consequently the IFRS 9 concept of a significant increase in credit risk is not applicable to the Group's expected credit loss calculations. To assess expected credit losses, balances are either assessed individually or grouped based on similar credit risk characteristics (e.g. type of customer or days past due). Expected losses are then measured using a provisioning matrix approach adjusted, where applicable, to take into account current macro-economic factors or counterparty specific considerations.

The Group trades only with creditworthy third parties and maintains a policy that, with the exception of our membership policyholders, customers who wish to trade on credit terms are reviewed for financial stability. The Group has provided fully for those balances that it does not expect to recover. This assessment has been undertaken by reviewing the status of all at risk balances in line with the process described above. The Directors believe that there is no further credit provision required in excess of the expected credit loss provision.

Included in the Group's exposure are balances with a carrying amount of £45.5m (FY21: £34.5m) which are past due at the reporting date but for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

# Notes to financial statements
# Year ended 31 March 2022

## 20. Trade and other receivables (continued)

Ageing of balances past due net of expected credit losses:

| | 2022 £m | 2021 £m |
|---|---|---|
| 1 - 30 days | **21.6** | 19.3 |
| 31 - 60 days | **14.9** | 7.9 |
| 61 - 90 days | **3.7** | 2.5 |
| 91 days + | **5.3** | 4.8 |
| Balance at 31 March past due | **45.5** | 34.5 |
| Current/not yet due | **412.5** | 389.5 |
| **At 31 March** | **458.0** | 424.0 |

Movement in expected credit losses:

| | 2022 £m | 2021 £m |
|---|---|---|
| At 1 April | **5.9** | 3.8 |
| Impairment losses recognised | **3.5** | 2.4 |
| Amounts written off | **(2.7)** | (1.7) |
| Amounts recovered | **(0.1)** | (0.3) |
| Business disposals | **(0.4)** | – |
| Business acquisitions | **0.7** | 0.6 |
| Transfers | **–** | 1.2 |
| Exchange movements | **0.2** | (0.1) |
| **At 31 March** | **7.1** | 5.9 |

Of the provision total £nil relates to accrued income (FY21: £nil).

Ageing of impaired balances:

| | 2022 £m | 2021 £m |
|---|---|---|
| 1 - 30 days | **0.4** | 0.2 |
| 31 - 60 days | **0.8** | 0.5 |
| 61 - 90 days | **0.6** | 0.7 |
| 91 days + | **3.7** | 2.4 |
| Current/not yet due | **1.6** | 2.1 |
| **At 31 March** | **7.1** | 5.9 |

**Other receivables**

Other receivables principally comprise deposits, tax balances due to the Group and other non-trading items. No expected credit loss allowance was recognised at 31 March 2022 or 31 March 2021 as there has been no experience of significant historic losses and no charge was reported in the income statement. No other receivable balances were considered past due but not impaired.

## 21. Cash and cash equivalents

| | 2022 £m | 2021 £m |
|---|---|---|
| Cash and cash equivalents in the Group balance sheet | **174.5** | 171.4 |
| Bank overdrafts | **(17.0)** | (22.0) |
| Cash and cash equivalents in the Group cash flow statement | **157.5** | 149.4 |

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Of the total cash and cash equivalents balance held £15.6m (FY21: £19.3m) is not available for use by the Group due to the restrictions stipulated within the Group's contractual relationships with underwriters. These balances principally relate to advances from underwriters received to fund claims payments. No client monies as defined under CASS 5 of the FCA Handbook are held.

With respect to credit risk arising from cash and cash equivalents, the Group's exposure arises from the probability of default of the counterparty. The Group manages the risk associated with cash and cash equivalents through depositing funds only with reputable and creditworthy banking institutions.

## 22. Trade and other payables – current

| | 2022 £m | 2021 £m |
|---|---|---|
| Trade payables and accruals | **172.6** | 158.9 |
| Contingent consideration | **11.0** | 17.0 |
| Deferred consideration | **5.9** | 4.0 |
| Obligations under put options | **4.7** | 24.6 |
| Deferred income | **66.6** | 62.2 |
| Refund liabilities | **26.5** | 23.6 |
| Taxes and social security, excluding current tax | **14.1** | 13.2 |
| Amounts related to policyholders to be remitted to underwriters | **83.7** | 82.1 |
| Other payables | **62.3** | 69.3 |
| | **447.4** | 454.9 |

Trade payables, other payables and accruals principally comprise amounts outstanding for trade purchases and other ongoing costs.

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

Obligations under put options relate to the obligation to acquire the remaining 10.5% non-controlling interest in eLocal Holdings LLC, following HomeServe USA Holding Corp's initial 79% acquisition in FY20 and subsequent exercise of 10.5% of the options in FY22 (see note 30 for further details). Put options classified as current are exercisable by the holder during July 2022.

Deferred income represents revenue where an obligation exists to provide future services. An appropriate proportion of monies received in advance are treated as deferred income and recognised over the relevant period (see note 4).

Refund liabilities are made in respect of those policies that may be cancelled by the policyholder part way through the contractual term, which will affect the economic benefits that flow to the Group. The liability is made to ensure that the related revenue is not recognised at the point that the policy incepts.

Amounts related to policyholders to be remitted to underwriters principally relate to the cost of underwriting and Insurance Premium Tax for cash collected or cash to be collected from policyholders for the provision of services, not yet transmitted.

## 23. Trade and other payables – non-current

| | 2022 £m | 2021 £m |
|---|---|---|
| Contingent consideration | **14.5** | 12.8 |
| Deferred consideration | **6.4** | 6.8 |
| Obligations under put options | **14.3** | 9.7 |
| Other non-current payables | **1.6** | 2.5 |
| | **36.8** | 31.8 |

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

Obligations under put options relate to the obligation to acquire the remaining 10.5% non-controlling interest in eLocal Holdings LLC, following HomeServe USA Holding Corp's initial 79% acquisition in FY20 and subsequent exercise of 10.5% of the options in FY22 (see note 30 for further details). Put options classified as non-current are exercisable by the holder between July 2023 and July 2025.

# Notes to financial statements
# Year ended 31 March 2022

## 24. Provisions

Movements in provisions during the years ended 31 March 2022 and 31 March 2021 are disclosed below:

| | Restructuring costs £m | Other £m | **Total £m** |
|---|---|---|---|
| At 1 April 2020 | 1.0 | 1.0 | **2.0** |
| Created | 1.1 | 5.5 | **6.6** |
| Acquired on business acquisitions | – | 0.1 | **0.1** |
| Utilised | (1.7) | (1.9) | **(3.6)** |
| Released | (0.2) | (0.8) | **(1.0)** |
| Transferred | – | 2.0 | **2.0** |
| Foreign exchange | – | (0.1) | **(0.1)** |
| At 1 April 2021 | 0.2 | 5.8 | **6.0** |
| Created | 0.2 | 1.3 | **1.5** |
| Acquired on business acquisitions | – | 0.2 | **0.2** |
| Utilised | (0.2) | (1.9) | **(2.1)** |
| Released | – | (0.4) | **(0.4)** |
| **At 31 March 2022** | **0.2** | **5.0** | **5.2** |

Where material, provisions are discounted based on an approximation for the time value of money. The amount and timing of the cash outflows are subject to variation. Provisions are principally expected to be utilised over the next 12 months.

## 25. Borrowings

**Bank and other loans**

| | **2022 £m** | 2021 £m |
|---|---|---|
| Sterling denominated | **86.9** | 40.1 |
| US dollar denominated | **2.8** | 2.3 |
| Euro denominated | **11.2** | 11.6 |
| **Due within one year** | **100.9** | 54.0 |
| Sterling denominated | **225.6** | 242.8 |
| US dollar denominated | **344.8** | 280.5 |
| Euro denominated | **94.5** | 56.5 |
| **Due after one year** | **664.9** | 579.8 |
| **Total bank and other loans** | **765.8** | 633.8 |

Bank and other loans due within one year includes US Private Placements and bank facilities due within one year of £78.5m (FY21: £26.4m), overdrafts in relation to our cash pooling arrangements of £17.0m (FY21: £22.0m) and interest due on borrowings of £5.4m (FY21: £5.6m).

The US Dollar and Euro denominated borrowings are used to provide debt funding to the North America and Continental Europe operations respectively. Foreign currency borrowings are drawn in the UK and passed to the overseas subsidiaries of the Group by way of intercompany loans, denominated in the same currencies. These external borrowings and the equivalent intercompany receivable loans are treated as monetary liabilities and assets respectively and, as such, the Group's foreign currency exposure risk is minimised.

The weighted average interest rates paid on bank and other loans were as follows:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | £<br>% | €<br>% | $<br>% | £<br>% | €<br>% | $<br>% |
| Fixed | **3.1** | **—** | **4.0** | 3.2 | — | 4.1 |
| Floating | **2.1** | **1.6** | **1.6** | 1.2 | 1.1 | 1.2 |

All of the Group's borrowings are unsecured. The currencies in which the Group's borrowings are denominated reflect the geographical segments for which they have been used.

On 15 October 2021 the Group completed a financing transaction in the United States Private Placement market, issuing notes amounting to £30.0m with a fixed interest rate of 2.47%. The notes have a 6 year maturity from the date of issue.

The principal features of the Group's other borrowings are as follows:

- The Group has a £400m revolving credit facility with seven banks. This facility was taken out on 1 August 2017 and has an initial term of five years with the option to extend the term twice, by one year, up to a maximum of seven years. On 1 August 2019 the second one year option was exercised to extend the facility to 2024. The financial covenants associated with the facility are 'net debt to EBITDA of less than 3.0 times' (FY21: 3.0 times) and 'interest cover greater than 4.0 times EBITDA' (FY21: 4.0 times). Interest is charged at floating rates at margins of between 1.15% and 1.55% (FY21: 1.05% and 1.15%) above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk. At 31 March 2022, the Group had available £262.7m (FY21: £346.9m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
- The Group has a £35m revolving credit facility with one bank. This facility was taken out on 20 November 2020 with an original termination date of 19 November 2021. On 30 September 2021, the option was exercised to extend the facility by 6 months to 20 May 2022. The financial covenants associated with the facility are the same as the £400m revolving credit facility. Interest is charged at a floating margin of 1.5% (FY21: 1.5%) above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk. At 31 March 2022, the Group had available £35.0m (FY21: £35.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
- The Group has a £50m revolving credit facility with one bank. This facility was taken out on 30 March 2020 with a termination date of 15 July 2024. The financial covenants associated with the facility are the same as the £400m revolving credit facility. Interest is charged at a floating margin of 1.55% (FY21: 1.15%) above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk. At 31 March 2022, the Group had available £35.6m (FY21: £40.6m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
- The Group has £530m of additional US Private Placements (FY21: £518m) consisting of: a combined £245m (FY21: £236m) USD and GBP denominated notes taken out on 21 August 2020 at a weighted average interest of 3.41%, a combined £175m (FY21: £172m) USD and GBP denominated notes taken out on 13 December 2018 at a weighted average interest rate of 4.25%; a £60m placement taken out on 6 March 2017 with a fixed interest rate of 2.59% and a £50m placement taken out on 7 October 2015 with a fixed interest rate of 3.44%. These notes vary in maturity from 7, 10 and 12 years from date of issue and the financial covenants are the same as the £400m revolving credit facility.
- The Group renewed a £25m (FY21: £25m) short-term loan in FY22 through to July 2022. The financial covenants associated with the facility are the same as the £400m revolving credit facility. Interest is charged at floating rates at margins of 1.10% (FY21: 1.10%) above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk.
- The Group has a $5m facility in the USA, of which $4.1m/£3.2m (FY21: $2.6m/£1.9m) was drawn at 31 March 2022. The weighted average interest rate was 1.5% (FY21: 1.5%).

In addition to the core external borrowings listed above the Group is party to £8.3m (FY21: £4.2m) in financing arrangements for asset purchases. The weighted average interest rate was 2.2% (FY21: 2.0%).

The Group has complied with all covenant requirements in the current and prior year. Information about liquidity risk is presented in note 27. For the Group's floating Revolving Credit Facilities (RCFs) and with the cessation of GBP LIBOR the Group successfully negotiated to transition to SONIA plus a credit adjustment spread. The facilities will continue to apply USD LIBOR where applicable until June 2023 at which point it is expected that facilities will transition to SOFR based rates.

