

2019

ANNUAL REPORT & ACCOUNTS



Highlights

Customers ↔

8.4m

(FY18: 8.4m)

Retention rate ↔

82%

(FY18: 82%)

Revenue ↗ 12%

£1,003.6m

(FY18: £899.7m)

Statutory operating profit ↗ 13%

£152.6m

(FY18: £135.0m)

Basic earnings per share ↗ 8%

32.7p

(FY18: 30.2p)

Ordinary dividend per share ↗ 12%

21.4p

(FY18: 19.1p)

The home is at the centre of our customers' lives and HomeServe's purpose is to make home repairs and improvements easy. Easy for homeowners and easy for trades.

Over 8m Membership customers around the world already place their trust in HomeServe and our growing Home Experts, HVAC and Smart Home businesses are providing customers with more choice to buy with confidence when it comes to fixing, maintaining and improving their home.

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



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

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

HomeServe is developing four global business lines...



Membership

Subscription-based home assistance for homeowners covering plumbing, heating, electrical, locks, glazing, pest control and technology.



HVAC

A complete solution for the installation, repair, maintenance and replacement of heating, ventilation and air conditioning.



Home Experts

On demand, online marketplace to find checked, vetted and reviewed local tradespeople for a broad range of home repairs and improvements.



Smart Home

Development and distribution of technology to enable home automation, including LeakBot, smart thermostats and connected boilers.

Membership is the Group's main near term growth driver. It is the largest and most well established business line and today generates the majority of the Group's profits. We are investing in our exciting growth plans for HVAC, Home Experts and Smart Home and expect them to support Membership in delivering growth in the medium to long-term.



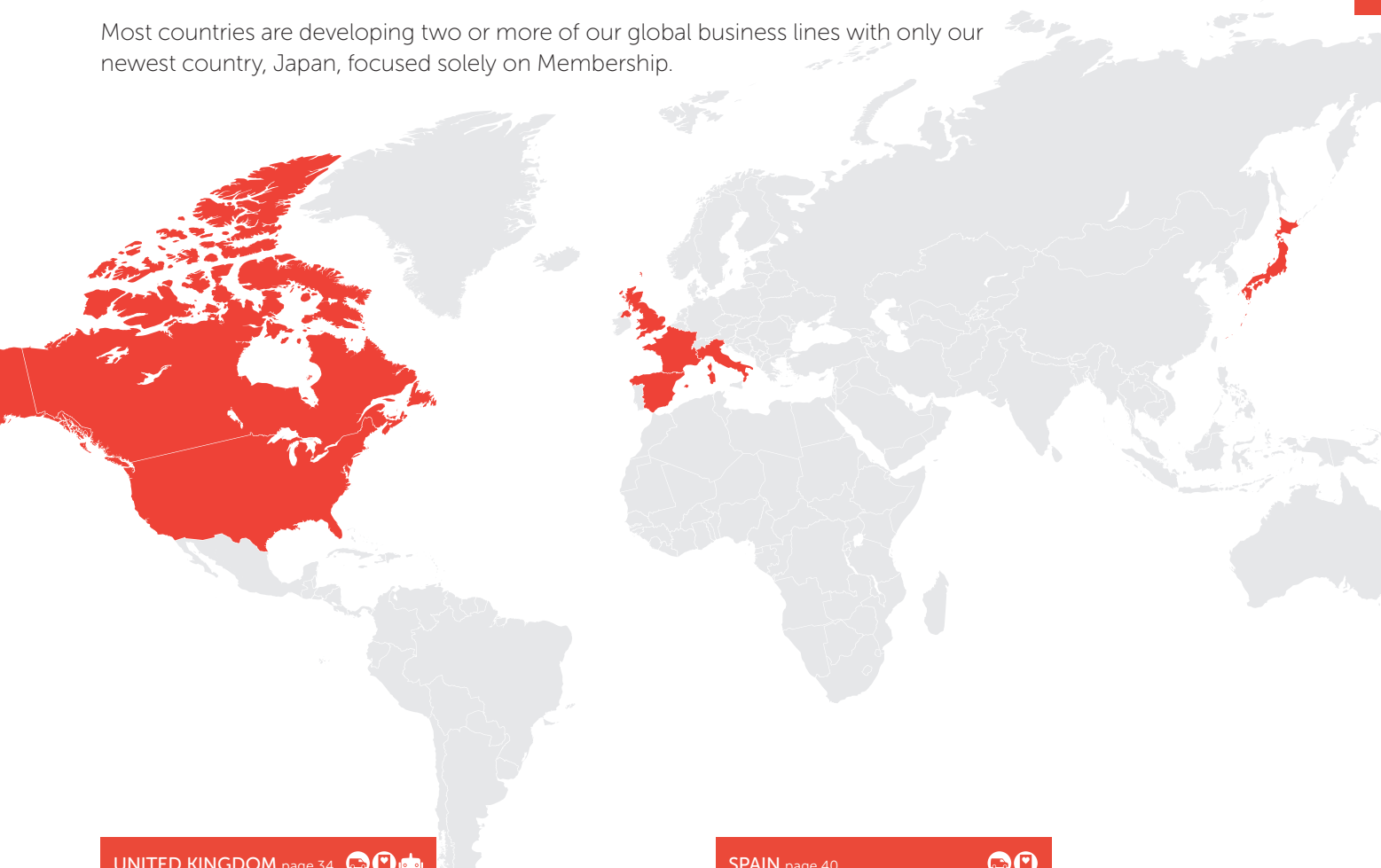
Achievements

- ▶ Strong profit growth across the Group with North America now HomeServe's largest business
- ▶ Membership businesses performing strongly – profits increased in all of UK, North America, France and Spain
- ▶ Very good progress in Checktrade and extra investment to drive the Home Experts opportunity
- ▶ Established a presence in Japan via a joint venture with Mitsubishi Corporation.

Our primary reporting segmentation is by geography

In FY19 we have broken out Home Experts as its own segment, reflecting the size of the opportunity and the way we allocate resources and review performance.

Most countries are developing two or more of our global business lines with only our newest country, Japan, focused solely on Membership.



UNITED KINGDOM page 34



Well established Membership business in our most mature market. We see growth by deepening our customer relationships and fulfilling our efficiency plans. There are also some interesting new partner options in the retail energy sector.

SPAIN page 40



Spain's leading claims business working with a number of B2B bancassurer partners and a Membership business with a current focus on establishing new partnerships.

NORTH AMERICA page 36



Our fast growing Membership business in North America is driving the Group's near term growth and we have further ambitious growth plans for the future. North America also has the Group's most established HVAC business and in 2019 acquired three businesses to support our buy and build strategy.

HOME EXPERTS page 42



A significant medium to long-term opportunity – developing our preferred model with Checktrade in the UK. Recently launched in France and Habitissimo is the market leader in Spain. Guided annual investment of c.£8m to £12m.

FRANCE page 38



A well established business with the highest retention rates and margins in the Group. We continue to explore growth options from new partner signings and recent HVAC acquisitions.

NEW MARKETS page 43



New business development and innovation activities including our Italian associate with Edison Energia and our most recent joint venture, with Mitsubishi Corporation in Japan.



HomeServe celebrated its 25th anniversary during this financial year, and I would like to begin my report by congratulating our founder Richard Harpin, and everyone at HomeServe, for being as focused as ever on delivering our vision of being the world's most trusted provider of home repairs and improvements. From taking the worry out of home repairs to making home repairs and improvements easy, our reason for being in business has expanded, but remained essentially the same.

HomeServe delivered yet another strong year, with revenue passing £1bn for the first time and statutory profit before tax up 13% to £139.5m. North America is now the Group's largest operating unit, with growth there in partnerships, customers and profitability continuing to be the key driver of HomeServe's progress.

Our core Membership business delivered strong results across the globe, with an aggregate 17% growth in operating profit. After the creation of our four global business lines last year, Tom Rusin's influence at Board level as Global CEO, Membership, has precipitated greater collaboration and sharing of best practice. This global approach has proved particularly beneficial as we start to grow our Heating, Ventilation and Air Conditioning (HVAC) installations business, where we have made acquisitions in each of our main territories this year to realise our buy and build HVAC strategy.

The Board agenda focused heavily this year on Home Experts, our most exciting longer term opportunity, which expands

HomeServe's reach beyond its traditional Membership market into online, on demand home repairs and improvements. The Board is encouraged by the experience and diversity of the management team we now have in place at Checkatrade, under the leadership of Mike Fairman, who joined HomeServe after building challenger mobile phone brand giffgaff from inside Telefonica. With a strong management team, differentiated product and strong business model, we have all the key building blocks in place to build a market leading Home Experts proposition.

HomeServe's business model is based on five key sources of value – partnerships, marketing expertise, customer service, local networks and financial resources. A key part of the Board's role is to ensure that we deploy these areas of expertise across the Group to maximise value creation. In the course of this year, we have focused on developing partnerships to support our Smart Home business and to further our international expansion ambitions. I was delighted to visit Japan in February 2019 to sign a joint venture with Mitsubishi Corporation.

People

There have been significant changes in personnel across the group in the past year, which have been overseen carefully by the Board. Martin Bennett, CEO, HomeServe UK, and Johnathan Ford, COO, both departed in the course of the year with our best wishes. The composition of the Executive Committee has now changed to introduce greater diversity and stronger representation from operational management.

There were also changes amongst our Non-Executive Directors. We said goodbye to Chris Havemann, who departs with our thanks, and welcomed Olivier Grémillon, who brings extensive experience of growing digital platform businesses which is directly relevant to our plans for Home Experts.

HomeServe has a vibrant corporate culture based on four global values, which I see being put into action at every Board meeting and every time I visit a HomeServe office.

- Put customers at the heart of everything we do
- Combine relentless innovation with integrity and professionalism
- Strive to be the best in the world at what we do
- Develop and encourage great people who are passionate about taking responsibility and making things happen.

By living these values, we have built our business on strong foundations. What unites us as we grow is a strong sense of purpose – to make home repairs and improvements easy, for our trades and for our customers.

I want to thank everyone at HomeServe for their continuing commitment to our success, and to all of our stakeholders for their continuing support.

“What unites us as we grow is a strong sense of purpose – to make home repairs and improvements easy, for our trades and for our customers.”