# Notes to financial statements
# Year ended 31 March 2022

## 25. Borrowings (continued)

### Reconciliation of movements in liabilities arising from financing

| | Lease liabilities £m | Bank and other loans £m | **Total £m** |
|---|---|---|---|
| At 1 April 2020 | 59.3 | 580.9 | **640.2** |
| Proceeds from new loans and borrowings | – | 243.4 | **243.4** |
| Proceeds from additional borrowings on existing facilities | – | 27.1 | **27.1** |
| Repayment of borrowings | – | (214.6) | **(214.6)** |
| Repayment of lease principal | (14.8) | – | **(14.8)** |
| Interest paid | (1.4) | (18.2) | **(19.6)** |
| Costs associated with new bank and other loans raised | – | (2.2) | **(2.2)** |
| Total changes from cash flows | (16.2) | 35.5 | **19.3** |
| Non-cash movements | | | |
| Foreign exchange | (2.6) | (33.4) | **(36.0)** |
| Interest expense | 1.4 | 20.3 | **21.7** |
| Additions | 6.5 | 4.2 | **10.7** |
| Disposals | (1.1) | – | **(1.1)** |
| Business acquisitions | 4.0 | 4.3 | **8.3** |
| Total changes from non-cash movements | 8.2 | (4.6) | **3.6** |
| Bank overdrafts included within bank and other loans | – | 22.0 | **22.0** |
| At 1 April 2021 | 51.3 | 633.8 | **685.1** |
| Proceeds from new loans and borrowings | – | 30.0 | **30.0** |
| Proceeds from additional borrowings on existing facilities | – | 123.2 | **123.2** |
| Repayment of borrowings | – | (39.9) | **(39.9)** |
| Repayment of overdrafts | – | (5.0) | **(5.0)** |
| Repayment of lease principal | (14.7) | – | **(14.7)** |
| Interest paid | (1.2) | (22.5) | **(23.7)** |
| Costs associated with new bank and other loans raised | – | (0.3) | **(0.3)** |
| **Total changes from cash flows** | (15.9) | 85.5 | **69.6** |
| **Non-cash movements** | | | |
| Foreign exchange | 0.6 | 14.8 | **15.4** |
| Interest expense | 1.2 | 24.2 | **25.4** |
| Additions | 11.7 | 6.1 | **17.8** |
| Disposals | (1.0) | – | **(1.0)** |
| Business acquisitions | 3.6 | 1.4 | **5.0** |
| **Total changes from non-cash movements** | 16.1 | 46.5 | **62.6** |
| **At 31 March 2022** | **51.5** | **765.8** | **817.3** |
| **Analysed as:** | | | |
| Non-current | 15.2 | 100.9 | 116.1 |
| Current | 36.3 | 664.9 | 701.2 |
| **At 31 March 2022** | **51.5** | **765.8** | **817.3** |

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

## 26. Leasing

Information about leases for which the Group is a lessee is presented below.

### Right-of-use assets

| | Properties £m | Motor vehicles £m | Other £m | **Total £m** |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2020 | 53.6 | 20.3 | 0.2 | **74.1** |
| Additions | 2.8 | 3.6 | 0.1 | **6.5** |
| Disposals | (1.6) | (1.1) | – | **(2.7)** |
| Acquisitions of subsidiaries | 3.5 | 0.5 | – | **4.0** |
| Exchange movements | (3.0) | (0.7) | – | **(3.7)** |
| At 1 April 2021 | 55.3 | 22.6 | 0.3 | **78.2** |
| Additions | 3.4 | 8.3 | – | **11.7** |
| Disposals | (1.5) | (2.7) | – | **(4.2)** |
| Acquisitions of subsidiaries | 3.2 | 0.4 | – | **3.6** |
| Exchange movements | 0.9 | 0.3 | – | **1.2** |
| **At 31 March 2022** | **61.3** | **28.9** | **0.3** | **90.5** |
| **Accumulated depreciation** | | | | |
| At 1 April 2020 | 8.6 | 8.6 | 0.1 | **17.3** |
| Charge for the year | 9.5 | 5.6 | 0.1 | **15.2** |
| Disposals | (0.6) | (1.0) | – | **(1.6)** |
| Exchange movements | (0.8) | (0.5) | – | **(1.3)** |
| At 1 April 2021 | 16.7 | 12.7 | 0.2 | **29.6** |
| Charge for the year | 9.8 | 5.3 | – | **15.1** |
| Disposals | (0.5) | (2.6) | – | **(3.1)** |
| Exchange movements | 0.4 | 0.2 | – | **0.6** |
| **At 31 March 2022** | **26.4** | **15.6** | **0.2** | **42.2** |
| **Carrying amount** | | | | |
| **At 31 March 2022** | **34.9** | **13.3** | **0.1** | **48.3** |
| At 31 March 2021 | 38.6 | 9.9 | 0.1 | 48.6 |

Amounts recognised in the consolidated income statement are disclosed in notes 5 and 9 respectively. A maturity analysis of the contractual undiscounted cash flows associated with lease liabilities is provided in note 27. The total cash outflow for leases for the year ended 31 March 2022 was £15.9m (FY21: £16.2m), representing £14.7m (FY21: £14.8m) of principal repayments and £1.2m (FY21: £1.4m) of interest charges on outstanding lease liabilities (see note 25).

# Notes to financial statements
# Year ended 31 March 2022

## 27. Financial instruments

### Classification

Aside from the financial instruments discussed under 'financial instruments subsequently measured at fair value' below, all other financial assets and liabilities to which the Group is party are held at amortised cost and their carrying values approximate their fair values.

### Financial instruments subsequently measured at fair value

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those equal to quoted and unadjusted market prices in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

There were no transfers of assets or liabilities between levels during the year. There are no non-recurring fair value measurements. The Group held the following financial instruments at fair value:

| | 2022<br>£m | 2021<br>£m |
|---|---|---|
| **Level 1** | | |
| **Assets classified as fair value through other comprehensive income** | | |
| Other investments (note 17) | **1.4** | – |
| **Level 2** | | |
| **Assets classified as fair value through other comprehensive income** | | |
| Other investments (note 17) | **12.9** | 12.9 |
| **Level 3** | | |
| **Assets classified as fair value through profit and loss** | | |
| Other financial assets | **0.9** | 1.2 |
| **Contingent consideration at fair value through profit and loss** | | |
| Current liabilities | **11.0** | 17.0 |
| Non-current liabilities | **14.5** | 12.8 |

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

| Financial Instrument | Level | Valuation method |
|---|---|---|
| Other financial assets | 1 | Quoted bid price in an active market |
| Other investments | 2 | Discounted cashflows at current market rates |
| Other financial assets | 3 | Black Scholes model and discounted cashflows at current market rates |
| Contingent consideration | 3 | Discounted cashflows at current market rates |

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

| | 2022 Other financial assets £m | 2022 Contingent consideration £m | 2021 Other financial assets £m | 2021 Contingent consideration £m |
|---|---|---|---|---|
| At 1 April | **1.2** | **29.8** | – | 11.4 |
| Additions (note 16) | **–** | **11.0** | 1.2 | 20.4 |
| Payments | **–** | **(14.6)** | – | (1.1) |
| Re-measurement adjustment related to prior year acquisition | **–** | **–** | – | 1.0 |
| Unwinding of discount rate through the income statement | **–** | **0.6** | – | 0.6 |
| Other movements | **–** | **0.2** | – | (0.3) |
| Fair value re-measurements | **(0.3)** | **(2.5)** | 0.1 | – |
| Foreign exchange | **–** | **1.0** | (0.1) | (2.2) |
| At 31 March | **0.9** | **25.5** | 1.2 | 29.8 |

The inputs used to derive the asset fair values are reviewed at least annually by the Directors as part of the valuation process. The variable inputs most consequential to the final valuation of the instrument are the price of the underlying equity and the expected volatility. If the underlying price of the equity was higher/lower by 10%, then the carrying amount would increase by £0.4m/decrease by £0.1m (FY21: increase by £0.3m/decrease by £0.2m). If the volatility assumption increased/decreased by 10%, then the carrying amount would increase/decrease by £0.1m (FY21: £0.1m).

If discount rates on contingent consideration were higher/lower than the Group's historical experience by 10%, the carrying amount would increase/decrease by £0.1m (FY21: £0.1m). The undiscounted range of outcomes associated with the contingent consideration payments has a floor of £0.8m (FY21: £1.6m). Payments above the floor vary based on a range of conditional performance metrics, for example a percentage commission based on the future revenues associated with certain products of an acquired business over a defined period.

**Other financial assets – Level 3**

HomeServe France Holding SAS ("HFH") call option over equity in Maison.fr

As a result of the disposal, on 15 May 2020, of an 80% interest in HomeServe Home Experts SAS (subsequently renamed Groupe Maison.fr), HFH acquired a call option, initially exercisable in April 2022, providing the opportunity to acquire a further 23.73% equity stake of Groupe Maison.fr SAS for a fixed price of €3.7m/£3.3m. On 26 November 2021 the option term was amended and the instrument is now exercisable in December 2022 with no other changes in terms. The option has been fair valued using a Black-Scholes option pricing model. The assumptions used in the model are as follows:

- The price of the underlying equity (determined by discounting future forecast cash flows of the business to present value)
- The exercise price of the option
- The risk-free rate
- The life of the option
- The expected volatility of the share price/equity
- Expected dividends

The fair value of the option at 31 March 2022 was £0.9m (FY21: £1.2m). During FY22 the change in fair value before the impact of foreign exchange was a charge of £0.3m (FY21: £0.1m charge).

Eneco Belgium NV call option over equity in HomeServe Belgium

On 27 January 2021 HomeServe France Holding SAS wrote a call option giving an unrelated third party, Eneco Belgium NV ('Eneco'), the ability to acquire 50% of the equity in HomeServe Belgium SRL, a wholly owned subsidiary of HFH, at any time between the first and third anniversaries of the signing date of the call option agreement. At 31 March 2022 the Group have compared the forecast exercise price to Eneco throughout the exercise period to the forecast fair value of 50% of the equity in HomeServe Belgium SRL and concluded that the option has no significant fair value at the balance sheet date.

# Notes to financial statements
# Year ended 31 March 2022

## 27. Financial instruments (continued)

**Other financial assets – held at amortised cost**

Ondo InsurTech Plc ("Ondo") loan notes

As a result of the disposal of HomeServe Labs Limited, HomeServe Assistance Limited ('HAL'), a Group company, obtained loan notes in Ondo as part of the total consideration. They represent an originated credit impaired financial asset under IFRS 9 and have been measured at a day one fair value of £1.5m. The loan notes are subsequently measured at amortised cost less any provision for impairment using the effective interest method. The carrying value at 31 March 2022 was £1.5m.

**Capital risk management**

The Group manages its capital to ensure that entities in the Group are able to continue as going concerns while maximising the return to stakeholders through the appropriate balance of debt and equity. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 25, cash and cash equivalents in note 21 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 28, 29 and the Group Statement of Changes in Equity.

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

| | 2022 £m | 2021 £m |
|---|---|---|
| Attributable to equity holders of the parent | **627.6** | 564.0 |
| Cash and cash equivalents | **174.5** | 171.4 |
| Bank and other loans | **765.8** | 633.8 |

Certain of the entities in the Group are subject to externally imposed capital requirements from the Financial Conduct Authority. Where such requirements exist, the Group manages the risk through the close monitoring of performance and distributable capital within the entities impacted by the regulations. The Group has complied with all such arrangements throughout the current and preceding year.

**Financial risk management objectives**

The Group principally utilises cash and cash equivalents and bank and other loans for the purpose of raising finance for its operations. The Group also has various other financial instruments such as trade receivables and trade payables which arise directly from its operations.

Financial risk management is overseen by the Board according to objectives, targets and policies set by the Board. Treasury risk management, including management of currency risk, interest rate risk and liquidity risk is carried out by a central Group Treasury function in accordance with objectives, targets and policies set by the Board. Treasury is not a profit centre and does not enter into speculative transactions.

**Classification of financial instruments**

The Group's financial assets and liabilities are disclosed in notes 20-23 and note 25. The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Foreign currency risk is minimised by the treasury borrowing approach set out in note 25.

**Interest rate risk**

The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's long-term debt requirements with floating interest rates. The Group's policy is to manage its interest rate risk using a mix of fixed and variable rate debts.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The following table demonstrates the sensitivity to a reasonably possible increase of 100bps in the cost of borrowing, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

| | 2022 | 2021 |
|---|---|---|
| Increase in cost of borrowing | **100bps** | 100bps |
| Reduction in profit before tax (£m) | **1.8** | 0.7 |

### Credit risk

Credit risk associated with trade receivables and accrued income contract assets is discussed in note 20. Credit risk related to cash and cash equivalents is discussed in note 21.

### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Group's Board which sets the framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecast and actual cash flows. Included in note 25 are details of the undrawn facilities that are available to the Group to reduce liquidity risk further, along with the weighted average interest rates paid on bank and other loans.

The maturity profile of the Group's financial liabilities based on contractual maturities, is provided in the table below. Interest is payable on all bank and other loans. All cash flows are presented on an undiscounted basis.

| | Bank and other loans £m | Trade payables £m | Other payables £m | Deferred and contingent consideration £m | Lease liabilities £m | Obligations under put options £m | **Total £m** |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| Under 2 months | 20.2 | 104.9 | 63.5 | 0.4 | 2.5 | — | **191.5** |
| Between 2 and 12 months | 97.7 | 67.7 | 123.2 | 17.6 | 13.2 | 4.8 | **324.2** |
| Between 1 and 2 years | 23.9 | 0.6 | 0.5 | 6.0 | 13.2 | 17.6 | **61.8** |
| Between 2 and 5 years | 320.2 | — | 0.1 | 12.3 | 19.5 | — | **352.1** |
| After 5 years | 436.4 | 0.3 | — | 5.0 | 6.3 | — | **448.0** |
| **Total** | **898.4** | **173.5** | **187.3** | **41.3** | **54.7** | **22.4** | **1,377.6** |

| | Bank and other loans £m | Trade payables £m | Other payables £m | Deferred and contingent consideration £m | Lease liabilities £m | Obligations under put options £m | Total £m |
|---|---|---|---|---|---|---|---|
| 2021 | | | | | | | |
| Under 2 months | 24.6 | 97.2 | 39.3 | 6.1 | 2.5 | — | 169.7 |
| Between 2 and 12 months | 44.4 | 61.7 | 109.9 | 17.0 | 11.6 | 26.7 | 271.3 |
| Between 1 and 2 years | 72.2 | 0.1 | 1.5 | 3.9 | 12.1 | — | 89.8 |
| Between 2 and 5 years | 229.5 | 0.1 | 0.1 | 10.9 | 20.6 | 15.8 | 277.0 |
| After 5 years | 405.3 | 0.7 | — | 6.5 | 7.7 | — | 420.2 |
| Total | 776.0 | 159.8 | 150.8 | 44.4 | 54.5 | 42.5 | 1,228.0 |

The revolving credit facility is drawn down and associated interest is settled on a monthly basis. The principal is included in the above maturity profile tables when the facility is due to expire.

## 28. Share capital

| | **2022 £m** | 2021 £m |
|---|---|---|
| Issued and fully paid 336,471,082 ordinary shares of 2 9/13p each (FY21: 336,045,030) | **9.1** | 9.1 |

The Company has one class of ordinary shares which carry no right to fixed income. Share capital represents consideration received or amounts, based on fair value, allocated to LTIP and One Plan participants on exercise, or amounts, based on fair value of the consideration for acquired entities. The nominal value was 2 9/13p per share on all issued and fully paid shares.

During the year from 1 April 2021 to 31 March 2022 the Company issued 426,052 shares with a nominal value of 2 9/13p creating share capital and share premium with a combined value of £2.9m.

During the year from 1 April 2020 to 31 March 2021 the Company issued 1,410,752 shares with a nominal value of 2 9/13p creating share capital and share premium with a combined value of £7.2m.

# Notes to financial statements
# Year ended 31 March 2022

## 29. Reserves

### Share premium

The share premium account represents consideration received or amounts, based on fair value, allocated to LTIP and One Plan participants on exercise for authorised and issued shares in excess of the nominal value of 2 9/13p (FY21: 2 9/13p).

### Share incentive reserve

The share incentive reserve represents the cumulative charges to income under IFRS 2 'Share-based payments' on all share options and schemes granted, net of share option exercises.

### Currency translation reserve

The currency translation reserve represents the cumulative foreign currency translation movement on the assets and liabilities of the Group's international operations at year end exchange rates.

### Investment revaluation reserve

The investment revaluation reserve represents the movement on revaluation of the Group's fair value through other comprehensive income investments disclosed in note 17.

### Other reserves

The movement on other reserves during the current and preceding years is set out in the table below:

| | Capital redemption reserve £m | Merger reserve £m | Own shares reserve £m | **Total other reserves £m** |
|---|---|---|---|---|
| **At 1 April 2020, 1 April 2021 and 31 March 2022** | **1.2** | **81.0** | **(3.0)** | **79.2** |

The capital redemption reserve arose on the redemption of 1.2m £1 redeemable preference shares on 1 July 2002.

### Merger reserve

The merger reserve represents:

- the issue on 6 April 2004 of 11.6m new shares relating to the acquisition of the minority interest held in the Group at that date. The reserve reflects the difference between the nominal value of shares at the date of issue of 12.5p and the share price immediately preceding the issue of 624.5p per share; and
- the issue on 17 November 2017 of 1.2m new shares relating to the acquisition of Checkatrade. The reserve reflects the difference between the nominal value of shares at the date of issue of 2 9/13p and the share price immediately preceding the issue of 838p per share. The shares issued formed part of the consideration for the acquisition of the remaining 60% of the equity of Checkatrade (taking the Group's overall holding to 100%) and therefore qualify for merger relief.

The own shares reserve represents the cost of shares in HomeServe plc purchased in the market and held by the HomeServe plc Employee Benefit Trust. The shares are held to satisfy obligations under the Group's share option schemes and are recognised at cost. During the year no shares were repurchased or transferred to individuals to satisfy awards (FY21: nil).

## 30. Non-controlling interests

On 8 September 2021, the non-controlling shareholders of eLocal LLC exercised put options to sell 50% of their 21% non-controlling interest in eLocal LLC for cash consideration of $25.1m/£18.2m to HomeServe USA Holding Corp. The transaction increased HomeServe USA Holding Corp interest in eLocal to 89.5% of the issued share capital. On extinguishment of the exercised options, $7.0m/£5.2m of the non-controlling interest was derecognised against equity attributable to the parent. Options over the remaining 10.5% minority equity instruments are exercisable between July 2022 and July 2025.

Summarised financial information in respect of the Group's non-controlling interests is set out below. In FY22, this relates to the 10.5% (FY21: 21%) non-controlling interest in eLocal USA Holdings LLC. The summarised financial information below represents amounts before intra-group eliminations.

| | **2022 £m** | 2021 £m |
|---|---|---|
| Current assets | **18.9** | 12.1 |
| Non-current assets | **44.7** | 52.1 |
| Current liabilities | **(9.8)** | (14.7) |
| Non-current liabilities | **(3.9)** | (3.5) |
| **Equity attributable to owners of the Company** | **49.9** | 46.0 |
| **Non-controlling interests** | **5.2** | 9.7 |

## 31. Notes to the cash flow statement

| | Notes | **2022 £m** | 2021 £m |
|---|---|---|---|
| **Operating profit** | | **202.6** | 71.8 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 15 | **10.3** | 9.9 |
| Depreciation of right-of-use assets | 26 | **15.1** | 15.2 |
| Amortisation of acquisition intangible assets | 14 | **44.9** | 45.0 |
| Amortisation of other intangible assets | 14 | **38.2** | 44.4 |
| Amortisation of contract costs | 4 | **5.6** | 9.0 |
| Share-based payments expense | | **5.2** | 4.3 |
| Share of equity accounted investees results | | **3.4** | 2.5 |
| Fair value movements on options and contingent consideration | | **(3.7)** | 2.3 |
| Costs of put options on non-controlling interests accrued over time | | **2.7** | 2.8 |
| (Gain)/loss on disposal of associate | 18 | **(0.8)** | 2.1 |
| (Gain)/loss on disposal of businesses | 16 | **(4.3)** | 0.1 |
| (Gain)/loss on disposal of property, plant and equipment, intangible assets and contract costs | | **(6.0)** | 1.1 |
| Other non-cash movements | | **0.5** | – |
| Non-exceptional impairment of goodwill, intangible assets and contract costs | | **–** | 0.1 |
| Exceptional impairment charges and associated costs | 7 | **–** | 86.9 |
| Other exceptional items | | **–** | 5.3 |
| **Operating cash flows before movements in working capital** | | **313.7** | 302.8 |
| Increase in inventories | | **(4.9)** | (0.8) |
| Increase in receivables | | **(26.1)** | (20.0) |
| Decrease in payables and provisions | | **(10.2)** | (4.3) |
| Net movement in working capital | | **(41.2)** | (25.1) |
| **Cash generated by operations** | | **272.5** | 277.7 |
| Income taxes paid | | **(40.6)** | (35.1) |
| Interest paid (inclusive of payments on lease liabilities and non-bank interest) | | **(24.3)** | (19.6) |
| **Net cash inflow from operating activities** | | **207.6** | 223.0 |

# Notes to financial statements
# Year ended 31 March 2022

## 32. Share-based payments

During the year ended 31 March 2022, the Group had three (FY21: three) share-based payment schemes, which are described below:

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

The LTIP provides for the grant of performance, matching and restricted awards. The vesting period is normally three years. Restricted awards are not subject to performance conditions. Until July 2020, 75% of each performance and matching award was subject to an Earnings Per Share performance condition and the remaining 25% was subject to comparative Total Shareholder Return performance.

From July 2020, for participants with Group roles, 50% of each performance award is subject to an Earnings Per Share performance condition and 50% to comparative Total Shareholder Return performance. For business unit participants, 50% of each performance award is subject to a Cumulative Profits Measure performance condition and the remaining 50% is subject to comparative Total Shareholder Return performance. For Executives who participate in the matching element of the LTIP, from July 2020, 100% of each performance award is subject to an Earnings Per Share performance condition and each matching award is subject to Total Shareholder Return performance.

**ii) Special Value Creation Plan ('SVCP')**

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

**iii) One Plan**

One Plan is a share incentive scheme which is available to all employees. Since February 2021, for every partnership share purchased, participants will receive (or have the right to receive) one free matching share. Prior to this for every two partnership shares purchased, participants received (or had the right to receive) one free matching share. Matching shares are held in trust for a period of up to three years.

| | LTIP | SVCP | One Plan |
|---|---|---|---|
| **2022** | | | |
| **Number** | | | |
| Outstanding at 1 April 2021 | 2,989,500 | 2,140,337 | 105,624 |
| Granted | 1,502,123 | 794,688 | 164,617 |
| Lapsed | (711,251) | — | — |
| Forfeited | (145,624) | (66,258) | (25,426) |
| Exercised | (433,129) | — | (33,951) |
| **Outstanding at 31 March 2022** | **3,201,619** | **2,868,767** | **210,864** |
| Exercisable at 31 March 2022 | 747 | — | — |
| | | | |
| Exercise price of options outstanding at 31 March 2022 | £0.00 | £0.00 | £0.00 |
| Weighted average remaining contractual life | 2 | 3 | 2 |
| Weighted average fair value of options granted | £7.61 | £9.61 | £8.76 |

| | LTIP | SVCP | One Plan |
|---|---|---|---|
| 2021 | | | |
| Number | | | |
| Outstanding at 1 April 2020 | 3,370,593 | 1,246,661 | 104,191 |
| Granted | 913,578 | 1,444,241 | 51,156 |
| Lapsed | — | — | — |
| Forfeited | (56,769) | (550,565) | (14,806) |
| Exercised | (1,237,902) | — | (34,917) |
| Outstanding at 31 March 2021 | 2,989,500 | 2,140,337 | 105,624 |
| Exercisable at 31 March 2021 | 107,877 | — | — |
| | | | |
| Exercise price of options outstanding at 31 March 2021 | £0.00 | £0.00 | £0.00 |
| Weighted average remaining contractual life | 2 | 3 | 2 |
| Weighted average fair value of options granted | £11.20 | £12.95 | £11.81 |

The weighted average share price at the date of exercise for share options exercised during the year was £9.87 (FY21: £12.96).

The estimated fair values are calculated by applying a Black-Scholes option pricing model for SVCP and One Plan and in addition Monte Carlo and Stochastic simulations for the LTIP. The assumptions used in the models (which are comparable to the prior year) are as follows:

| Input | Assumption |
|---|---|
| Share price | Price at date of grant |
| Exercise price | Per scheme rules |
| Expected volatility | 22% - 35% |
| Option life | Per scheme rules |
| Expected dividends | Based on historic dividend yield |
| Risk free interest rate | 0.0% - 0.6% |

Levels of early exercises and lapses are estimated using historical averages. Volatility is calculated by looking at the historical share price movements prior to the date of grant over a period of time commensurate with the remaining term for each award. In FY22 the Group recognised an IFRS 2 charge of £5.2m (FY21: £4.3m) related to equity-settled share-based payment transactions.

# Notes to financial statements
# Year ended 31 March 2022

## 33. Retirement benefit schemes

### Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all UK employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. In addition to the scheme in the UK, the Group operates a defined contribution retirement benefit scheme for North American employees.

The total cost charged to income of £8.1m (FY21: £7.4m) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes. At 31 March 2022, contributions of £0.9m (FY21: £0.9m) due in respect of the current reporting period had not been paid over to the schemes.