Chairman Barry Gibson and Chairman of HomeServe Japan, Jonathan King signing our joint venture agreement with Mitsubishi Corporation.

Dividend

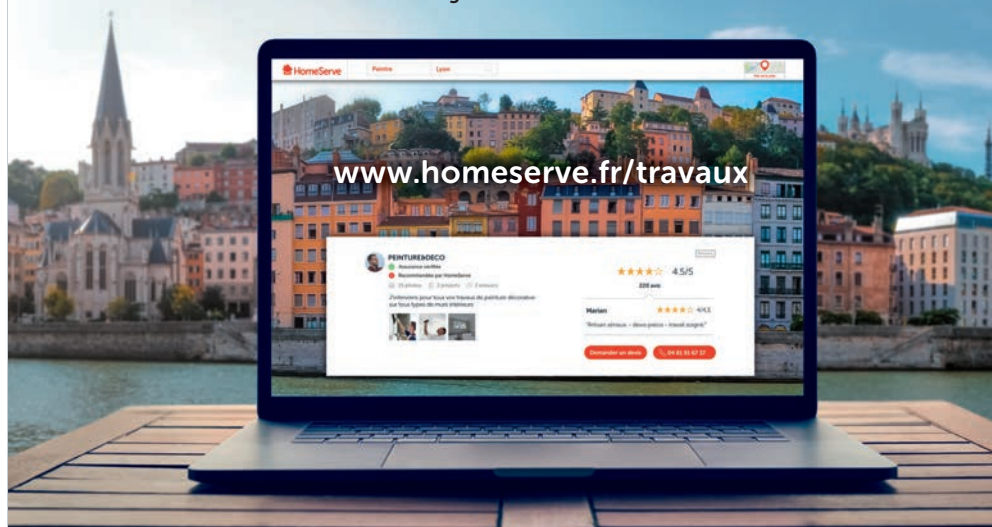
Given the Group's performance this year and the Board's confidence in its future prospects, the Board is proposing a final dividend of 16.2p per share, bringing the total ordinary dividend for the year to 21.4p per share, an increase of 12%. The proposed dividend is 1.75x covered by adjusted earnings per share. The Board operates a progressive dividend policy, and targets dividend cover in the range of 1.75x-2x over the medium term.

JM Barry Gibson
Chairman
21 May 2019



Vous êtes ici!

L'annuaire en ligne de tous les artisans de France



A focus of the Board's agenda this year was Home Experts and in March 2019 we launched our France initiative in Lyon.

Membership

Subscription-based home assistance for homeowners covering plumbing, heating, electrical, locks, glazing, pest control and technology.



Strategic report

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Chief Executive's review

HomeServe made very good progress in FY19 on a number of fronts as we continued to advance our strategic growth initiatives and focused on our purpose of making home repairs and improvements easy.

Our **Membership** business line remains the core of our business today and it was great to see North America continue its strong growth trajectory as it became our largest business as well as to see good performances in our other Membership businesses with increased profits across the board.

With our buy and build strategy in **HVAC** (our installations, repairs and service business for heating, ventilation and air conditioning) also taking shape and contributing to the Group's performance, it was the combined team effort of all business lines that gave me confidence to increase our annual New Markets investment. The potential of **Home Experts** is significant and we have the right team in place at Checkatrade to deliver our ambitions.

With all Membership businesses now under Tom Rusin's leadership we are seeing greater collaboration and sharing of best practice and we are becoming more sophisticated in how we test and learn from new initiatives, as well as how we deploy our investments across our businesses for the best returns. North America continues to be our principal near-term source of growth, but all of our Membership businesses have opportunities to expand. New partners, products and channels drive top line growth and the increasing use of data and technology transforms our customer service and delivers greater operational scale and efficiency.

I was pleased to see our Membership businesses strengthening and expanding their utility partnerships. France extended the Group's single largest partnership, with Veolia, until 2026, and began a partnership with Saur, France's third largest water utility. In the UK we signed four new energy partners and Spain followed the UK lead and is now witnessing the early signs of success with a small challenger energy partner. With retention also increasing and the Claims side of the business in good health, our Spanish business is well placed as it seeks to bring on board new affinity partners in place of Endesa. Finally, in North America we have further accelerated our business development activity and are now signing new partners at the rate of three a week.

As well as initiatives to grow our revenue, we are equally focused on transforming our service for ever evolving customer demands and needs. Better use of technology can offer HomeServe a real competitive advantage and increased scale and efficiencies. By freeing our people from simpler tasks such as routine claims handling and appointment scheduling we can retain them for more interesting and challenging calls. This not only improves job satisfaction and engagement but also ensures our best people are available to provide the best service when our customers need their direct intervention the most.

Adding to our Membership highlights this year was our joint venture with Mitsubishi Corporation. The Japanese market meets all of the search criteria we apply to new markets, notably a strong economy, a large and high quality housing stock and the potential to form strong utility partnerships. Mitsubishi is not itself a utility but has unrivalled market knowledge and is well placed to introduce the new JV to potential utility partners.

FY19 was our first year of full ownership of Checkatrade, our UK **Home Experts** business, and we have used this to start accelerating some fundamental changes. Over the last 12 months the number of trade members has grown by 23% to 36k and consumer web visits are up by 11% to 18m a year. This demonstrates strong progress, but we have plans to step change this growth. To support this, the business has moved to new offices at Lakeside, Portsmouth Harbour and it was great that so many of Checkatrade's experienced people who have been with the company for many years chose to move with the business. They join us on the next phase of Checkatrade's journey as we look to transform under the leadership of a new senior management team with experience in fast growing digital businesses.

I firmly believe that an online directory of trusted and vetted trades is the winning solution for our trade members and for consumers who use the site. Checkatrade's vetting process is unique and highly valued by consumers and has helped make it the UK market leader today. We do, however, need new functionality and new products in order to improve the experience for consumers and trades alike. We are developing on new initiatives such as "Search For Me" for consumers who simply want us to select a trade on their behalf and Checkatrade Now, a solution for obtaining an emergency repair. We are pursuing our plans to accelerate trade numbers and to increase web visitors so that ultimately we 'make the phone ring' even more for our members and help them improve and grow their own businesses.

Habitissimo had a good year but it is clear from our experiences with Checkatrade and our Home Experts market research that an online directory combined with a "Search For Me" facility is the best model. We intend to introduce our preferred model into Habitissimo's markets over the course of the next year.

On **Smart Home** we have a leak detection device that works well, is easy to install and we have the plumbing network to detect and fix the identified leaks. With the WIFI version of LeakBot now proven, we are targeting 3.6m homes in the UK where we know we have an attractive model for both the home insurer and HomeServe. These are larger homes where the savings the home insurer makes from preventing sizeable water damage claims will cover the rental and service charges the home insurer pays to HomeServe for the LeakBot units and the leak finding and fixing service.

People and leadership

HomeServe has a strong history of growth in all of its businesses and we have ambitious plans in place for the future. Having the right people is key to achieving our goals and HomeServe's success owes much to the dedication of our people around the world. I am proud and thankful for the service they provide to our customers every day. I believe that HomeServe is a great place to develop a rewarding and fulfilling career and look forward to seeing our people share in HomeServe's success.

There have been significant changes in personnel across the group in the past year, which have been overseen carefully by the Board. Martin Bennett, CEO, HomeServe UK, and Johnathan Ford, COO, both departed with our good wishes and I also recently made changes to HomeServe's Executive Committee, introducing greater diversity and stronger representation from operational management.

Deb Dulsky (Global CEO of HVAC), Fernando Prieto (CEO, Spain), Greg Reed (CEO, UK), John Kitzie (CEO, North America) and Mike Fairman (CEO, Checkatrade) joined my HomeServe plc Executive Committee with effect from 1 April 2019. They join existing members David Bower (Chief Financial Officer), Guillaume Huser (CEO, France), H Stephen Phillips (CEO, Global Partnerships) and Tom Rusin (Global CEO, Membership). The change will bring fresh perspectives to the Executive Committee and also serves to demonstrate the depth of management we now have in the business.

Outlook

HomeServe expects to deliver further strong growth in FY20, with increased P&L investment in Home Experts expected to be offset by strong performance in Membership, particularly North America. HomeServe increased its P&L investment in Home Experts and New Markets to £9.8m in FY19 (FY18: £4.4m), and expects to increase it to between £12m to £15m across these two areas in FY20.



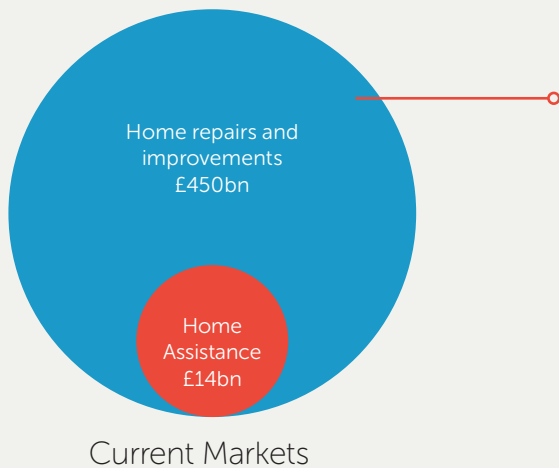
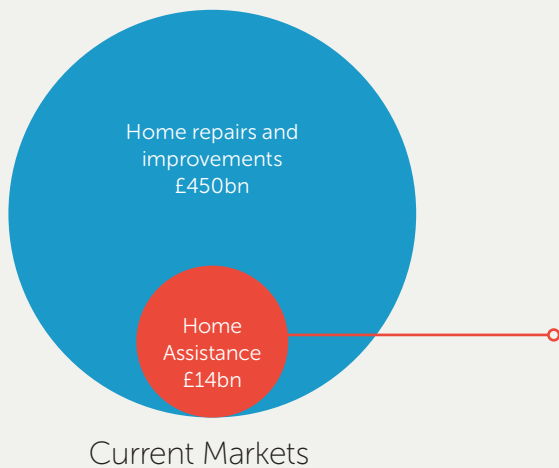
Market overview

Home Assistance	DIYers	Find a trade
<ul style="list-style-type: none"> Tend to be an older demographic Often insurance minded Often on fixed incomes Like to budget carefully and avoid unexpected repair bills. 	<ul style="list-style-type: none"> Have the knowledge, skills and motivation to carry out repair work themselves Most of the time we can't help these homeowners but they may call on us for jobs requiring specialist skills or qualifications e.g. in the UK, needing a qualified Gas Safe Registered engineer for a boiler installation, or installing a LeakBot from their home insurance provider. 	<ul style="list-style-type: none"> Find a trade when needed – by word of mouth, paper directories and increasingly online Often less concerned about financial loss and more concerned about hassle and loss of time Don't have DIY skills and don't have existing contacts to use Younger demographic more digitally minded and looking online.
<p>HomeServe's solution</p> <hr/> <p>Membership</p>	<p>HomeServe's solution</p> <hr/> <p>HVAC</p> <p>Smart Home</p>	<p>HomeServe's solution</p> <hr/> <p>Home Experts</p>

The statistic that 30% of homeowners purchase home assistance products is borne out in the UK, our most mature market. Between HomeServe, direct competitors, utilities and boiler manufacturers running their own policy books and home insurance add-ons, we estimate there are around 8m homeowners holding some type of assistance cover out of a total of around 28m households.