### Defined benefit schemes

Water Companies Pension Scheme (WCPS)

In the UK, the Group participates in a defined benefit scheme, the Water Companies Pension Scheme, which is closed to new members. This is a sectionalised scheme and the Group participates in the HomeServe plc Section of the Scheme. The Section is administered by a Trustee and is independent of the Group's finances. Contributions are paid to the Section in accordance with the recommendations of an independent actuary and must not fall below a minimum limit specified by the Trustee on actuarial advice as being required to provide the benefits which if the scheme was terminated would be required to be paid to and in respect of the Section members. Each member's pension at retirement is related to their pensionable service and pensionable salary, and the weighted average duration of the expected benefit payments from the Section is around 17 years (FY21: 19 years). The estimated costs for the GMP equalisation were fully reflected in the scheme in FY20.

The results of the actuarial valuation as at 31 March 2020 were updated to the accounting date by a qualified independent actuary in accordance with IAS19. Re-measurements are recognised immediately through other comprehensive income.

| | Valuation at | |
|---|---|---|
| | **2022** | 2021 |
| Key assumptions used: | | |
| Discount rate at 31 March | **2.8%** | 2.1% |
| Consumer price inflation | **3.5%** | 3.0% |
| Retail price inflation | **3.9%** | 3.5% |
| Expected rate of salary increases | **3.5%** | 3.0% |
| Future pension increases | **3.5%** | 3.0% |
| Life expectancy of female aged 60 at balance sheet date | **29.2yrs** | 29.2yrs |
| Life expectancy of male aged 60 at balance sheet date | **27.2yrs** | 27.5yrs |

Pensions accounting entries are subject to judgement and volatility, as the majority of the assets are held within instruments with quoted market prices in an active market, whereas the present value of the obligation is linked to yields on AA-rated corporate bonds.

The scheme exposes the Group to actuarial risks including interest rate risk, longevity risk, investment risk and inflationary risk. The following table illustrates the sensitivity of the WCPS defined benefit obligation to some of the significant assumptions as at 31 March 2022, all other things being equal:

| | £m |
|---|---|
| Price inflation -1% | **(5.5)** |
| Price inflation +1% | **6.4** |
| Discount rate -1% | **6.5** |
| Discount rate +1% | **(5.4)** |
| Life expectancy -1 year | **(1.1)** |
| Life expectancy +1 year | **1.1** |

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

| | 2022 £m | 2021 £m |
|---|---|---|
| Current service cost and section expenses | **0.2** | 0.2 |
| Interest income | **(0.2)** | (0.3) |
| | **–** | (0.1) |

The actual return on scheme assets was a gain of £2.5m (FY21: gain of £4.0m). The amount included in the balance sheet arising from the Group's obligations in respect of its WCPS defined benefit retirement scheme is as follows:

| | 2022 £m | 2021 £m |
|---|---|---|
| Present value of defined benefit obligations | **(34.8)** | (35.7) |
| Fair value of scheme assets | **49.1** | 44.0 |
| Surplus in scheme recognised in the balance sheet in non-current assets | **14.3** | 8.3 |

The net asset recognised in the balance sheet has not been limited as the Group believes that a refund of the surplus assets would be available to it following the final payment to the last beneficiary of the pension scheme.

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

| | 2022 £m | 2021 £m |
|---|---|---|
| At 1 April | **35.7** | 27.1 |
| Employer's part of the current service cost | **0.1** | 0.2 |
| Interest cost | **0.7** | 0.7 |
| Actuarial (gains)/losses due to: | | |
| Changes in financial assumptions | **(2.1)** | 8.5 |
| Changes in demographic assumptions | **(0.1)** | 0.1 |
| Experience adjustments on benefit obligations | **1.1** | (0.2) |
| Benefits paid | **(0.6)** | (0.7) |
| **At 31 March** | **34.8** | 35.7 |

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

| | 2022 £m | 2021 £m |
|---|---|---|
| At 1 April | **44.0** | 37.4 |
| Interest on Section assets | **1.0** | 1.0 |
| Section expenses | **(0.1)** | – |
| Actual return less interest on Section assets | **2.5** | 4.0 |
| Contributions from the employer | **2.3** | 2.3 |
| Benefits paid | **(0.6)** | (0.7) |
| **At 31 March** | **49.1** | 44.0 |

The amount recognised outside the income statement in the statement of comprehensive income for FY22 is a gain of £3.6m (FY21: loss of £4.4m). The cumulative amount recognised outside the income statement at 31 March 2022 is a loss of £4.8m (FY21: loss of £8.4m).

# Notes to financial statements
# Year ended 31 March 2022

## 33. Retirement benefit schemes (continued)

**Defined benefit schemes (continued)**

Water Companies Pension Scheme (WCPS) (continued)

The analysis of the fair value of WCPS scheme assets at the balance sheet date was as follows:

| | 2022 £m | 2021 £m |
|---|---|---|
| Equity instruments | **19.7** | 17.7 |
| Diversified growth funds | **5.0** | 4.8 |
| Liability driven investment funds | **15.2** | 12.8 |
| Buy and maintain credit funds | **8.2** | — |
| Liquidity funds | **0.7** | — |
| Absolute return bonds | **—** | 8.6 |
| Cash | **0.3** | 0.1 |
| | **49.1** | 44.0 |

The majority of the assets are held within instruments with quoted market prices in an active market. The HomeServe plc Section of the WCPS invests in BMO's Real Dynamic Liability Driven Investment Fund which makes use of derivative instruments to leverage its assets to more closely resemble the Scheme's liability profile. The fund helps to hedge the Section's interest rate and inflation risk which reduces the volatility of the Section's funding level.

The estimated amounts of contributions expected to be paid to the scheme during the forthcoming financial year is £1.1m (FY22: actual £2.3m) plus any Pension Protection Fund levy payable.

Indemnité de Fin de Carrière (IFC)

In France, companies are legally obligated by the labour code to provide a retirement indemnity plan or 'Indemnité de Fin de Carrière'. The IFC meets the definition of a defined benefit plan under IAS 19. Upon retiring, employees receive an end of career indemnity paid by their last employer with conditions governed by a collective agreement of each labour sector, or, in the absence of a collective agreement, by the French Law (article L. 122-14-13 al.2 of labour code). The Group's IFC obligations are not supported by any scheme assets.

At each year end, the Group must measure its anticipated obligation by assessing for each employee of in scope entities, an estimation of their date of departure, their expected gross wage as well as the estimated amount of benefits that will be paid to them. Actuarial movements associated with the obligation are recognised through other comprehensive income with all other movements recognised in the income statement.

Re-measurement of the Group's IFC obligations was performed at 31 March in accordance with IAS 19 using the following assumptions:

| | Valuation at 2022 | 2021 |
|---|---|---|
| Key assumptions used: | | |
| Discount rate at 31 March | **1.6%** | 0.7% |
| Employer social charges | **37 - 55%** | 37 - 55% |
| Employee turnover rate | **14.2%** | 14.2% |
| Expected rate of salary increases | **1.0 - 1.5%** | 1.0 - 1.5% |
| Mortality rates | **INSEE 2021** | INSEE 2019 |
| Legal retirement age | **60 - 67yrs** | 60 - 67yrs |

The following table illustrates the sensitivity of IFC obligations to reasonably possible changes in discount rates at 31 March 2022, all other things being equal:

| | £m |
|---|---|
| Discount rate -0.5% | **0.1** |
| Discount rate +0.5% | **(0.1)** |

Amounts recognised in the income statement, within operating costs, in respect of the IFC schemes were a credit of £0.3m, (FY21: £0.1m charge), principally related to current service costs.

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

| | 2022 £m | 2021 £m |
|---|---|---|
| At 1 April | **1.2** | 1.0 |
| Employer's part of the current service cost | **(0.3)** | 0.1 |
| Acquisition of subsidiaries | **—** | 0.1 |
| Actuarial (gains)/losses due to changes in financial assumptions | **(0.1)** | 0.1 |
| Foreign exchange | **—** | (0.1) |
| **At 31 March** | **0.8** | 1.2 |

The amount recognised outside the income statement in the statement of comprehensive income for FY22 is a gain of £0.1m (FY21: loss of £0.1m). The cumulative amount recognised outside the income statement at 31 March 2022 is £nil (FY21: loss of £0.1m).

The estimated amounts of contributions expected to be paid to the scheme during the forthcoming financial year is £nil (FY22 actual: £nil).

# Notes to financial statements
# Year ended 31 March 2022

## 34. Related party transactions

The Group consists of a parent Company, HomeServe plc, incorporated in England and Wales, and a number of subsidiaries and associates held directly and indirectly by HomeServe plc, which operate and are incorporated internationally. Note 50 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements (note 50).

**Transactions with equity accounted investees**

| | **2022 £m** | 2021 £m |
|---|---|---|
| Purchases from associates | **—** | 0.3 |
| Sales to joint ventures | **0.2** | 0.1 |
| Loan due from investee (see note 17) | **1.3** | — |

Transactions and balances principally relate to salaries, consultancy, contractor costs and marketing services.

**Other related party transactions**

During the year Group companies purchased services amounting to £0.1m (FY21: £nil) from companies that are not members of the Group but that are related parties as they are controlled by or connected to Richard Harpin, Chief Executive of the Group and a Director of the parent company of the Group. These services related to the use by the Group of private aircraft, including the provision of pilots and all related operating costs that are controlled by the related parties. The provision of such services were made at arm's length prices, which were approved by the Remuneration Committee.

The specific companies that were subject to the transactions were Harpin Limited (FY22: £0.1m, FY21: £nil) and Centreline AV Limited (FY22: £33,000, FY21: £29,000). Amounts outstanding to all these companies on 31 March 2022 amounted to £nil (FY21: £nil).

**Remuneration of key management personnel**

The remuneration of the Directors and members of the Executive Committee, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration report.

| | **2022 £m** | 2021 £m |
|---|---|---|
| Short-term employee benefits | **10.4** | 12.2 |
| Post-employment benefits | **0.3** | 0.4 |
| Other long-term employee benefits | **1.2** | 1.5 |
| Share-based payments expense | **2.9** | 1.3 |
| Termination benefits | **—** | 4.4 |
| | **14.8** | 19.8 |

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

## 35. Post balance sheet events

**Recommended cash offer for HomeServe**

On 19 May 2022, Brookfield Infrastructure announced a recommended cash offer for the entire issued, and to be issued share capital of the Company, to be effected by means of a court approved scheme of arrangement under Part 26 of the UK Companies Act 2006. The proposed acquisition is subject to shareholder approval, approval of the courts and approval from a number of regulatory authorities.

**Disposal of Piedmont policy book**

On 10 December 2021, HomeServe USA Corp ('HSUSA') entered into an agreement to sell the book of policies built up during the affinity partnership to Piedmont Natural Gas Company, Inc. ('Piedmont') ahead of the affinity partnership ending in April 2022. HSUSA disposed of the policy book in two tranches, the first tranche completing in March 2022 and the second tranche in April 2022. As anticipated tranche two of the transaction completed in April 2022. The Group received \$11.6m/£8.8m of cash consideration, derecognised intangible assets of \$0.5m/£0.4m, receivables of \$5.4m/£4.1m and payables of \$1.7m/£1.3m relating to commissions and underwriter payables. This resulted in an initial gain on disposal of £5.6m being recorded in the income statement. The gain will be finalised following the completion of the post close cash collection process on transferred accounts receivable balances during July.

# Company statement of comprehensive income

## Year ended 31 March 2022

| | Notes | 2022 £m | 2021 £m |
|---|---|---|---|
| **Profit for the year** | | **105.8** | 90.7 |
| **Items that will not be reclassified subsequently to profit and loss:** | | | |
| Actuarial gain/(loss) on defined benefit pension scheme | 33 | **3.6** | (4.4) |
| Deferred tax (charge)/credit relating to actuarial re-measurements | 43 | **(0.9)** | 0.8 |
| **Total other comprehensive income/(expense)** | | **2.7** | (3.6) |
| **Total comprehensive income for the year** | | **108.5** | 87.1 |

# Company balance sheet
## 31 March 2022

| | Notes | 2022 £m | 2021 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Other intangible assets | 38 | **4.1** | 3.0 |
| Property, plant and equipment | 39 | **0.4** | 0.5 |
| Right-of-use assets | 45 | **1.1** | 1.3 |
| Investment in subsidiaries | 40 | **954.9** | 954.6 |
| Amounts receivable from Group Companies | 40 | **—** | 4.9 |
| Retirement benefit assets | 33 | **14.3** | 8.3 |
| | | **974.8** | 972.6 |
| **Current assets** | | | |
| Trade and other receivables | 41 | **217.6** | 72.8 |
| Current tax asset | | **0.3** | 1.7 |
| Cash and cash equivalents | 41 | **32.5** | 25.4 |
| | | **250.4** | 99.9 |
| **Total assets** | | **1,225.2** | 1,072.5 |
| **Current liabilities** | | | |
| Trade and other payables | 42 | **(13.4)** | (15.8) |
| Bank and other loans | 44 | **(82.5)** | (39.1) |
| Lease liabilities | 45 | **(0.5)** | (0.5) |
| | | **(96.4)** | (55.4) |
| **Net current assets** | | **154.0** | 44.5 |
| **Non-current liabilities** | | | |
| Bank and other loans | 44 | **(663.2)** | (577.8) |
| Lease liabilities | 45 | **(0.6)** | (0.9) |
| Deferred Tax liabilities | 43 | **(2.7)** | (0.3) |
| | | **(666.5)** | (579.0) |
| **Total liabilities** | | **(762.9)** | (634.4) |
| **Net assets** | | **462.3** | 438.1 |
| **Equity** | | | |
| Share capital | 28 | **9.1** | 9.1 |
| Share premium account | 29 | **199.3** | 196.4 |
| Merger reserve | 29 | **81.0** | 81.0 |
| Share incentive reserve | 47 | **18.4** | 16.5 |
| Capital redemption reserve | 29 | **1.2** | 1.2 |
| Retained earnings | | **153.3** | 133.9 |
| **Total equity** | | **462.3** | 438.1 |

As provided by s408 of the Companies Act 2006, the Company has not presented its own income statement. The Company's profit for the year was £105.8m (FY21: £90.7m).