Contrast this with North America where there are somewhere in the region of 135m homes but only an estimated 12m customers with some sort of cover and it's easy to see why HomeServe is so excited about the opportunity there. We see no reason why the North American market would behave any differently to the UK – if anything the American consumer, who is used to budgeting for so many other items on a monthly basis (healthcare, pension etc.), is possibly even more minded to buy this type of cover.

In our established geographies ¹



Membership

This is HomeServe's traditional market which began a little over 25 years ago in the UK.

We have since taken this model successfully to France, Spain and North America and we have recently commenced a joint venture in Japan.

As listed in our sources of value on page 13 we gain market share by partnering with utilities to market our products to homeowners.

North America is by far HomeServe's largest Membership opportunity.

The size of the North American market is vast, with 135m households and over 50,000 utility providers.

Assuming the same 30% penetration rate as the UK, we can estimate that around 40m out of the 135m homes might purchase our products.

Today we estimate there are only around 12m homes in North America with these types of products. HomeServe is the market leader today with 4m but the potential to grow this even further is a significant current and future opportunity.

Read more about our North America business on page 36.

Home Experts

Home Experts is HomeServe's largest opportunity in the medium to long-term. Not only are there more consumers who prefer this type of product, the market itself is much larger, covering home improvements as well as repairs. With Membership cover you might get a dripping tap fixed. With Home Experts you could get a tap fixed, a tap replaced, a whole sink replaced or even a whole new bathroom designed and installed. Our customers in Home Experts are trades and not the end consumer so HomeServe won't be capturing the full revenue from the sale of a new bathroom, but by charging our growing number of trades a monthly subscription for the leads and work generated by being on our platforms we can capture a percentage of every repair and improvement sale.

Read more about our Home Experts on page 42.

	Total trades	HomeServe trades
UK	600k	36k
France	600k	—
Spain	400k	28k

HVAC

HVAC is a subset of home repairs and improvements and is highly complementary to our Membership business.

In the US alone the HVAC opportunity is estimated at \$29bn.

The HVAC market is highly fragmented in all of our geographies with installations completed by some larger players and by many, many smaller, independent businesses and sole traders.

HomeServe's buy-and-build strategy aims to capture a share of this market by acquiring well-run profitable HVAC businesses and integrating them to generate benefits with the Membership business.

Our key sources of advantage as set out in our Business model overleaf will be instrumental in our efforts to grow our market share. For example, and as indicated above, our partnerships with utilities in North America combined with our marketing expertise are the main ways we will access homeowners and attempt to grow our share of an underpenetrated market more quickly than competitors.

¹ Sources:

Home Assistance: UK ONS 2017, France 2017 Rapport de la Commission des comptes du logement (State sources).

Home Repairs & Improvements: \$400bn for North America (various competitor sources), UK ONS 2017.

Other markets: HomeServe estimate scaled for number of households.

Trades: HomeServe estimate.

Business model



OUR STAKEHOLDERS... CUSTOMERS... PARTNERS... TRADES...

What we do

HomeServe's purpose is to make home repairs and improvements easy, and we aspire to be the world's most trusted provider of home repairs and improvements. We achieve this principally in two ways. To insurance-minded homeowners we sell cover for a range of home emergencies via subscription-based Membership services. For people who prefer to deal with issues as they arise ('Find a trade' homeowners), or who like to plan ahead for repairs, maintenance and improvements we have an online, on-demand Home Experts platform that presents a choice of checked, vetted and reviewed local trades.

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

In Home Experts, trades are our customers, and our job is to match them with consumers in their local area, who need their services. This provides our trades with an income stream and we also provide systems and processes to help them run their businesses more efficiently.

Our distinct source of advantage comes from the many partnerships we have created with utilities and trades and our long-term relationships with underwriters in each of our markets. Combined with an increasingly powerful brand, our years of marketing and product expertise, customer service excellence and strong financial resources, we deliver value to all of our stakeholders, which has the potential to compound as we expand our business and they grow with us.

HomeServe's business is predictable, sustainable and cash generative, with significant opportunities to grow.

... SUPPLIERS... EMPLOYEES... COMMUNITIES... INVESTORS...



How do we do it?

We have five key sources of value for our stakeholders. These are distinct to us and crucial to the success of our business. We have listed against each source of value the most relevant risks that could affect these values:

1 Partnerships

Our most established route to market is through long-term, exclusive partnerships with utilities, heating manufacturers, insurance companies and specialist service providers. We have a substantial network of c.700 utility partners, and considerable expertise in managing these partnerships for mutual benefit. Our utility partners earn commission on every policy we secure through them and benefit from our long-term approach to delivering value. In highly concentrated markets such as France, we work with a small number of very large partners, whereas in the fragmented North American market we work with a wide range of small and large partners. HomeServe acts as an insurance intermediary, and does not take any material insurance risk. Our Membership products are underwritten by independent third party underwriters, where we have long-term relationships and work together closely in all of our Membership businesses.

Principal risks:

- 1 Market disruption
- 2 Partnerships
- 3 International development
- 7 Underwriting capacity & concentration

2 Marketing

We have three key areas of expertise.

- Innovative product design, where our expertise is focused on adapting to the needs of individual markets to provide products that customers value and use; responding efficiently to market or regulatory change; and creating, developing, testing, launching and assessing the performance of our products in a streamlined fashion
- Data-rich marketing, optimised across a range of channels including direct mail, contact centres and online, with sophisticated monitoring of campaign paybacks
- An increasingly powerful global brand that complements our partner brands.

Principal risks:

- 1 Market disruption
- 10 Investment in technology
- 11 Digital & innovation

3 Customer service

Putting the customer at the heart of everything we do is the first and most important of our corporate values. This shines through in the way that our local contact centres operate to handle customer claims and enquiries, and also in the way our engineers behave in customers' homes. We engage the best people right across our business and provide them with the tools and technology they need to do a great job. We have internal measures for customer satisfaction in each of our businesses and we are proud of the external awards we win in each of our businesses.

Principal risks:

- 1 Market disruption
- 8 Regulation & customer focus
- 10 Investment in technology
- 11 Digital & innovation

4 Local networks

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

Principal risks:

- 1 Market disruption
- 9 People
- 10 Investment in technology

5 Financial resources and expertise

Our business is predictable, sustainable and cash generative. Our revenue streams are largely subscription based and we invest in our people, our network, our brand, our partnerships and our technology systems and processes to generate growth. We have opportunities to grow organically and through acquisition in all of our markets and have a strong track record of successful acquisition and integration. To grow our business, we invest in our key sources of value, for the benefit of multiple commercial stakeholders.

Principal risks:

- 9 People
- 12 Financial risks

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

i See page 16 for our KPIs and page 20 for our Principal risks and uncertainties.

Strategy Every job. Every home.

HomeServe's vision is to become the world's most trusted provider of home repairs and improvements. We will achieve this by making home repairs and improvements easy. Easy for homeowners and easy for trades. We have established four global business lines to cater for the needs and preferences of different consumers, ensuring every homeowner can easily find the tradesperson they need for any job around the home. Below, we describe the key initiatives for each business line and show how they make use of the key sources of value set out in our business model.

STRATEGY

1 Sustain and grow our Membership businesses

Overview and ambition

Our Membership business appeals to insurance-minded homeowners, and currently delivers the majority of our profits. We have established Membership businesses in the UK, France and Spain and a high growth business in North America.

We drive growth in our Membership businesses by developing new partnerships to give us access to more households; marketing effectively to turn households into customers; adding value to our products to increase net income per customer and providing excellent customer service to encourage our customers to stay with us. We have significant opportunities to deploy new technology, systems and processes to provide state of the art customer service and increase the efficiency of our operations.

FY19 Progress

In the fragmented utility market of North America, we increased our run rate of new partners signings to three a week, and successfully integrated the customers we acquired in the Dominion Products and Services policy book. We embedded our new customer service centre in Chattanooga and introduced new technology such as voice recognition.

In the UK, we focused on building net income per customer and on optimising customer acquisition.

In France, we renewed our partnership with our largest affinity partner, Veolia, and signed a new partnership with Saur, France's third largest water utility.

We have an active business development pipeline in Spain as we look to form new partnerships following the end of our Endesa partnership in May 2018.

KPIs

- 1 Affinity partner households
- 2 Customers
- 3 Policies
- 4 Retention rate
- 5 Income per customer

How this helps achieve our vision

Membership is at the core of our business, brand and reputation. We will continue to develop and innovate in the heart of our business.

Applicable segment(s)

UK, North America, France, Spain, New Markets.

2 Develop an HVAC installations business

Developing the capability to install and replace heating, ventilation and air conditioning (HVAC) units completes the circle of service we can provide for our Membership customers. It also gives us new opportunities to sell Membership policies.

Our strategy is to acquire and integrate high quality, local businesses, work with their management teams and apply our marketing expertise to help them grow.

HVAC acquisitions could also provide a profitable route into new markets.

In FY19 we continued our HVAC buy and build strategy with six acquisitions; three in North America, the group's most established existing HVAC business; two in France and our first acquisition in Spain. In the UK we continued our focus on integrating Help-Link, the HVAC business we acquired in July 2017, more closely with the Membership business.

We track a range of metrics to assess the performance of our HVAC businesses, including the number of completed installations. As this business line matures and the number of HVAC acquisitions increase we will report installations as a KPI in each of our segments.

Total installations across the Group in FY19 were 18k (FY18: 14k).

At some stage almost every home will need an HVAC unit replaced, so HVAC installation is a core capability for our business.

UK, North America, France, Spain. We are assessing HVAC as a potential profitable route into new countries.

3 Build an online, on demand Home Experts platform

Overview and ambition

Home Experts enables HomeServe to serve 'Find a trade' homeowners, who go online to find a local tradesperson to help them with home repairs and improvements (see p11). We took full control of Checktrade, the UK's leading online directory of checked and vetted traders in December 2017 and now have an attractive, innovative platform which delivers value to both traders and consumers. We also own 70% of Habitissimo, which gives us a Home Experts presence in Spain, Italy and South America.

We have a multi-year investment project under way to build out our network of Trades, and generate consumer demand through effective marketing, to help Trades grow and manage their businesses. Home Experts represents the most significant source of medium-term growth for HomeServe.

FY19 Progress

Our key areas of focus at Checktrade in FY19 were to:

- Strengthen the management team under the leadership of new CEO Mike Fairman;
- Move to new offices in Lakeside, Portsmouth, to create space for expansion;
- Continue to add value to our Trades offer and scale up Trades recruitment;
- Continue to improve our consumer offer e.g. Checktrade Now.

We began a test of the Checktrade model outside the UK, in Lyon in France.

Habitissimo continued to develop its lead generation model and to grow the number of web visits on its platform.

KPIs

- 6 Trades
- 7 Web visits

How this helps achieve our vision

Home Experts expands our market to cover home improvements as well as repairs, and enables us to reach a new generation of homeowners and renters.

Applicable segment(s)

Home Experts

4 Participate in the Smart Home revolution

Within HomeServe, innovation teams have invented Smart Home devices adjacent to our core business, notably LeakBot, which detects and reports water leaks.

We focused on developing a viable commercial model for LeakBot, seeking partnerships with home insurance companies.

We track metrics including number of LeakBot units sold and number of LeakBots activated. As the business line grows to become more material we will report these as a KPI in each relevant segment.

Our innovation activities keep us at the forefront of our industry, and contribute to the sustainability of our business.

UK

5 Expand into new geographies

There is potential to expand our business into well developed new territories with a stable economy and good quality housing stock, providing that we can find a committed utility partner. We have identified 15 countries where we see expansion potential.

In February 2019 we formed a joint venture with Mitsubishi Corporation in Japan, who will help us develop appropriate utility partnerships for the Japanese market.

Over time as new markets are developed we will introduce our relevant KPIs i.e. affinity partner households, customers, etc.

Our innovation activities keep us at the forefront of our industry, and contribution to the sustainability of our business.

New Markets

Our KPIs

KPIs																																											
<p>1 Affinity Partner Households (m)</p> <p>105m ↘4%</p> <p>Definition</p> <p>Tracks the growth in Membership's addressable market, delivered through existing and new partnerships with utilities and municipals.</p> <p>Strategy ⓘ</p> <p>1 Sustain and grow our Membership businesses</p> <p>Performance</p> <p>Driven by 3 new partners a week in North America and a new partnership with Saur, in France, offset by the removal of Endesa in Spain.</p> <p>Households</p> <table border="1"> <tr><td>2019</td><td>105m</td></tr> <tr><td>2018</td><td>109m</td></tr> <tr><td>2017</td><td>102m</td></tr> <tr><td>2016</td><td>92m</td></tr> <tr><td>2015</td><td>89m</td></tr> </table>	2019	105m	2018	109m	2017	102m	2016	92m	2015	89m	<p>2 Customers (m)</p> <p>8.4m ↔0%</p> <p>Definition</p> <p>Tracks our success in converting our addressable market into revenue-generating customers by delivering great products and services.</p> <p>Strategy ⓘ</p> <p>1 Sustain and grow our Membership businesses</p> <p>Performance</p> <p>Continued good growth in North America with customers up from 3.6m to 4.0m offset by Spain where the Endesa book is in run-off and a reduction in the UK.</p> <p>Customers</p> <table border="1"> <tr><td>2019</td><td>8.4m</td></tr> <tr><td>2018</td><td>8.4m</td></tr> <tr><td>2017</td><td>7.8m</td></tr> <tr><td>2016</td><td>7.0m</td></tr> <tr><td>2015</td><td>6.3m</td></tr> </table>	2019	8.4m	2018	8.4m	2017	7.8m	2016	7.0m	2015	6.3m	<p>3 Policies (m)</p> <p>15.9m ↗1%</p> <p>Definition</p> <p>Illustrates our ability to grow our product line through customer focus and innovation and to market those policies to customers.</p> <p>Strategy ⓘ</p> <p>1 Sustain and grow our Membership businesses</p> <p>Performance</p> <p>Existing customers are continuing to choose more products and benefit from increased cover. 19% increase in North America offset by Spain where the Endesa book is in run-off and a reduction in the UK.</p> <p>Policies</p> <table border="1"> <tr><td>2019</td><td>15.7m</td></tr> <tr><td>2018</td><td>15.7m</td></tr> <tr><td>2017</td><td>14.3m</td></tr> <tr><td>2016</td><td>12.8m</td></tr> <tr><td>2015</td><td>11.9m</td></tr> </table>	2019	15.7m	2018	15.7m	2017	14.3m	2016	12.8m	2015	11.9m	<p>4 Retention Rate (%)</p> <p>82% ↔0%</p> <p>Definition</p> <p>The percentage of policies which are renewed after 12 months for a further term. This reflects our ability to deliver fit for purpose products and great service to our customers.</p> <p>Strategy ⓘ</p> <p>1 Sustain and grow our Membership businesses</p> <p>Performance</p> <p>Retention rate stable year on year with France continuing to be the highest performer at 89%.</p> <p>Retention Rate</p> <table border="1"> <tr><td>2019</td><td>82%</td></tr> <tr><td>2018</td><td>82%</td></tr> <tr><td>2017</td><td>82%</td></tr> <tr><td>2016</td><td>83%</td></tr> <tr><td>2015</td><td>83%</td></tr> </table>	2019	82%	2018	82%	2017	82%	2016	83%	2015	83%
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ⓘ See page 14 for our Strategic priorities.

5 Income per Customer

Definition

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

Strategy **i**

- 1** Sustain and grow our Membership businesses

Performance

All businesses increased income per customer with a focus on providing deeper coverage.

UK

£122
↗1%

North America

\$96
↗5%

France

€109
↗3%

Spain

€57
↗19%

6 Trades (k)

64k ↗8%

Our revenue paying customers in our Home Experts business. Tracks our progress in building the largest online community of trades.

- 3** Build an online, on demand Home Experts platform

New initiatives to drive trades recruitment saw a strong increase at Checkatrade as total trades grew 23% to 36k with trades broadly flat in Habitissimo at 28k.

Trades

2019	64k
2018	58k
2017	47k
2016	n/a
2015	n/a

7 Web visits (m)

101.1m ↗4%

Total web visits to our Home Experts platforms Checkatrade & Habitissimo. Tracks our success in driving consumer awareness of our online community of trades.

- 3** Build an online, on demand Home Experts platform

Existing customers are continuing to choose more products and benefit from increased cover.

Web visits

2019	101.1m
2018	97.4m
2017	71.4m
2016	n/a
2015	n/a

8 Adjusted Profit Before Tax (£)

£161.7m ↗14%

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

- 1** – **5** All aspects of our strategy

Retention rate stable year on year with France continuing to be the best performer at 89%.

Adj PBT

2019	£161.5m
2018	£141.7m
2017	£112.4m
2016	£93.0m
2015	£85.4m

HVAC

A complete solution to the installation, repair, maintenance and replacement of heating, ventilation and air conditioning.





Risk framework

HomeServe has a robust risk management framework which encompasses the Group's risk policy and overall risk appetite. The framework provides a disciplined and consistent approach across all of HomeServe, ensuring a structured response at all levels throughout the Group and across all businesses and geographies, to capture monitor and mitigate risk.

RISK FRAMEWORK

The Board retains responsibility for the overall evaluation of the Group's risk management process

Group Risk Management Team

- Proposes the risk framework across the Group
- Supports implementation
- Monitors risk management.

Audit & Risk Committee

- Advises the Board on risk appetite and risk strategy, ensures the quality and effectiveness of risk management processes and receives regular updates from the Group Risk Management team
- Composed and chaired by independent Non-Executive Directors
- Internal and external auditors, CFO, CEO and Chairman are invited, but not entitled, to attend all meetings
- Other Executive Directors attend where appropriate.

Executive Committee – Risk discussion three times per year

- Risk discussion chaired by the CFO
- Composed of Executive Directors and representatives from each Group business
- Discussions are reported on at the Audit & Risk Committee.

Local risk registers

- Maintained and reviewed by all businesses.

Changes in FY19

In FY19 HomeServe formalised the process by which it groups local risks and thereby identifies Group Enterprise Risks. Group Enterprise Risks are considered to represent the most significant threats to HomeServe's ongoing strategy and operations. Risk registers continue to be maintained at a local level in every business and are formally reviewed by the Audit & Risk Committee at each of its meetings together with Group Enterprise Risks.

The following table sets out what the Board believes to be the principal risks and uncertainties facing the Group, the mitigating actions for each, and an update on any change in the profile of each risk during the past year. All risks could potentially impact the Group's performance and direction but the table also references the key elements of the strategy (as detailed on p14) which could be directly impacted by an adverse movement in the associated risk. All risks carry equal importance and weighting for the Board, however additional focus and priority may be given to specific risks for a period of time in certain circumstances e.g. following a material acquisition or to implement plans to reduce any risk which exceeds the appetite threshold.

Membership continues to be the largest business line in each geographic segment and as such continues to dominate the Principal Risks. However with the growth in other business lines, in particular Home

Experts, there have been movements in certain risks.

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

Risk Appetite

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

The Board's assessment of risk appetite is guided by our vision to become the world's most trusted provider of home repairs and improvements and by our purpose to make home repairs and improvements easy. HomeServe's values reflect our commitment to our customers, our people, to innovation and integrity and being the best at what we do. HomeServe's risk appetite is comparatively low recognising; firstly our status as a plc which requires strong governance and reputation, together with delivering returns for our shareholders and; secondly our regulated status which requires compliance with local laws, rules and guidance.