The financial statements of HomeServe plc were approved by the Board of Directors and authorised for issue on 24 May 2022. They were signed on its behalf by:

**David Bower**
Chief Financial Officer
24 May 2022

Registered in England No. 2648297

# Company statement of changes in equity

## Year ended 31 March 2022

| | Share capital £m | Share premium account £m | Merger reserve £m | Share incentive reserve £m | Capital redemption reserve £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|---|
| Balance at 1 April 2021 | 9.1 | 196.4 | 81.0 | 16.5 | 1.2 | 133.9 | **438.1** |
| Profit for the year | — | — | — | — | — | 105.8 | **105.8** |
| Other comprehensive income | — | — | — | — | — | 2.7 | **2.7** |
| **Total comprehensive income** | — | — | — | — | — | 108.5 | **108.5** |
| Dividends paid (note 11) | — | — | — | — | — | (89.3) | **(89.3)** |
| Issue of share capital | — | 2.9 | — | — | — | — | **2.9** |
| Share-based payments | — | — | — | 4.8 | — | — | **4.8** |
| Share options exercised | — | — | — | (2.9) | — | — | **(2.9)** |
| Tax on exercised share options | — | — | — | — | — | 0.1 | **0.1** |
| Deferred tax on share options | — | — | — | — | — | 0.1 | **0.1** |
| **Balance at 31 March 2022** | **9.1** | **199.3** | **81.0** | **18.4** | **1.2** | **153.3** | **462.3** |

## Year ended 31 March 2021

| | Share capital £m | Share premium account £m | Merger reserve £m | Share incentive reserve £m | Capital redemption reserve £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|---|
| Balance at 1 April 2020 | 9.0 | 189.3 | 81.0 | 19.8 | 1.2 | 127.2 | 427.5 |
| Profit for the year | — | — | — | — | — | 90.7 | 90.7 |
| Other comprehensive expense | — | — | — | — | — | (3.6) | (3.6) |
| Total comprehensive income | — | — | — | — | — | 87.1 | 87.1 |
| Dividends paid (note 11) | — | — | — | — | — | (80.5) | (80.5) |
| Issue of share capital | 0.1 | 7.1 | — | — | — | — | 7.2 |
| Share-based payments | — | — | — | 3.8 | — | — | 3.8 |
| Share options exercised | — | — | — | (7.1) | — | — | (7.1) |
| Tax on exercised share options | — | — | — | — | — | 0.5 | 0.5 |
| Deferred tax on share options | — | — | — | — | — | (0.4) | (0.4) |
| Balance at 31 March 2021 | 9.1 | 196.4 | 81.0 | 16.5 | 1.2 | 133.9 | 438.1 |

# Company cash flow statement
## Year ended 31 March 2022

| | Notes | 2022 £m | 2021 £m |
|---|---|---|---|
| **Net cash outflow from operating activities** | 48 | **(169.8)** | (77.9) |
| **Investing activities** | | | |
| Interest received | | **3.3** | 1.4 |
| Dividends received from subsidiary undertakings | | **152.6** | 99.8 |
| Purchases of intangible assets | | **(1.8)** | (0.4) |
| Purchases of tangible assets | | **–** | (0.1) |
| Investment in subsidiary undertaking | | **–** | (45.0) |
| **Net cash inflow from investing activities** | | **154.1** | 55.7 |
| **Financing activities** | | | |
| Dividends paid | 11 | **(89.3)** | (80.5) |
| Repayment of lease principal | 45 | **(0.5)** | (0.4) |
| New bank and other loans raised | 44 | **34.9** | 247.6 |
| Costs associated with new bank and other loans raised | 44 | **(0.3)** | (2.2) |
| Proceeds from loans and borrowings | 44 | **123.2** | 27.1 |
| Repayment of loans and borrowings | 44 | **(36.8)** | (213.3) |
| **Net cash generated by/(used in) financing activities** | | **31.2** | (21.7) |
| **Net movement in cash and cash equivalents, net of bank overdrafts** | | **15.5** | (43.9) |
| Cash and cash equivalents, net of bank overdrafts at the beginning of the year | | **16.9** | 60.9 |
| Effect of foreign currency exchange rate changes | | **0.1** | (0.1) |
| **Cash and cash equivalents, net of bank overdrafts, at the end of the year** | 41 | **32.5** | 16.9 |

# Notes to Company financial statements
Year ended 31 March 2022

## Company only
The following notes 36 to 50 relate to the Company only position and performance for the year ended 31 March 2022.

## 36. Significant accounting policies
As provided by s408 of the Companies Act 2006, the Company has not presented its own income statement. The Company's profit for the year was £105.8m (FY21: £90.7m).

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom, and are presented in Pounds Sterling.

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

Furthermore, included within amounts receivable from Group companies are amounts advanced to the HomeServe plc Employee Benefit Trust for the purchase of shares. The shares held of 249,975 (FY21: 249,975) are in trust to satisfy obligations under share options schemes and are recognised at cost £3m (FY21: £3m).

None of the critical accounting judgements and key sources of estimation uncertainty disclosed in note 3 apply to the Company. There are no other critical accounting judgements or key sources of estimation uncertainty.

## 37. Other information
**Staff remuneration**

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

| | **2022 number** | 2021 number |
|---|---|---|
| UK (all administrative roles) | **97** | 91 |

| | **2022 £m** | 2021 £m |
|---|---|---|
| Their aggregate remuneration comprised: | | |
| Wages and salaries | **11.8** | 12.3 |
| Social security costs | **1.6** | 1.6 |
| Other pension costs (note 33) | **0.3** | 0.4 |
| | **13.7** | 14.3 |

**Audit fees**

| | **2022 £000** | 2021 £000 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the Company's financial statements | **312** | 202 |
| **Total audit fees** | **312** | 202 |

## 38. Other intangible assets

| | Trademarks & access rights £m | Software £m | **Total intangibles £m** |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2020 | 2.9 | 5.4 | **8.3** |
| Additions | — | 0.9 | **0.9** |
| Disposals | — | (0.3) | **(0.3)** |
| At 1 April 2021 | 2.9 | 6.0 | **8.9** |
| Additions | — | 1.6 | **1.6** |
| Disposals | — | (0.2) | **(0.2)** |
| **At 31 March 2022** | **2.9** | **7.4** | **10.3** |
| **Accumulated amortisation** | | | |
| At 1 April 2020 | 2.1 | 3.5 | **5.6** |
| Charge for the year | 0.1 | 0.5 | **0.6** |
| Disposals | — | (0.3) | **(0.3)** |
| At 1 April 2021 | 2.2 | 3.7 | **5.9** |
| Charge for the year | — | 0.5 | **0.5** |
| Disposals | — | (0.2) | **(0.2)** |
| **At 31 March 2022** | **2.2** | **4.0** | **6.2** |
| **Carrying amount** | | | |
| **At 31 March 2022** | **0.7** | **3.4** | **4.1** |
| At 31 March 2021 | 0.7 | 2.3 | 3.0 |

# Notes to Company financial statements
# Year ended 31 March 2022

## 39. Property, plant and equipment

| | Leasehold improvements £m | Computer equipment £m | Motor Vehicles £m | **Total tangible assets £m** |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2020 | 0.6 | 0.2 | 0.1 | **0.9** |
| Additions | – | 0.1 | – | **0.1** |
| At 1 April 2021 | 0.6 | 0.3 | 0.1 | **1.0** |
| Additions | – | 0.1 | – | **0.1** |
| Disposals | – | (0.1) | – | **(0.1)** |
| **At 31 March 2022** | **0.6** | **0.3** | **0.1** | **1.0** |
| **Accumulated depreciation** | | | | |
| At 1 April 2020 | 0.2 | 0.1 | – | **0.3** |
| Charge for the year | 0.1 | 0.1 | – | **0.2** |
| At 1 April 2021 | 0.3 | 0.2 | – | **0.5** |
| Charge for the year | 0.1 | 0.1 | – | **0.2** |
| Disposals | – | (0.1) | – | **(0.1)** |
| **At 31 March 2022** | **0.4** | **0.2** | – | **0.6** |
| **Carrying amount** | | | | |
| **At 31 March 2022** | **0.2** | **0.1** | **0.1** | **0.4** |
| At 31 March 2021 | 0.3 | 0.1 | 0.1 | 0.5 |

## 40. Subsidiaries

Details of the Company's subsidiaries at 31 March 2022, including the name, address, country of incorporation and proportion of ownership interest is given in note 50.

**Investments in subsidiaries**

| | £m |
|---|---|
| **Cost and net book value** | |
| At 1 April 2020 | 909.6 |
| Additions | 45.0 |
| At 1 April 2021 | 954.6 |
| Additions | 0.3 |
| **At 31 March 2022** | **954.9** |

The addition during the year of £0.3m relates to a contribution to the French business in relation to the HomeServe plc LTIP scheme.

The addition in the prior year of £45.0m related to an injection of capital of £45.0m into HomeServe Enterprises Limited. At each balance sheet date the Company reviews the carrying amount of the investment in HomeServe Enterprises Limited to determine whether there is any indication of an impairment loss. Given that HomeServe Enterprises Limited owns directly or indirectly all subsidiaries in the HomeServe plc Group, a comparison is made between the carrying value of the investment in HomeServe Enterprises Limited and the market capitalisation of HomeServe plc. There has not been an impairment loss recorded in either the current or prior year.

**Amounts receivable from Group Companies**

| | 2022 £m | 2021 £m |
|---|---|---|
| Amounts receivable from Group Companies (note 50) | **—** | 4.9 |

The amounts receivable from Group Companies of £nil (FY21: £4.9m) represented a long-term loan due from another Group company. In determining the recoverability of the loan, the Company considers any change in the credit quality of the loan. No allowance for doubtful debts is considered necessary based on prior experience and the Directors' assessment of the current economic environment.

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

## 41. Financial assets

**Trade and other receivables**

| | 2022 £m | 2021 £m |
|---|---|---|
| Amounts receivable from Group companies (note 50) | **213.7** | 71.5 |
| Other receivables | **1.5** | 1.1 |
| Prepayments and accrued income | **2.4** | 0.2 |
| | **217.6** | 72.8 |

**Trade receivables**

The Company has a policy for providing fully for those receivable balances that it does not expect to recover. This assessment has been undertaken in accordance with the IFRS 9 expected credit loss model as explained more fully in note 20.

**Ageing of past due but not impaired receivables:**

| | 2022 £m | 2021 £m |
|---|---|---|
| Current | **213.7** | 71.5 |
| At 31 March | **213.7** | 71.5 |

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is mitigated through the close management and regular review of performance of the subsidiary companies.

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

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

**Cash and cash equivalents**

Cash and cash equivalents in the balance sheet of £32.5m (FY21: £25.4m) comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

Cash and cash equivalents, net of bank overdrafts, in the cashflow of £32.5m (FY21: £16.9m) comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less and bank overdrafts. The carrying amount of these assets approximates to their fair value.

# Notes to Company financial statements
# Year ended 31 March 2022

## 42. Financial liabilities

### Trade and other payables

| | 2022 £m | 2021 £m |
|---|---|---|
| Amounts payable to Group companies (note 50) | **0.1** | — |
| Trade payables and accruals | **12.1** | 14.7 |
| Taxes and social security, excluding corporation tax | **1.2** | 1.1 |
| | **13.4** | 15.8 |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 18 days (FY21: 9 days).