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

Brexit

Brexit is not one of HomeServe's enterprise risks but does continue to be monitored at a local and a Group level. Brexit is potentially one of the most significant economic events for the UK and at the date of this statement, the full range, scale and timing of potential outcomes and impacts are uncertain. However, HomeServe continues to believe the impact of the UK's decision to leave the EU and the current delay in implementing this decision on the underlying performance of the Group will be limited.

The HomeServe business model is resilient and in previous periods of consumer uncertainty and economic downturn, for example during the financial crisis in c.2007 to 2009, no negative impact on business performance was observed.

In addition, all of HomeServe's businesses trade exclusively within their own borders and HomeServe is not exposed to any cross border transactional currency risk. The Group has a strong balance sheet and retains a range of financing facilities with medium to long-term maturities, which provide access to additional resources across a range of currencies. The Group remains subject to translation risk on the presentation of results in Sterling however this is within the ordinary course of business.

1 Market disruption

Overview

Competition exists in all business lines but is strongest in Home Experts as competitors seek to gain a share of a market as it undergoes a meaningful shift online.

Competitive threats include, but are not limited to;

- utilities running Membership programmes in-house
- adjacent products e.g. Whole Home Warranty
- existing competitors moving into other geographies
- new entrants e.g. Amazon or Google investing heavily to enter the home services space with new products or technologies which erode HomeServe's market share
- incumbent competitors to Home Experts in the UK e.g. Rated People, MyBuilder.

Impact(s)

Over time there could be a negative impact on KPIs such as customers and retention rate, in Membership and trade and website visitor numbers in Home Experts as well as on financial metrics such as adjusted operating profit and adjusted operating margin as customers are lost or we are forced to compete more on price.

Mitigation(s)

- We demonstrate to utilities that they can benefit more by partnering with HomeServe due to our long-term investment horizon
- Regular market reviews in each business identify new entrants and increases in competitor activity e.g. aggressive pricing initiatives
- Agile product development responds to changing consumer needs
- Shared learning between our markets.

Update

We continue to develop our Home Experts proposition which diversifies our product offering and ensures we appeal to a broader range of home owners. We have continued to invest; evolving our products in all businesses, acquiring further HVAC businesses and investing revenue growth in Checkatrade back into marketing to ensure we maintain the leading UK brand in this space.

In Membership there has been more focus on competing / adjacent products following a recent stock market listing of a Whole Home Warranty Provider in the US.

Strategy ⁱ

- 1 Sustain and grow our Membership businesses
- 2 Develop an HVAC installations business
- 3 Build an online, on demand Home Experts platform

Business model ⁱ

- 1 – 4

2 Partnerships

Underpinning HomeServe's success in its chosen markets are close commercial relationships (affinity partner relationships) principally with utility companies, and municipal utility providers.

The loss of one of these relationships could impact HomeServe's future customer and policy growth plans and retention rates. Growth plans, particularly in North America, focus on signing new partners to extend reach and provide new marketing opportunities to grow the business.

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

With c.700 partners across the Group it is inevitable that a few partners each year may choose not to renew a contract as priorities or commercial pressures change. In the UK and North America where the partner bases are more diversified the impact is considered small. In France the loss of e.g. Veolia would have a bigger impact similar to that of Endesa in Spain where the back book is now in run-off. Any partner loss or failure to sign new partners could impact households, customers and also retention rates, without use of the partner brand.

- A portfolio of partners in each business diversifies risk
- Partners signed on long-term contracts with beneficial financial terms for each party
- HomeServe seeks to renew contracts early, ahead of any expiration date
- Regular dialogue with all partners, particularly in markets with more concentrated partner relationships e.g. France.

We are signing partners at a rate of almost three a week in North America, we have renewed Veolia until 2026 and signed Saur in France and in the UK we have signed a number of new retail energy challengers. In May 2018 the long-term partnership with Endesa was not renewed as Endesa sought to provide home assistance services in-house. We are actively engaged in finding new partners in Spain and we have also commenced a new JV partnership with Mitsubishi Corporation in Japan.

- 1 Sustain and grow our Membership businesses

- 1 Partnerships

3 International development

HomeServe has enjoyed success with its Membership model in markets outside of the UK and intends to expand to other regions.

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

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

- Strict criteria to identify attractive markets
- Joint venture structure diversifies risk and minimises investment
- JV partner brings local market knowledge and contacts
- HomeServe brings membership model systems and process expertise.

In February 2019 HomeServe announced it had agreed a joint venture with Mitsubishi Corporation to form a Membership business in Japan. As the world's third largest economy, Japan is an attractive market. Mitsubishi and HomeServe will each provide staff to the local management team and have shared the initial investment with each agreeing to contribute £2m into the new JV. HomeServe continues to prospect other potential markets.

- 5 Expand into new geographies

- 1 Partnerships

STRATEGIC

4 M&A Strategy

Overview

M&A is focussed on two primary areas; the acquisition of Membership policy books in all markets and a buy-and-build strategy to grow the HVAC business line. Policy book M&A is considered a proven, low-risk method to accelerate growth and HomeServe has a strong track record of buying these books, especially in North America as demonstrated most recently with Dominion.

HVAC buy-and-build typically requires lower investment as the strategy focuses on acquiring smaller, well-run HVAC businesses with strong local reputations.

Impact(s)

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

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

Mitigation(s)

- Strict criteria when building a prospects pipeline
- Independent advisers engaged in due diligence processes
- Local management expertise with oversight from central plc function
- Investment hurdles
- All investments require local and, where applicable, plc Board approval
- Post-investment reviews conducted at local levels with findings communicated to plc Board and used to inform future acquisitions and integration processes.

Update ↔

In FY19 HomeServe made six HVAC acquisitions and successfully completed the second tranche of the Dominion Products and Services policy book.

Strategy ⓘ

- 1 Sustain and grow our Membership businesses
- 2 Develop an HVAC installations business

Business model ⓘ

- 3 Customer service

OPERATIONAL

5 HVAC Integration

The higher volume of HVAC acquisitions requires disciplined and often standardised processes to ensure successful integration into HomeServe, creating strong links to the Membership business and achieving synergies with e.g. Marketing, back-office functions etc.

Failure to integrate acquisitions quickly and effectively could fail to deliver synergies, and increase costs, resulting in failure to achieve predicted revenues and potentially lead to impairment.

- Integration plans form part of all business case approvals
- Post-investment reviews feed learning back for future acquisitions
- Dedicated teams and resources and retention of key management personnel in the acquiree.

↔
Of the six acquisitions in FY19, four have been successfully integrated, with the remaining two having taken place just before the year end. Key management has been retained and the acquired businesses continue to perform HVAC installations as well as marketing HomeServe's products.

- 1 Sustain and grow our Membership businesses
- 2 Develop an HVAC installations business

- 3 Customer service

6 Cyber Security

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

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

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

↔
Managing this risk continues to be a key area of focus for the Group. Attention on continuous improvement, delivering our strategic objectives and monitoring evolving threats has meant that the Group has continued to invest in developing and improving countermeasures and controls to mitigate the risk. In addition, frameworks have been put in place to continue to increase the maturity with which we manage our controls and monitor their effectiveness. A comprehensive suite of Policies and Standards remain in force with cyber audits completed in FY19 as part of the annual assurance plan.

- 1 Sustain and grow our Membership businesses

- 3 Customer service

7 Underwriting capacity and concentration

Overview

The Membership business line markets and administers policies that are underwritten by independent third party underwriters. HomeServe acts as an insurance intermediary and does not take on any material insurance risk.

Impact(s)

If current underwriters were unable or unwilling to underwrite the current book and if HomeServe were unable to find alternative underwriters it would require the risk to be underwritten directly, thereby exposing the business to material insurance risk, which is contrary to its preferred operating model. Obtaining relevant regulatory approvals for a new underwriter may take time, leading to business disruption. A material change in the operating model would also drive a change in accounting policy that could affect short-term profitability. Customer numbers and retention rates may fall if customers experience reduced service levels or are not covered throughout any period of disruption.

Mitigation(s)

- With the exception of the UK, at least two underwriters share the policy books in each country
- In the UK, HomeServe maintains relationships with a number of other underwriters who are willing and able to underwrite the business
- Regular (at least 6 months) reviews with all underwriters to ensure that current product performance and trends are understood.

Update

There have been no new underwriters this year and existing relationships remain strong.

In the UK, HomeServe and Aviva have commenced discussions regarding contract renewal prior to the expiry of the current contract in 18 months time and HomeServe continues to assess the possibility to add a second underwriter.

Strategy

- 1 Sustain and grow our Membership businesses

Business model

- 1 Partnerships

8 Regulation & customer focus

HomeServe is subject to regulatory requirements relating to e.g. product design, marketing materials, sales processes and data protection.

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

Like many companies HomeServe is also subject to wider regulation concerning e.g. anti-corruption, anti-fraud and bribery, modern slavery etc. Specific policies can be found at <http://www.homeserveplc.com/about-us/corporate-governance/policies.aspx>

Failure to comply with regulatory requirements in any of its countries could result in the suspension, either temporarily or permanently, of certain activities. Much regulation is intended to protect the rights and needs of customers and failure to adhere to the high expectations customers have for HomeServe could lead to reduced retention and higher customer losses. In addition, legislative changes relating to partners may change their obligations with regard to the infrastructure they currently manage and hence the products and services HomeServe can offer to customers. It is possible such legislative changes could reduce, or even remove, the need for some of HomeServe products and services.

- Compliance with local regulation as a minimum to ensure products are designed, marketed and sold in accordance with all relevant legal and regulatory requirements and that the terms and conditions are appropriate and meet the needs of customers
- Best practice shared across the Group
- Regulatory specialists, compliance teams and Non-Executive Directors in each business
- HomeServe maintains regular dialogue with the FCA in the UK. In North America, there is regular contact with the Attorneys General.

There is increased scrutiny across multiple industries in the UK (Telecoms, TV, General Insurance) following a Competitions and Markets Authority complaint to the FCA regarding pricing practices for loyal customers. HomeServe continues to exceed pricing disclosure requirements and policies are priced equally, regardless of customer vintage once customers move off an introductory price.

- 1 Sustain and grow our Membership businesses

- 3 Customer service

9 People

HomeServe's ability to meet growth expectations and compete effectively is, in part, dependent on the skills, experience and performance of its personnel.