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

## 43. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Company and movements thereon:

| | Retirement benefit obligations £m | Share schemes £m | Timing differences £m | Total £m |
|---|---|---|---|---|
| At 1 April 2020 | (1.9) | 1.6 | 0.2 | **(0.1)** |
| (Charge)/credit to income | (0.5) | (0.3) | 0.2 | **(0.6)** |
| Charge to equity | — | (0.4) | — | **(0.4)** |
| Credit to comprehensive income | 0.8 | — | — | **0.8** |
| At 1 April 2021 | (1.6) | 0.9 | 0.4 | **(0.3)** |
| Charge to income | (1.0) | (0.3) | (0.3) | **(1.6)** |
| Credit to equity | — | 0.1 | — | **0.1** |
| Charge to comprehensive income | (0.9) | — | — | **(0.9)** |
| **At 31 March 2022** | **(3.5)** | **0.7** | **0.1** | **(2.7)** |

## 44. Bank and other loans

| | 2022 £m | 2021 £m |
|---|---|---|
| Bank and other loans | **82.5** | 39.1 |
| **Due within one year** | **82.5** | 39.1 |
| Bank and other loans | **663.2** | 577.8 |
| **Due after one year** | **663.2** | 577.8 |
| **Total bank and other loans** | **745.7** | 616.9 |

Bank and other loans due within one year of £82.5m (FY21: £39.1m) includes bank facilities and Private Placements due within one year of £75m (FY21: £25m), bank overdrafts of £nil (FY21: £8.5m), accrued interest of £5.2m (FY21: £4.7m) and other loans of £2.3m (FY21: £0.9m). The principal features of these loans are set out in note 25.

Bank and other loans due after more than one year comprise of the drawn loans from the revolving credit facility, the Private Placements and other loans. The principal features of these loans are set out in note 25.

The weighted average of interest rates paid are set out in note 25.

### Reconciliation of movements in liabilities arising from financing

| | Bank and other loans £m |
|---|---|
| At 1 April 2020 | **580.4** |
| New bank and other loans raised | **247.6** |
| Proceeds from loans and borrowings | **27.1** |
| Repayment of loans and borrowings | **(213.3)** |
| Interest paid | **(18.1)** |
| Costs associated with new bank and other loans raised | **(2.2)** |
| Total changes from cash flows | **41.1** |
| Non-cash movements | |
| Foreign exchange | **(33.4)** |
| Interest expense | **20.3** |
| Total changes from non-cash movements | **(13.1)** |
| Bank overdrafts included within bank and other loans | **8.5** |
| At 1 April 2021 | **616.9** |
| New bank and other loans raised | **34.9** |
| Proceeds from loans and borrowings | **123.2** |
| Repayment of loans and borrowings | **(36.8)** |
| Repayment of overdraft | **(8.5)** |
| Interest paid | **(22.5)** |
| Costs associated with new bank and other loans raised | **(0.3)** |
| **Total changes from cash flows** | **90.0** |
| **Non-cash movements** | |
| Foreign exchange | **14.6** |
| Interest expense | **24.2** |
| **Total changes from non-cash movements** | **38.8** |
| **At 31 March 2022** | **745.7** |
| Analysed as: | |
| Non-current | 663.2 |
| Current | 82.5 |
| **At 31 March 2022** | **745.7** |

# Notes to Company financial statements
# Year ended 31 March 2022

## 45. Leasing

The following disclosures about leases, for which the Company is a lessee, are presented in accordance with IFRS 16 for the year ended 31 March 2022.

| Right-of-use assets | Properties £m | Motor vehicles £m | **Total £m** |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2020 | 1.8 | 0.1 | **1.9** |
| Additions | — | 0.2 | **0.2** |
| Disposals | (0.2) | — | **(0.2)** |
| At 1 April 2021 | 1.6 | 0.3 | **1.9** |
| Additions | — | 0.3 | **0.3** |
| **At 31 March 2022** | **1.6** | **0.6** | **2.2** |
| **Accumulated depreciation** | | | |
| At 1 April 2020 | 0.3 | — | **0.3** |
| Charge for the year | 0.4 | — | **0.4** |
| Disposals | (0.1) | — | **(0.1)** |
| At 1 April 2021 | 0.6 | — | **0.6** |
| Charge for the year | 0.3 | 0.2 | **0.5** |
| **At 31 March 2022** | **0.9** | **0.2** | **1.1** |
| **Carrying amount** | | | |
| **At 31 March 2022** | **0.7** | **0.4** | **1.1** |
| At 31 March 2021 | 1.0 | 0.3 | 1.3 |

| Lease liabilities | **2022 £m** | 2021 £m |
|---|---|---|
| Leases | **0.5** | 0.5 |
| **Due within one year** | **0.5** | 0.5 |
| Leases | **0.6** | 0.9 |
| **Due after one year** | **0.6** | 0.9 |
| **Total lease liabilities** | **1.1** | 1.4 |

A maturity analysis of the contractual undiscounted cash flows associated with lease liabilities is provided in note 46. The total cash outflow for leases for the year ended 31 March 2022 was £0.5m (FY21: £0.4m) representing £0.5m (FY21: £0.4m) of principal repayments and £nil of interest charges in both years. Non-cash movements on leases include additions of £0.2m (FY21: £0.2m) and interest expense of £nil (FY21: £0.1m).

## 46. Financial instruments

The tables below set out the classification of financial instruments in the statement of financial position:

| Financial assets | 2022 £m | 2021 £m |
|---|---|---|
| Amortised cost | **247.7** | 102.9 |

| Financial liabilities | 2022 £m | 2021 £m |
|---|---|---|
| Other financial liabilities at amortised cost | **759.0** | 633.0 |

### Principal financial instruments

The principal financial instruments used by the Company from which risk arises are as follows:

- cash and cash equivalents
- bank loans, revolving credit facilities, Private Placements and other loans
- trade receivables
- other receivables
- trade payables
- other payables

### Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the appropriate balance of debt and equity. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 44, cash and cash equivalents disclosed in note 41 and equity comprising issued capital, reserves and retained earnings as disclosed in this note and notes 28, 29 and the Company Statement of Changes in Equity.

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

| | 2022 £m | 2021 £m |
|---|---|---|
| Shareholders' funds | **462.3** | 438.1 |
| Cash and cash equivalents | **32.5** | 25.4 |
| Bank and other loans | **745.7** | 616.9 |

### Financial risk management objectives

The Company's principal financial instruments comprise bank and other loans and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company also has various other financial instruments such as trade receivables and trade payables which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk and liquidity risk.

### Interest rate risk

The Company's exposure to the risk of changes in market interest rates primarily relates to the Company's long-term debt requirements with floating interest rates. The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Company's exposure to interest rate risk is closely aligned to that of the Group, more details of which can be found in note 25.

### Foreign currency risk

The Company has exposure to fluctuations in foreign currencies due to borrowings made to fund investments in its overseas subsidiaries which are affected by foreign exchange movements.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the year end are set out in the table below.

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Euro | **65.1** | 37.3 | **(93.4)** | (63.3) |
| US dollar | **4.8** | 6.7 | **(346.7)** | (286.3) |

# Notes to Company financial statements
# Year ended 31 March 2022

## 46. Financial instruments (continued)

The following table demonstrates the sensitivity to a reasonably possible change of 10% increase in sterling against the relevant foreign currencies, with all other variables held constant, of the Company's profit after tax and equity.

| | **2022** | 2021 |
|---|---|---|
| Increase in £:$ exchange rate: | **10%** | 10% |
| Effect on profit after tax (£m) | **25.2** | 20.6 |
| Effect on equity (£m) | **25.2** | 20.6 |
| | | |
| Increase in £:€ exchange rate: | **10%** | 10% |
| Effect on profit after tax (£m) | **2.1** | 1.9 |
| Effect on equity (£m) | **2.1** | 1.9 |

**Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Company's Board which sets the framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecast and actual cash flows. Included in note 25 are details of the undrawn facilities that are available to the Company and the Group to further reduce liquidity risk.

The maturity profile of the Company's financial liabilities is provided in the table below. The revolving credit facility is drawn down and associated interest is settled on a monthly basis. The principal is included in the table below when the facility is due to expire. All cash flows are presented on an undiscounted basis.

| | Lease liabilities £m | Bank and other loans £m | Trade, other and Group payables £m | **Total £m** |
|---|---|---|---|---|
| **2022** | | | | |
| Under 2 months | — | 3.1 | 7.7 | **10.8** |
| Between 2 and 12 months | 0.5 | 96.4 | 4.5 | **101.4** |
| Between 1 and 2 years | 0.5 | 22.6 | — | **23.1** |
| Between 2 and 5 years | 0.2 | 319.7 | — | **319.9** |
| Over 5 years | — | 436.4 | — | **436.4** |
| **Total** | **1.2** | **878.2** | **12.2** | **891.6** |

| | Lease liabilities £m | Bank and other loans £m | Trade, other and Group payables £m | Total £m |
|---|---|---|---|---|
| 2021 | | | | |
| Under 2 months | — | 10.6 | 5.5 | 16.1 |
| Between 2 and 12 months | 0.5 | 43.6 | 9.2 | 53.3 |
| Between 1 and 2 years | 0.5 | 70.7 | — | 71.2 |
| Between 2 and 5 years | 0.5 | 229.0 | — | 229.5 |
| Over 5 years | — | 405.2 | — | 405.2 |
| Total | 1.5 | 759.1 | 14.7 | 775.3 |

It is, and has been throughout the year under review, the Company's policy that no speculative trading in financial instruments shall be undertaken.

The following table demonstrates the sensitivity to a reasonably possible increase of 100bps in the cost of borrowing, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

| | 2022 | 2021 |
|---|---|---|
| Increase in cost of borrowing | **100bps** | 100bps |
| Reduction in profit before tax (£m) | **1.8** | 0.7 |

## 47. Share incentive reserve

| | £m |
|---|---|
| At 1 April 2020 | 19.8 |
| Share-based payment charges in the year | 3.8 |
| Share options exercised in the year | (7.1) |
| At 1 April 2021 | 16.5 |
| Share-based payment charges in the year | 4.8 |
| Share options exercised in the year | (2.9) |
| **At 31 March 2022** | **18.4** |

## 48. Notes to the cash flow statement

| | 2022 £m | 2021 £m |
|---|---|---|
| **Operating loss** | **(21.7)** | (23.2) |
| Adjustments for: | | |
| Amortisation of intangible assets | **0.5** | 0.6 |
| Depreciation of property, plant and equipment | **0.2** | 0.2 |
| Depreciation of Right-of-use assets | **0.5** | 0.4 |
| Exceptional charges | **–** | 4.1 |
| Amounts received from subsidiary undertakings for share incentive schemes and other items | **3.5** | 3.1 |
| Share-based payment expense | **1.7** | 1.1 |
| Operating cash flows before movements in working capital | **(15.3)** | (13.7) |
| Increase in receivables | **(140.4)** | (43.2) |
| Decrease in payables | **(3.5)** | (2.6) |
| Movements in working capital | **(143.9)** | (45.8) |
| Cash used in operations | **(159.2)** | (59.5) |
| Income taxes received/(paid) | **12.3** | (0.3) |
| Interest paid (inclusive of payments on lease liabilities and non-bank interest) | **(22.9)** | (18.1) |
| **Net cash outflow from operating activities** | **(169.8)** | (77.9) |

# Notes to Company financial statements
# Year ended 31 March 2022

## 49. Share-based payments

During the year ended 31 March 2022, the Company had three (FY21: three) share-based payment arrangements, which are described in note 32.

| | LTIP | SVCP | One Plan |
|---|---|---|---|
| **2022** | | | |
| **Number** | | | |
| Outstanding at 1 April 2021 | 1,193,806 | 233,332 | 8,389 |
| Granted | 660,115 | — | 9,539 |
| Transfer in | 9,000 | — | 462 |
| Lapsed | (310,112) | — | — |
| Forfeited | (53,655) | — | (866) |
| Exercised | (216,683) | — | (3,800) |
| **Outstanding at 31 March 2022** | **1,282,471** | **233,332** | **13,724** |
| Exercisable at 31 March 2022 | — | — | — |
| | | | |
| Exercise price of options outstanding at 31 March 2022 | £0.00 | £0.00 | £0.00 |
| Weighted average remaining contractual life | 3 | 2 | 2 |
| Weighted average fair value of options granted in 2022 | £8.01 | n/a | £8.75 |

| | LTIP | SVCP | One Plan |
|---|---|---|---|
| 2021 | | | |
| Number | | | |
| Outstanding at 1 April 2020 | 1,218,460 | 233,332 | 7,012 |
| Granted | 341,453 | — | 3,234 |
| Transfer in | 8,460 | — | 1,513 |
| Forfeited | (5,137) | — | (48) |
| Exercised | (369,430) | — | (3,322) |
| Outstanding at 31 March 2021 | 1,193,806 | 233,332 | 8,389 |
| Exercisable at 31 March 2021 | 104,784 | — | — |
| | | | |
| Exercise price of options outstanding at 31 March 2021 | £0.00 | £0.00 | £0.00 |
| Weighted average remaining contractual life | 2 | 3 | 2 |
| Weighted average fair value of options granted in 2021 | £11.13 | n/a | £11.79 |

The weighted average share price at the date of exercise for share options exercised during the year was £10.20 (FY21: £12.98).