Retention of People in established businesses is key as is recruitment of talented People in growth businesses e.g. Home Experts.

The inability to attract, motivate or retain key talent could impact overall business performance.

The Home Experts businesses have ambitious growth plans and require different skills to the Membership business.

Employment policies, remuneration and benefits packages and long-term incentives are regularly reviewed and designed to be competitive with other companies. Employee surveys, performance reviews and regular communication of business activities are used to understand and respond to employee views and needs.

Processes exist to identify high performing individuals and ensure that they have fulfilling careers, and HomeServe is managing succession planning effectively.

A new employee engagement survey was implemented to provide consistent, comparable results across businesses. Results will be available in early June 2019.

A new management team with experience in growing fast-paced digital businesses is now in place at Checkatrade.

- 1 Sustain and grow our Membership businesses

- 4 Local networks
- 5 Financial resources and expertise

OPERATIONAL

FINANCIAL

10 Investment in technology

Overview
The Group relies on several key systems to manage its Membership customer interactions. Appropriate and timely maintenance and investment is required to ensure systems continue to meet the changing needs of the business and its customers.

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

Impact(s)
Failure to invest appropriately to manage customer interactions and provide high quality service may result in lower retention and higher customer losses.

Failure in back office systems may lead to business interruption and could jeopardise the ability to analyse performance indicators and react to any trends.

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

Mitigation(s)
All decisions are subject to the Group's strict investment criteria and hurdles. Major IT programmes are allocated specific governance structures and oversight with members of senior management sitting on the Programme Board. HomeServe engages a number of external advisers on large software projects to provide appropriate breadth and depth of experience and expertise to ensure there is no over-reliance on any one supplier and to support management in project delivery.

Update ↔
The UK's new core customer management system is in the final stages of user testing. This is a significant project intended to deliver an improved customer experience and a number of marketing opportunities and operational efficiencies. Any significant delays in the project or faults in its design or implementation could adversely impact the intended benefits and lead to increased costs, reduced revenues and asset impairment.

- Strategy 1**
- 1 Sustain and grow our Membership businesses
 - 3 Build an online, on demand Home Experts platform
 - 4 Participate in the Smart Home revolution

- Business model 1**
- 2 – 5

11 Digital & Innovation

Consumers in all businesses increasingly wish to engage with HomeServe by digital means: joining online and maintaining details or making a claim via HomeServe's website and app or posting onto social media channels such as Twitter and Facebook.

Technology is also crucial for the networks with Home Experts developing a trades app and Membership sharing technology with its own subcontract network. Both are intended to improve the efficiencies and customer service of both HomeServe and the businesses it partners with.

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

If software solutions shared with partners are not delivered or do not generate the intended efficiencies, costs may increase, partners may leave and customer service standards may fall.

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

Recruitment is increased in areas short on the required expertise.

↔ A new CTO has been appointed at Checktrade to lead the digital transformation required for consumers and trades.

- 1 Sustain and grow our Membership businesses
- 3 Build an online, on demand Home Experts platform
- 4 Participate in the Smart Home revolution

- 2 Marketing
- 3 Customer service

12 Financial risks

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

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

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

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

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

↔ On 25 October 2018, HomeServe arranged an additional £174.2m of funding via a US Private Placement. This expands the Group's existing facilities, locks in a proportion of its interest charge at fixed rates and creates a balanced maturity profile.

HomeServe is implementing a treasury management system to improve global cash visibility, bank connectivity and process efficiency. The system is expected to launch in FY20.

- 1 – 5 All aspects of our strategy

- 3 Customer service

Resources, relationships and responsibilities



Critical to achieving HomeServe's vision to become the world's most trusted provider of home repairs and improvements is the considerate management of resources and relationships and a strong recognition of a need to be a responsible corporate citizen.

A home is the most significant investment most of us will ever make and we all feel passionately about our own. To build trust HomeServe needs to not only provide excellent customer service but also be aware of its wider responsibilities and impacts.

HomeServe's business model and its key sources of value all rely on maintaining and developing certain crucial relationships and resources;

Resources: strong and disciplined management of financial and non financial resources. In this year's report we focus on our most critical resource; our People.

Relationships: strong bonds with stakeholders including utilities, suppliers, subcontractors, shareholders etc. and crucially, as detailed here, our Customers.

Responsibility: responsible and considerate actions apply to all aspects of HomeServe's activities. HomeServe is cognizant of its immediate responsibilities to the other parties in its relationships and maintains robust governance and policies to uphold these. It is also aware of its wider responsibilities to its communities and its environment.

See page 12 for more information on our key stakeholders



Our People

HomeServe hopes to build lasting relationships with its People. This starts by getting the basics right; clear guidelines and policies, help and support, appropriate pay and benefits for all and a safe, inclusive working environment.

HomeServe is committed to developing **great people** and providing a **great place to work** in which to develop a rewarding and fulfilling career. The Group has a strong history of growth in all of its businesses and we have ambitious plans in place for the future.

HomeServe employs almost 6,000 talented people globally and by working together we strive to make HomeServe a fantastic place to work where everyone has the opportunity to be their best and make a difference.

The focus on our people has never been greater at HomeServe, and we regard our people, and the way we organise, engage and motivate them, as a critical competitive advantage.

Just some of our current initiatives to develop and engage our people are: A Great Place to Work, The HomeServe Way, Talent and Diversity and Inclusion.

A Great Place to Work

Our ambition is to become recognised as a world's best employer through *Great Place to Work™*, and we have started this journey by aiming for our key markets to gain national 'Best Place to Work' accreditation in 2020.

We invite feedback from our people through an annual all-employee survey, enabling us to respond to employees at both a market and global level. Our last survey returned an overall global engagement score of 71%. This is a strong result and above national averages in the majority of our markets. But... we want to do better.

Employee engagement is an internal KPI and an engagement target has been added to our management bonus scheme to provide focus and drive improvements in all of our businesses. Last year *Great Place*



Resources

to Work™ was appointed as HomeServe's global engagement partner, to help us drive sustainable levels of employee engagement across the business. We know that how our people feel and how they are engaged ultimately drives business performance.

The HomeServe Way

Launched this year, The 'HomeServe Way' lays out the essential Behaviours, Skills and Knowledge that are necessary to be effective as a senior leader at HomeServe. The HomeServe Way is currently focused on senior leadership but over time will be expanded as a way of working for all employees.

Talent

We have a Group Talent Strategy that has been built to enable the attraction, growth and retention of talented employees with the right capabilities to deliver our growth strategy.

Global talent development programmes are now well embedded into the organisation and are designed to support our explicit commitment to developing and promoting internal talent. We aim for 70% of new Senior Leader roles to come from internal promotions.

At other levels in the organisation we put a clear focus on developing emerging leaders who may be ready to take on their first role as a line manager. In the UK we run our 'One For The Future' Programme and in HomeServe North America we have an online 'HomeServe University' that offers a range of modules, including 'Manager Essentials' to develop the capability and effectiveness of new managers.



Critical talent imperatives for the business, including leadership succession planning, continue to be reviewed at least twice a year by the HomeServe Executive Committee and the People Committee.

Acquiring the skills we need to operate the business both now in the future, also requires a particular focus on building our supply of talented front-line employees. Within our UK business we currently have 110 people completing apprenticeships as plumbers or gas engineers.

Diversity and Inclusion

Releasing the talent of every employee is the ultimate aim of our approach to diversity and inclusion, ensuring we gather different perspectives that can influence our key decisions.

Integral to bringing Diversity and Inclusion to life in our UK business has been the establishment of Employee Networks – Gender, BAME, LGBT+ and Disability. The role of the networks is to improve the diversity and inclusiveness of HomeServe from the perspective of the interest group, and each has a remit to drive action and create sustainable change.

It is especially important to us that we have the right level of diversity of talent at the senior levels that are responsible for our strategic thinking and decision making. We are focused on achieving an ongoing annual increase in female representation across our most senior and executive populations. As at March 2019, women made up 34% of our senior leadership roles globally, whilst representing 47% of our global workforce.

Subsequent to the year end, Deb Dulskey was appointed to the HomeServe Executive Committee in her role as Global Managing Director of HVAC. At 1 April 2019 female representation on our Executive Committee stood at 10%.

Whilst 10% representation amongst the Executive Committee and 34% overall female representation within our senior leadership is good, HomeServe recognises that there is more to do to improve. Our 'CEO Forum' talent initiative has identified several talented females as potential medium term successors to Executive Committee roles.

All employee gender splits

Population	Male	Female	Total
Total Employees at 31 March 2019	3,311	2,990	6,301
Total Employees at 31 March 2018	3,134	2,712	5,846
FY19	53%	47%	
FY18	54%	46%	

Population	Male	Female	% Female	External Benchmark*
Plc Board (Executive & Non Executive Directors)	7	2	22%	24.9%
Executive Committee	5	0	0%	16.3%
Executive Committee & their direct reports	20	9	31%	24.9%
Global Senior Leaders	108	56	34%	N/A

* Hampton Alexander report November 2018, FTSE 250.

Gender Pay

HomeServe UK has published its second gender pay report for data as at 31 March 2019. HomeServe continues to have equal pay for equal roles in all of its businesses, however, our gender pay gap results are broadly unchanged from last year, showing that we still have progress to make. We are committed to making improvements in this area with the People Committee engaged to oversee a number of initiatives to improve all diversity, not just gender. Initiatives the People Committee is overseeing and further detail on our gender pay gap can be found on our website <https://www.homeserveplc.com/~media/Files/H/Homeserve-PLC-V2/documents/annual-report-2018/gender-pay-2018.pdf>

What's our pay and bonus gap?

The difference between the average hourly rate of pay and difference between the average bonus rate of pay of men and women.