The estimated fair values are calculated by applying a Black-Scholes option pricing model for SVCP and One Plan and in addition Monte Carlo and Stochastic simulations for the LTIP. The assumptions used in the models are set out in note 32.

In FY22 the Company recognised an IFRS 2 charge of £1.7m (FY21: £1.1m) related to equity-settled share-based payment transactions.

## 50. Related party transactions

During the year the Company purchased services amounting to £0.1m (FY21: £nil) from companies that are not members of the Group but that are related parties as they are controlled by or connected to Richard Harpin, Chief Executive of the Group and a Director of the parent company of the Group. These services related to the use by the Group of private aircraft, including the provision of pilots and all related operating costs that are controlled by the related parties. The provision of such services were made at arm's length prices, which were approved by the Remuneration Committee.

The specific companies that were subject to the transactions were Harpin Limited (FY22: £0.1m, FY21: £nil) and Centreline AV Limited (FY22: £33,000, FY21: £29,000). Amounts outstanding to all these companies on 31 March 2022 amounted to £nil (FY21: £nil). No guarantees have been given or received.

In respect of transactions with subsidiaries of the Group, the Company provided goods of £nil (FY21: £nil), provided services of £9.2m (FY21: £9.5m), lent monies to of £141.0m (FY21: £56.3m) and borrowed monies from of £nil (FY21: £nil). Amounts due to subsidiary companies total £0.1m (FY21: £nil). Amounts owed by subsidiary companies total £213.7m (FY21: £76.4m) which principally relate to intercompany loans receivable. The Company provided services of £nil (FY21: £nil) to associates during the year and £0.2m (FY21: £0.1m) to joint ventures during the year. The Company purchased services of £nil (FY21: £nil) from joint ventures during the year. There are no amounts outstanding in either year with associates and £nil outstanding (FY21: £nil) with joint ventures.

Provision of services to and the purchase of services from related parties were made at arm's length prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

**Remuneration of key management personnel**

The remuneration of the Directors and relevant members of the Executive Committee, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration report.

| | **2022 £m** | 2021 £m |
|---|---|---|
| Short-term employee benefits | **4.3** | 4.3 |
| Post-employment benefits | **0.3** | 0.2 |
| Termination benefits | **–** | 3.6 |
| Share-based payments expense | **1.5** | 0.2 |
| | **6.1** | 8.3 |

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

# Notes to Company financial statements
Year ended 31 March 2022

## 50. Related party transactions (continued)

### Interests held in related companies

All interests in the companies listed below are owned by HomeServe plc and all interests held are in the ordinary share capital. All companies operate principally in their country of incorporation.

| Name of legal entity | Activity | Place of incorporation ownership (or registration) and operation | Proportion of voting interest and power % | Registered address |
|---|---|---|---|---|
| **Directly held entities of HomeServe plc:** | | | | |
| HomeServe Enterprises Limited | Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| **Indirectly held entities of HomeServe plc:** | | | | |
| **Holding Companies** | | | | |
| HomeServe Assistance Limited | Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe International Limited | Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe Home Experts UK Limited | Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe North America UK Limited | Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe GB Limited (No. 5536994) [1] | Dormant | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe France Holding SAS | Trading | France | 100 | 9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7 |
| HomeServe Energy Services SAS | Trading | France | 100 | 9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7 |
| HomeServe Energy Services Belgium SRL | Trading | Belgium | 100 | Manhattan Center, Avenue du Boulevard 21 / Bte 5 1210 Bruxelles |
| Mouse Holding SAS | Trading | France | 20 | 73 Boulevard Hausmann, 75008 Paris |
| HomeServe USA Holdings Corp | Trading | USA | 100 | 601 Merritt 7, Norwalk, CT 06851 |
| HomeServe Beteiligungs GmbH | Trading | Germany | 100 | Rheinstr. 30-32, 65185, Wiesbaden |
| HomeServe Deutschland Verwaltungs GmbH | Trading | Germany | 100 | Klingholzstraße 7, 65189 Wiesbaden |
| HomeServe Deutschland Holding GmbH & Co. KG | Trading | Germany | 100 | Klingholzstraße 7, 65189 Wiesbaden |
| HomeServe Handwerksdienstleistung Deutschland GmbH | Trading | Germany | 100 | Klingholzstraße 7, 65189 Wiesbaden |
| HomeServe Assistance Deutschland GmbH | Trading | Germany | 100 | Klingholzstraße 7, 65189 Wiesbaden |
| VBF Holdings Limited (No. 12123573) [4,5] | Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| Sherrington Mews Limited (No. 09167024) [4] | Trading | England | 100 | Building 2000, Lakeside North Harbour, Western Road, Portsmouth, PO6 3EN |
| **UK & Ireland** | | | | |
| HomeServe Membership Limited | Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe Servowarm Limited (No. 560810) [4] | Non-Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe At Home Limited (No. 4186398) [1] | Dormant | England | 100 | Cable Drive, Walsall, WS2 7BN |
| Vetted Limited | Trading | England | 100 | Building 2000, Lakeside North Harbour, Western Road, Portsmouth, PO6 3EN |
| 247999 Limited (No. 7183505) [1] | Dormant | England | 100 | Cable Drive, Walsall, WS2 7BN |
| Home Energy Services Limited (No. 8419975) [4] | Non-Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe Manufacturer Warranties Limited (No. 4079068) [1] | Dormant | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe Heating Services Limited (No. 3468609) [4] | Non-Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe Trustees Limited (No. 3349817) [1] | Dormant | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe France Limited (No. 9469168) [4] | Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe USA Limited (No. 9468635) [4] | Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe Now Limited (No. 12523412) [4] | Non-Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| CET Structures Limited [5] | Trading | England | 100 | 3 Boundary Court Warke Flatt, Willow Business Park, Castle Donnington, DE74 2UD |
| Shermin Finance Limited [5] | Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe Europe Limited | Non-Trading | Ireland | 100 | 25-28 Adelaide Road, Dublin 2 |
| HomeServe America Limited | Non-Trading | Ireland | 100 | 25-28 Adelaide Road, Dublin 2 |
| HomeServe Gas Limited (No. 2248585) [1] | Dormant | England | 100 | Cable Drive, Walsall, WS2 7BN |
| Home Service (GB) Limited (No. 3546370) [1] | Dormant | England | 100 | Cable Drive, Walsall, WS2 7BN |

| Name of legal entity | Activity | Place of incorporation ownership (or registration) and operation | Proportion of voting interest and power % | Registered address |
|---|---|---|---|---|
| Fastfix Plumbing and Heating Limited (No. 3120932) [1] | Dormant | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe Care Solutions Limited (No. 3228902) [1] | Dormant | England | 100 | Cable Drive, Walsall, WS2 7BN |
| HomeServe Warranties Limited (No. 3156861) [1] | Dormant | England | 100 | Cable Drive, Walsall, WS2 7BN |
| Multimaster Limited (No. 3670180) [1] | Dormant | England | 100 | Cable Drive, Walsall, WS2 7BN |
| Ondo InsurTech Plc | Trading | England | 19.99 | 6th Floor, 60 Gracechurch Street, London, EC3B 0HR |
| Help-Link UK Limited | Trading | England | 100 | 1175 Century Way, Thorpe Park, Colton, Leeds, LS15 8ZB |
| Energy Insurance Services Limited | Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| Aqua Plumbing & Heating Services Limited (No. 04121404) [4] | Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| APG Domestic Services Limited (No. 04277772) [4 5] | Trading | England | 100 | Unit 1, Jbf Units Dewhurst Row, Bamber Bridge, Preston, England, PR5 6SW |
| John Wilkinson Heating Services Limited (No. 07645851 ) [4 5] | Trading | England | 100 | Cable Drive, Walsall, WS2 7BN |
| **Continental Europe** | | | | |
| HomeServe SAS | Trading | France | 100 | 9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7 |
| HomeServe France Corporate SAS | Trading | France | 100 | 9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7 |
| Electro Gaz Service SAS | Trading | France | 100 | 17, rue Bavastro, 06300, Nice |
| ID Energies SAS | Trading | France | 100 | ZA d'Armanville, route de la brique, 50700 Valognes |
| Sylvain Brun Froid SAS | Trading | France | 100 | 401 rue des Champagnes 73290 La Motte-Servolex |
| HomeServe On Demand SAS | Trading | France | 100 | 9, rue Anna Marly, CS 80510 , 69007 Lyon Cedex 7 |
| Groupe Maison.fr SAS | Trading | France | 20 | 350 avenue JRGG de la Lauzière, 13290 Aix-en-Provence |
| Societe V.B. Gaz | Trading | France | 100 | 1 rue George Sand, 94000 Creteil |
| Aujard SAS | Trading | France | 100 | 12 Av. du Président Paul Séramy, 77870 Vulaines sur Seine |
| Conviflamme SAS | Trading | France | 100 | Chemin des Carrières 14123 Fleury-sur-Orne |
| Lesage SAS | Trading | France | 100 | ZA d'Armanville secteur de prémesnil 50700 Valognes |
| Réseau Energies SAS | Trading | France | 100 | Chemin des Carrières 14123 Fleury-sur-Orne |
| Société de Maintenance Thermique SAS (SMT) | Trading | France | 100 | 117 avenue du 8 mai 1945 42340 Veauche |
| G2M SAS | Trading | France | 100 | 41 route de la libération 69110 Ste Foy les Lyon |
| PH Energies SAS | Trading | France | 100 | 318 rue des digues, 14123 Fleury-sur-Orne |
| PH9 SAS | Trading | France | 100 | 318 rue des digues, 14123 Fleury-sur-Orne |
| Pack SD SAS | Trading | France | 100 | 318 rue des digues, 14123 Fleury-sur-Orne |
| Roussin Energies SAS | Trading | France | 100 | 34, allée des Balmes, 38600 Fontaines |
| Dépann'Gaz SAS [5] | Trading | France | 100 | 15 Z.A. Cromel 50220 Saint-Quentin-Sur-Le-Homme |
| JCM Confort SAS [5] | Trading | France | 100 | 2 Rue Joseph Fourier 49070 Beaucouze |
| JC Technique SAS [5] | Trading | France | 100 | 2 Rue Joseph Fourier 49070 Beaucouze |
| HomeServe Belgium SRL | Trading | Belgium | 100 | Manhattan Center, Avenue du Boulevard 21 / Bte 5 1210 Bruxelles |
| Hainaut Chauffage C.S.T.E. SA [5] | Trading | Belgium | 100 | sis 25, Rue de la Terre A Briques, 7522 Tournai |
| HomeServe Assistencia Spain SAU [2] | Trading | Spain | 100 | Camino del Cerro de los Gamos 1, Parque empresarial – Edificios 5 y 6, 28224 Pozuelo de Alarcon |
| HomeServe Iberia S.L.U. (formerly HomeServe Spain S.L.U.) [2] | Trading | Spain | 100 | Camino del Cerro de los Gamos 1, Parque empresarial – Edificios 5 y 6, 28224 Pozuelo de Alarcon |
| Seguragua SAU [2] | Trading | Spain | 100 | Camino del Cerro de los Gamos 1, Parque empresarial – Edificios 5 y 6, 28224 Pozuelo de Alarcon |
| Habitissimo S.L. [2] | Trading | Spain | 100 | c/ Rita Levi, Edificio Blue - Parc Bit CP 07121, Palma de Mallorca |
| Bit Advanced Marketing S.L. [2] | Trading | Spain | 100 | Passeig Mallorca 17C, 07011 Palma de Mallorca |
| Oscagas Hogar SLU [2] | Trading | Spain | 100 | Rafael Alberti Nº 8, Zaragoza CP 50018 |
| Somgas Hogar S.L. [2] | Trading | Spain | 100 | Paseo Can Feu Num14, 08205 Sabadell, Barcelona |
| Linacal S.L.U. [2] | Trading | Spain | 100 | Polig. Las Labradas, C. Estella S/N. 31500 Tudela, Navarra |

# Notes to Company financial statements
# Year ended 31 March 2022

## 50. Related party transactions (continued)

### Interests held in related companies (continued)

| Name of legal entity | Activity | Place of incorporation ownership (or registration) and operation | Proportion of voting interest and power % | Registered address |
|---|---|---|---|---|
| Servicios Tecnicos Sate S.L. [2] | Trading | Spain | 100 | Calle Anselmo Pie Sopena 1-Local 4, Esquina Avenida Monegros No 31, Huesca |
| Solusat Asistencia Tecnica S.L. [2] | Trading | Spain | 100 | Avda Ingeniero Torres Quevedo 6, 28022 Madrid |
| Servicio Tecnico Urueña S.L. [2] | Trading | Spain | 100 | Calle Orixe 54 48015 Bilbao,Vizcaya |
| Aragonesa De Postventa S.L.U. [2] | Trading | Spain | 100 | Calle Centro, Nº 40 Parque Tecnologico Nave 40 50298 Pinseque, Zaragoza |
| Infocale Navarra S.L.U. [2] | Trading | Spain | 100 | Plaza De Los Sauces, 2, Trasera 31010 Baranain, Navarra |
| Técnica del frío Landaluce S.L.U. [2] | Trading | Spain | 100 | Calle Quinta (La) Num 29-A 39750 Colindres, Cantabria |
| Mantenimientos Holguín S.L.U. [2] | Trading | Spain | 100 | Plaza De Los Tilos S/N 31010 Baranain, Navarra |
| Mesos Gestión y Servicios S.L. [2] | Trading | Spain | 100 | Avda Industria18 28820 Coslada, Madrid |
| Sanimamp 2005 S.L.U. [2 5] | Trading | Spain | 100 | Calle Camp, 81, Cerdanyola del Valles, 08290, Barcelona |
| Atecal 2001 S.L.U. [2 5] | Trading | Spain | 100 | Av. Roma, 10, B, Cerdanyola del Valles, 08290, Barcelona |
| HS Contact Desk S.L. [2] | Trading | Spain | 100 | Camino cerro de los Gamos 1, 28224 Madrid |
| Esven Servicio Tenico S.L. [2 5] | Trading | Spain | 100 | C/ Lluis Sagnier, 16 -18 Bajo 08302 Barcelona |
| Vimar Sociedad Civil [2 5] | Trading | Spain | 100 | C/ Padre Marín, 13. 26004 Logroño, La Rioja |
| Mesos Portugal, Unipessoal LDA [2] | Trading | Portugal | 100 | Praça Duque De Saldanha 1, EDIF. Atrium, 4º H-O.1069-244, Lisbon |
| Servitis LDA [2 5] | Trading | Portugal | 100 | Rua Insdustrial das Lages, 63, 4410-312 Canelas, Vila Nova de Gaia |
| Preventivi SRL | Trading | Italy | 100 | Via Martiri di Bologna, 13, 76123 Andria |
| Schneider & Steffens GmbH & Co. KG [5] | Trading | Germany | 100 | Mehlbachstrift 4, 21339 Lüneburg |
| **North America** | | | | |
| HomeServe USA Corp | Trading | USA | 100 | 601 Merritt 7, Norwalk, CT 06851 |
| HomeServe USA Repair Management Corp. [6] | Trading | USA | 100 | 1232 Premier Drive, Chattanooga, TN 37421 |
| HomeServe USA Repair Management (Florida) Corp. | Trading | USA | 100 | 1232 Premier Drive, Chattanooga, TN 37421 |
| Leakguard Inc | Dormant | USA | 100 | 601 Merritt 7, Norwalk, CT 06851 |
| Leakguard Services Repair Inc | Dormant | USA | 100 | 601 Merritt 7, Norwalk, CT 06851 |
| HomeServe USA Repair Management (Iowa) Corp. | Dormant | USA | 100 | 601 Merritt 7, Norwalk, CT 06851 |
| HomeServe USA Repair Management (Virginia) Corp. | Dormant | USA | 100 | 601 Merritt 7, Norwalk, CT 06851 |
| HomeServe USA Repair Management (Wisconsin) Corp. | Trading | USA | 100 | 601 Merritt 7, Norwalk, CT 06851 |
| HomeServe USA Energy Services LLC | Trading | USA | 100 | 500 Bi-County Blvd, Farmingdale, NY 11735 |
| HomeServe USA Energy Services (New England ) LLC | Trading | USA | 100 | 5 Constitution Way, Woburn, MA 01801 |
| LI PH Enterprises LLC | Trading | USA | 49 | 1307 Manatuck Blvd, Bay Shore, NY 11706 |
| NYC PH Enterprises LLC | Trading | USA | 49 | 4295 Arthur Kill Rd, Staten Island, NY 10309 |
| SJESP Plumbing Services LLC | Trading | USA | 90 | 420 N. 2nd Road, Unit 1, Hammonton NJ 08037 |
| USP Holdings 1 LLC | Trading | USA | 100 | 4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317 |
| USP Holdings 2 LLC | Trading | USA | 100 | 4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317 |
| Utility Service Partners Inc. | Trading | USA | 100 | 4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317 |
| Utility Service Partners Private Label, Inc. | Trading | USA | 100 | 4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317 |
| USP Water Heater Rentals LLC | Trading | USA | 100 | 4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317 |
| Utility Service Partners Private Label of Virginia, Inc | Trading | USA | 100 | 4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317 |
| Columbia Service Partners Inc | Trading | USA | 100 | 4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317 |
| Service Line Warranties of America, Inc - Delaware. | Trading | USA | 100 | 4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317 |
| Service Line Warranties of America, Inc - California. | Trading | USA | 100 | 4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317 |
| Service Line Warranties of Canada Holdings, Inc. | Trading | Canada | 100 | 2600 – 1066 West Hastings Street, Vancouver, BC V6E 3X1 |
| Columbia Service Partners of Pennsylvania, Inc | Trading | USA | 100 | 4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317 |
| Columbia Service Partners of Kentucky, Inc. | Trading | USA | 100 | 4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317 |

| Name of legal entity | Activity | Place of incorporation ownership (or registration) and operation | Proportion of voting interest and power % | Registered address |
|---|---|---|---|---|
| Columbia Service Partners of Ohio, Inc. | Trading | USA | 100 | 4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317 |
| Columbia Service Partners of West Virginia, Inc. | Trading | USA | 100 | 4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317 |
| Service Line Warranties of Canada Inc. | Trading | Canada | 100 | 2600 – 1066 West Hastings Street, Vancouver, BC V6E 3X1 |
| HomeServe Skilled Trades LLC (formerly HomeServe HVAC LLC) | Trading | USA | 100 | 601 Merritt 7, Norwalk, CT 06851 |
| Gregg Mechanical Corp. | Trading | USA | 100 | 198 Pulaski Avenue, Staten Island, New York 10303 |
| Geisel Heating and Air Conditioning Inc. | Trading | USA | 100 | 633 Broad Street, Elyria, Ohio 44035 |
| C.M.H., Inc (formerly Cropp-Metcalfe Air Conditioning and Heating Company) | Trading | USA | 100 | 8421 Hilltop Road, Fairfax, VA 22031 |
| American Home Guardian Inc | Trading | USA | 100 | 1839 S Alma School Rd, Mesa, AZ 85210 |
| Nations Preferred Home Warranty Inc | Trading | USA | 100 | 3530 Forest Lane, Dallas, TX 75234 |
| Crawford Services, Inc | Trading | USA | 100 | 1405 Avenue T. Grand Prairie, TX 75050 |
| eLocal Holdings LLC | Trading | USA | 89.5 | 1100 East Hector Street, Suite 101, Conshohocken, PA 19428 |
| eLocal USA LLC | Trading | USA | 89.5 | 1100 East Hector Street, Suite 101, Conshohocken, PA 19428 |
| HomeServe SEM LLC | Trading | USA | 100 | 2300 East Lincoln Highway, Suite 317 Langhorne, PA 19047 |
| Hays Cooling and Heating LLC | Trading | USA | 100 | 24825 N 16th Ave #115, Phoenix, AZ 85085 |
| Worry Free Comfort Systems Inc | Trading | USA | 100 | 630 20th St. N, Bessemer, AL 35020 |
| Arizona's Dukes of Air LLC | Trading | USA | 100 | 6938 E. Parkway Norte Mesa, AZ 85212 |
| Canyon State Air Conditioning & Heating LLC | Trading | USA | 100 | 13632 West Camino Del Sol, Sun City West, AZ 85375 |
| Renew Air, LLC | Trading | USA | 100 | 6938 E. Parkway Norte Mesa, AZ 85212 |
| Environmental Systems Associates, Inc | Trading | USA | 100 | 9375 Gerwig Ln J, Columbia, MD 21046 |
| Olympic Aire Services, Inc.[5] | Trading | USA | 100 | 4384 Hackett Place White Plains MD 20695 |
| Sure Temp Air Conditioning, LLC[5] | Trading | USA | 100 | 7931 E. Pecos Road, Mesa, AZ 85212 |
| Mark Gillece Plumbing & Heating, LLC[5] | Trading | USA | 100 | 4905 Library Road, Bethel Park PA 15102 |
| McLoughlin Plumbing and Heating Co.[5] | Trading | USA | 100 | 8649 West Chester Pike, Upper Darby, PA 19082 |
| Montgomery Brothers, LLC[5] | Trading | USA | 100 | 8951 West US HWY 42, Goshen, KY 40026 |
| HomeServe Insurance Agency Corp. (formerly HomeServe USA Repair Management Corp (California)) | Trading | USA | 100 | 601 Merritt 7, Norwalk, CT 06851 |
| HomeServe Insurance Services Holding Corp | Trading | USA | 100 | 601 Merritt 7, Norwalk, CT 06851 |
| **Asia** | | | | |
| HomeServe Japan Corporation[3] | Trading | Japan | 50 | MH-KIYA BLDG. 12-1, Mikuracho Kanda, Chiyoda-ku, Tokyo 101-0038 |

1 The Group has taken advantage of the exemption from audit of the dormant subsidiaries registered in England under s480 of the Companies Act 2006. The registered numbers of the dormant subsidiaries are provided above.
2 These companies have a 31 December year end due to the reporting requirements in Spain and Portugal.
3 The Group includes equity accounted investments; please refer to note 18 for full details.
4 These companies qualify for an exemption to audit for non-dormant entities under the requirements of s479A of the Companies Act 2006. As such, no audit has been conducted for these companies in the current financial year. The registered numbers of the audit exempt subsidiaries are provided above.
5 These companies were acquired during FY22. Please refer to note 16 for full details.
6 This company also operates in Canada.

# Five year summary
## Continuing operations

| Unaudited | 2022 £m | 2021 £m | 2020 £m | 2019 £m | 2018 £m |
|---|---|---|---|---|---|
| **External revenue** | | | | | |
| **Membership & HVAC – North America** | **583.0** | **506.4** | **429.5** | **333.4** | **282.1** |
| UK | 330.1 | 330.2 | 365.1 | 384.4 | 357.7 |
| France | 152.7 | 132.6 | 111.8 | 104.6 | 100.0 |
| Spain | 207.5 | 195.7 | 154.1 | 140.8 | 141.3 |
| New Markets | 0.8 | — | — | — | — |
| **Membership & HVAC – EMEA** | **691.1** | **658.5** | **631.0** | **629.8** | **599.0** |
| Home Experts | 155.2 | 139.8 | 71.8 | 40.4 | 18.6 |
| **External sales** | **1,429.3** | **1,304.7** | **1,132.3** | **1,003.6** | **899.7** |
| | | | | | |
| **Profit/(loss)** | | | | | |
| **Membership & HVAC – North America** | **117.7** | **105.0** | **85.4** | **67.6** | **48.6** |
| UK | 72.9 | 72.5 | 81.0 | 66.0 | 61.1 |
| France | 36.4 | 35.6 | 33.8 | 33.3 | 31.5 |
| Spain | 20.8 | 17.7 | 20.1 | 17.7 | 16.6 |
| New Markets | (5.6) | (6.3) | (4.7) | (2.4) | (1.6) |
| **Membership & HVAC – EMEA** | **124.5** | **119.5** | **130.2** | **114.6** | **107.6** |
| Home Experts | 4.3 | (10.2) | (13.9) | (7.4) | (2.8) |
| **Adjusted operating profit** | **246.5** | **214.3** | **201.7** | **174.8** | **153.4** |
| | | | | | |
| Amortisation of acquisition intangibles | (44.9) | (45.0) | (35.5) | (26.8) | (18.4) |
| Certain transaction related costs | 1.0 | (5.1) | — | — | — |
| Exceptional items | — | (92.4) | (7.6) | 4.6 | — |
| Operating profit | 202.6 | 71.8 | 158.6 | 152.6 | 135.0 |
| Net interest | (27.5) | (24.6) | (20.7) | (13.1) | (11.7) |
| **Profit before tax** | **175.1** | **47.2** | **137.9** | **139.5** | **123.3** |