	Mean	Median
Hourly rates of pay	20.8%	28.6%
Bonus pay	72.3%	45.2%

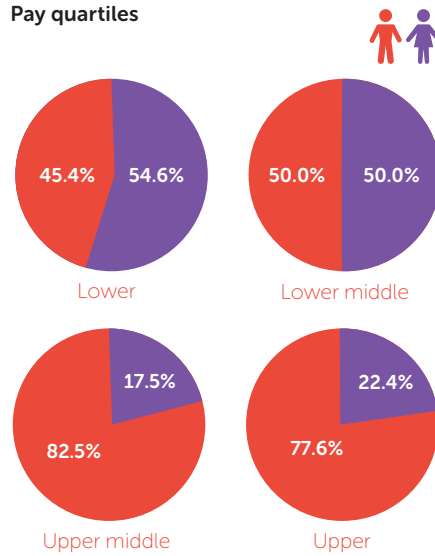
	Men	Women
The % of men and women who received a bonus	83.6%	86.1%

These figures show the mean and median difference in hourly rates and bonus pay between men and women, as well as the proportion of colleagues who received a bonus.

How is pay distributed?

This data shows the % split between men and women across four equally sized quartiles throughout HomeServe in the UK.

Pay quartiles



Relationships

Our UK Customer Promises

Before a Customer joins

We'll make it clear what they're buying and what it will do for them

When a Customer joins

We'll tell them how much they're paying, what that buys them and how to claim

When a Customer becomes a member

We'll make life easy for them

When a Customer makes a claim

We'll solve their problem quickly and easily – their emergency is our emergency

If a Customer isn't happy

We'll listen, say sorry and put things right wherever we can, as soon as we can

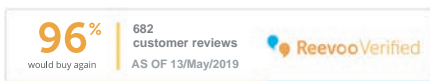
Customers

HomeServe tries to create enduring relationships with all of the stakeholders shown on p12. Chief amongst these are 8.4m the customers who rely on us to deliver great service at times when they need us most. Our UK Customer Story (page 32) illustrates this perfectly; it is not simply the policyholder that matters, it is creating and maintaining a relationships with everybody in the home that truly makes a difference.

Our Customer Promises demonstrate our commitment to our customers. The promises exist in all of our Membership businesses and are embraced by all levels from the front line to senior management

and the Board. Our employees are empowered to always do the right thing along every step of the customer journey and we have fostered a culture which places the customer at the heart of our operations. We have a strong reputation and we continue to win awards for high levels of customer service in all of our businesses.

In our Home Experts businesses, trades are the customers who generate our revenue. HomeServe is committed to building the leading marketplace to match trades with consumers for the mutual benefit of all.



Responsibilities

Policies

HomeServe's robust corporate governance drives the approach to key aspects of corporate responsibility. All businesses were deemed compliant with the policies listed below throughout FY19. Recent acquisitions, notably HVAC businesses in North America and France, were subject to due diligence procedures which did not highlight any areas of concern and these businesses are expected to adopt and comply with HomeServe's policies in FY20.

Anti-Fraud and Bribery

HomeServe conducts its business with honesty and integrity and as a result promotes an organisational culture from the top down that does not tolerate any act of fraud or bribery in any area of our business, with customers, partners, suppliers or any other party. Our full Anti-Bribery and Corruption Policy can be found on our website. <https://www.homeserveplc.com/~media/Files/H/Homeserve-PLC-V2/documents/content/anti-fraud-and-bribery-policy.pdf>

Human Rights

HomeServe does not have a standalone human rights policy, but all businesses operate under a framework of approved policies which address such topics as employment rights, equal opportunities, data protection, and dignity at work.

We are equally as strict with regards to the partners and third parties in our supply chain. [Our Modern Slavery Statement can be found on our website https://www.homeserveplc.com/~media/Files/H/Homeserve-PLC-V2/documents/content/homeserves-anti-slavery-statement-v1.pdf](https://www.homeserveplc.com/~media/Files/H/Homeserve-PLC-V2/documents/content/homeserves-anti-slavery-statement-v1.pdf)

Our Code of Business Conduct can also be found on our website <https://www.homeserveplc.com/~media/Files/H/Homeserve-PLC-V2/documents/content/code-of-business-conduct.pdf>

Whistleblowing

HomeServe is committed to the highest standards of quality, honesty, openness and accountability and employees have an important part to play in ensuring we

deliver on this commitment. Employees are often the first to notice when someone in a company is doing something illegal or improper but they may feel worried about voicing their concerns. Our whistleblowing policy makes it clear that anybody can raise any concerns about illegal or improper behaviour without fear of victimisation, discrimination or disadvantage.

Our full whistleblowing policy can be found on our website. <https://www.homeserveplc.com/~media/Files/H/Homeserve-PLC-V2/documents/content/whistle-blowing-policy.pdf>

People

Our people are considered for employment, training, career development and promotion on the basis of their abilities and aptitudes, regardless of physical ability, age, gender, sexual orientation, religion or ethnic origin.

We actively promote the career development of our employees with talent development a specific focus in FY18. Full and fair consideration (having regard to the person's particular aptitudes and abilities) is given to applications for employment and the career development of disabled persons. We will take all practicable steps to ensure that if an employee becomes disabled during the time they are employed, their employment can continue. We continue to review both performance and potential as a key part of our annual performance management, career development and succession planning processes.

Health & Safety

With over 6,000 employees globally, the health, safety and well being of HomeServe's people is central to what we do and we strive to provide safe working environments and support for all employees whether they are routinely office-based or completing work in our customers' homes. HomeServe targets zero work-related injuries and illnesses.

David Bower, Chief Financial Officer, is the director responsible for environment, health and safety matters. Local HR directors lead Health and Safety matters in each business and are responsible for executing Environmental and Health and Safety policies, except in the UK where responsibility rests with the Chief Risk Officer. Any new businesses acquired are expected to apply the same focus to comply with the Group's policies.

Inter-company safety benchmarking is used to compare and monitor the safety culture and levels of engagement across the businesses.

A new Health, Safety and Environment policy was launched during FY19 and was applicable to all of our businesses including our Home Experts businesses, Checktrade and Habitissimo.

During FY19 HomeServe saw an increase in both the accident frequency rates and lost time injury rates across our businesses. HomeServe has not uncovered any underlying driver for the increase, with higher rates due to the growth of our HVAC business line and an increasing number of gas jobs in our UK Membership business. The new policy and increased focus on this area is also believed to have improved the awareness and reporting of relevant incidents. Each business will continue to monitor rates with the expectation that they will stabilise, before identifying further actions to improve and reduce them throughout FY20.

PwC was engaged to conduct Health and Safety audits and Health and Safety remains as an annual item on the Internal Audit agenda.

Responsibilities continued

In the UK, employee campaigns and training are being used to raise awareness and improve controls, risk assessments and safe work processes. Near miss reporting has contributed to improved awareness and has resulted in the implementation of new preventative controls.

France has continued to see low accident rates in comparison to the national average with employee awareness and mandatory training around health and safety the key driver. The implementation of a new Work, Life Committee will promote improvements to the wider working environment by taking into account both work and personal circumstances.

The US has conducted awareness sessions to support with engagement and promote an understanding of each employee's role in creating a safe environment. The implementation of a new Environment, Health and Safety enterprise system will further improve the control, oversight and management of safety incidents and activities more efficiently through FY20.

Spain's total accident rates continue to be low in comparison with their market. Health and Safety is a key component of any new employee's induction and new online training has been made available to all employees concerning mental health and wellbeing.

Carbon emissions continue to be measured across all Group companies and there has been no prosecution or other enforcement actions taken in respect of our business by any of the health, safety or environmental regulators.

Communities

HomeServe is committed to using its unique skills and resources to aid causes that our employees feel passionately about and which make a positive impact on local communities. Our business model and our sources of value – in particular our people and our trades networks – place us at an advantage to help communities with issues around the home and helping those who are less privileged with housing and home emergencies.

Spain continued its charity repairs scheme in six cities with 184 volunteers helping to benefit more than 1,500 people across Valencia, Oviedo, Barcelona, Madrid, Seville and Bilbao.

In **France** colleagues continued to build the charitable partnership with "Habitat & Humanisme" which began in 2014, this year raising c. €5,000 from cycling and running events and contributing c. €5,000 from free repairs to those in social housing with the help of our contractor network.



In early 2018, HomeServe France launched the "BOOST!" programme, with the purpose of giving financial support to its employees' personal projects: entrepreneurship, special support/involvement in an association or sports event.

This programme was renewed in January 2019 and eight projects will be chosen in May, with financial grants for all winners and the in runners-up.

In 2019 HomeServe **North America** launched its HomeServe Care's foundation with the mission of "Spreading Hope and Supporting Communities One Home at a Time". The launch has brought together existing initiatives and many new ones to make a greater impact through one coordinated approach. The foundation has four pillars;



Caring For People; completing home repairs for eligible homeowners who are not customers but find themselves facing a home emergency they cannot handle financially



Caring For Community; grants for municipalities and non-profit organisations to fund community based projects

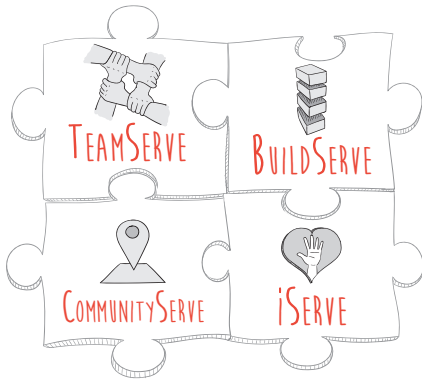


Caring For Vets; a newly launched hiring initiative to connect current and transitioning military men and women with the HomeServe contractor network with the objective of placing veterans into paid apprenticeships in the trades



Caring For Good; an employee-directed corporate charitable matching programme making it easier for HomeServe employees to participate in volunteer efforts.

A number of "Caring For People" initiatives took place during the year. 32 disadvantaged homeowners received over \$73,000 in urgent repairs as a result of the programme. These include jobs located in partner territories such as Washington Suburban (WSSC) in Maryland and in prospect cities where we can demonstrate our community engagement.



HomeServe **UK's** Community ambition is to "Keep Life Moving for 25,000 members of our local communities." This is delivered under the four main strategic pillars of its CSR programme;

- **iServe** encouraging volunteering with matched donations and paid leave
- **TeamServe** for team-based chosen charities with fundraising matched by HomeServe
- **CommunityServe** supporting skills and education through school governors and school visits
- **BuildServe** undertaking refurbishment of community facilities.

HomeServe UK has partnered with the Midland Langar Seva Society for four years. The society supports vulnerable families, rough-sleepers and disadvantaged children. This year the society was awarded the Queen's Golden Jubilee Award for voluntary service – the highest award a voluntary group can receive in the UK.

We continued our commitment to this partnership, working on the refurbishment of a mobile shower unit for use by rough-sleepers, making up Christmas gift bags for distribution to local children, and ongoing donation of food, clothes and time which have enabled food to be served seven days a week in Walsall and one evening a week in Birmingham.

Environment

HomeServe does not have an approved policy on the environment, however all individual businesses are encouraged to take steps to consider and improve their environmental impact and we recognise that much of HomeServe's core business will lessen the environmental impact of our customers e.g. the installation of new, more efficient HVAC units to replace older models, technology such as smart thermostats to monitor and improved heating usage around the home, LeakBot devices for the early identification of leaks and subsequent reduction of water loss, repairs of leaking pipework / taps etc.

At a local level our **UK** business has installed energy efficient LED lighting, car charging points have been installed at the main site in Walsall, all sites have recycling facilities, and there are bus pass initiatives and a cycle to work scheme to encourage employees to use other modes of transport to reach their workplace. The recent introduction of the Google software platform to all support staff has also enabled greater use of video conferencing to reduce travel between sites.

With almost 1,000 engineer vans on the road the UK fleet has a significant impact but we already optimise routes to make engineers more efficient and increase their jobs per day, which has the added benefit of reducing miles spent on the road. New claims and network management software that is already live and shared with our contractor network in **North America** will also be launched in the UK in FY20.



In **France** colleagues have been doing their bit to reverse a decline in the bee population. Bees and other pollinating insects play an essential role in ecosystems and through the introduction of local hives the team has seen their bees produce more than 60kg of honey. The initiative has also played a role in engagement with employees all receiving a jar of HomeServe honey following the first harvest this year!

In **Spain** our offices have a goal to reduce office paper consumption with a colour limit of 50%. The teams achieved a total of 40 sheets per employee per month, a reduction of 36% compared to last year. The colour target was not achieved but a figure of 52% was a good reduction on the 57% in 2018. On recycling our Spanish offices recycle plastic caps and mobile phones to collect funds for research into unusual diseases by collaborating with two NGOs.

Little 
Plumber girl

**“The man helped me
fix the bathroom”**

We had a new baby on the way and four year old Sophia was excited. But she still found time to get her toolbox out and help Chris the HomeServe engineer. He gave Sophia his torch, went through it all and explained what he needed to do to fix the problem. No wonder he fixed our leak so quickly and we could get back to decorating the nursery.

#MyHappyHome



[HomeServe.com/CustomerStories](https://www.homeserve.com/customerstories)



Operating review

In the UK an improved, coordinated approach to pricing 'returning customers' contributed to the reduction in customer numbers but drove a further strong increase in income per customer as the business prioritised delivering additional products to existing customers, rather than recruiting marginal customers who frequently 'dip in' and 'drop out', and only ever on highly discounted offers.

North America, France and Spain all made progress implementing HomeServe's buy-and-build HVAC strategy, acquiring well-run, local HVAC businesses, which provide stand alone installation capability and complement the Membership business with the opportunity to provide annual services and assistance cover. Total consideration in respect of HVAC acquisitions was c. £35m. Meanwhile the UK continued to integrate the Help-Link business acquired in FY18 and to develop channels to service the Membership customer base.

HomeServe now reports Home Experts as a separate segment, reflecting the size of the opportunity and how management operates and reviews the business. The segment contains the results of Checktrade in the UK, Habitissimo in Spain and our newly launched Home Experts France. New Markets contains HomeServe's international development initiatives, including its Italian associate and its Japanese joint venture.

HomeServe had another very good year, and continues to serve over 8m customers around the world as the Group delivered 14% growth in adjusted profit before tax to £161.7m (FY18: £141.7m). North America, in particular, enjoyed another very successful 12 months and is now the Group's largest business.

Total customers at the year end were 8.4m (FY18: 8.4m) as strong growth in North America was offset by expected declines in Spain following the end of the Endesa partnership in May 2018 and in the UK in the absence of a policy book acquisition this year. France grew slightly with 1.1m customers (FY18: 1.1m). The Group retention rate remained strong at 82% (FY18: 82%).

In Membership, the Group continues to achieve its best returns on marketing investment in North America. In order to benefit from this, HomeServe is increasingly more sophisticated in how it makes its investments, prioritising them for the best returns. In North America, HomeServe will continue to drive customer acquisition and grow HomeServe's customer base. Similarly in France, the extended partnership with Veolia until 2026 and the new partnership with Saur, France's third largest water utility, both present an opportunity to invest for further customer growth. In Spain the focus remains on establishing new partnerships for the Membership business whilst the Claims business continues to grow the total number of jobs completed for its bancassurer partners.

Financial performance for the year ended 31 March

Emillion	Revenue		Statutory operating profit/(loss)		Adjusted operating profit/(loss)	
	2019	2018	2019	2018	2019	2018
UK	391.7	365.6	68.4	59.3	66.0	61.1
North America	333.4	282.1	54.7	40.5	67.6	48.6
France	104.6	100.0	26.8	25.1	33.3	31.5
Spain	140.8	141.3	17.5	16.5	17.7	16.6
Home Experts	40.4	18.6	(12.4)	(4.8)	(7.4)	(2.8)
New Markets	—	—	(2.4)	(1.6)	(2.4)	(1.6)
Inter-segment ¹	(7.3)	(7.9)	—	—	—	—
Group	1,003.6	899.7	152.6	135.0	174.8	153.4

¹ Inter-segment revenues include transactions with other Group companies removed on consolidation and principally comprise royalty and other similar charges.

Membership performance metrics for the year ended 31 March

	Customer numbers (m)		Income per customer		Policy retention rate	
	2019	2018	2019	2018	2019	2018
UK	2.0	2.2	£122	£106	79%	79%
North America	4.0	3.6	\$96	\$91	83%	83%
France	1.1	1.1	€109	€106	89%	88%
Spain	1.1	1.3	€57	€47	80%	78%
New Markets	0.2	0.2	—	—	—	—
Group	8.4	8.4	n/a	n/a	82%	82%



Operating review United Kingdom

Affinity Partner Households (m)	Policy retention rate (%)	Income per customer (£)	Policies (m)	Customers (m)
26m ↔	79% ↔	£122 ↗15%	5.4m ↘8%	2.0m ↘10%
2018: 26m	2018: 79%	2018: £106	2018: 5.9m	2018: 2.2m

£million	2019	2018	Change
Revenue			
Net policy income	244.0	221.6	10%
Repair network	108.9	106.3	2%
Membership	352.9	327.9	8%
HVAC	25.5	21.1	21%
Other	13.3	16.6	(20%)
Total revenue	391.7	365.6	7%
Adjusted operating costs	(325.7)	(304.5)	7%
Adjusted operating profit	66.0	61.1	8%
Adjusted operating margin	17%	17%	—

Financial performance

Net policy income increased by 10% as reduced customer numbers were more than offset by a 15% increase in income per customer as the depth of cover of the average policy holding of UK customers continued to increase.

Repair network income was up 2% as HomeServe completed 1.2m jobs (FY18: 1.2m) for its customers with a greater proportion of higher value jobs completed this year.

HVAC revenue rose by 21% to £25.5m reflecting a full year's ownership of Help-Link, a HVAC installation business acquired in August 2017.

Other revenue of £13.3m (FY18: £16.6m) included transactions with other Group companies and revenue from LeakBot sales to home insurers.

Adjusted operating profit increased 8% to £66.0m due to the higher revenue and the full year impact of cost reductions made in the prior year. The adjusted operating margin was maintained at 17%.

The UK incurred two items recorded as exceptional in the year due to their size and incidence; an exceptional gain of £10.1m and an exceptional cost of £5.5m, both of which are excluded from adjusted performance measures in the table above. A reconciliation between the £66.0m adjusted operating profit and £68.4m statutory operating profit is provided within the glossary on page 193.

The exceptional gain related to contingent payments due to the past-owners of Help-Link, which had been payable upon hitting certain volumes of boiler installations. The business has now been fully integrated with the UK Membership business and although the volume of installs continues to increase, HomeServe does not expect to achieve the stretch targets required to trigger the contingent payments that would be due to the previous owners. As such, and in accordance with IFRS, the fair value of the associated liability has been reduced to nil and taken to the income statement as an exceptional gain for the year.

The exceptional cost mostly related to redundancies and other associated charges incurred in respect of changes to the organisational design of the UK business. Marketing and other support headcount decreased, as the business reduces its reliance on direct mail activity and prepares for the launch of new system implementations and operational improvements.

Operational performance

UK customers were 2.0m (FY18: 2.2m) and retention remained strong at 79% (FY18: 79%) with the lower customer count principally reflecting the absence of policy book acquisitions in the year and a focus on 'returning customers'. Policy book opportunities continue to be appraised but no acquisitions were completed in FY19 as there had been in previous years.

A small proportion of customers each year take advantage of HomeServe's introductory low pricing, but then go on to claim at higher than average frequencies for what are often pre-existing problems. These are generally customers who have already benefited from an introductory offer in prior years. With improved insight from new systems, HomeServe is better able to identify these customers and tailor its offers to them. In particular, while such returning customers are welcome to rejoin, introductory rates are removed to prevent 'dipping in and dropping out' and, importantly, to reduce the burden the associated higher costs place on its loyal customer base. This change in strategy, together with the termination of certain low priced stand-alone products, has resulted in a reduction in customers this year, but has removed a largely unprofitable element of the customer base and has contributed to the 15% increase in income per customer.

During the year, the UK signed four new partners in the retail energy sector: Co-Op Energy, Green Star Energy, SO Energy and Tonik. There are an estimated 0.5m energy switchers in the UK each month and the new partnerships present an exciting opportunity for HomeServe to introduce its products within the switching process.

Two new systems will go fully live in the UK in FY20: the core customer management system and the claims / network management system. As previously reported, the customer management system will provide a single, holistic view of our customers, which in turn will drive better conversations between agents and customers and offer improved cross sell and retention tools as well as driving down average call times. The network management system will improve claims handling and job deployment and will

drive efficiencies in the field with both HomeServe's directly employed and subcontracted engineers. While these systems will give rise to a higher ongoing amortisation charge, this charge is expected to be offset by operational benefits and efficiencies.

The UK network of 989 directly employed engineers and 315 subcontractors completed 1.2m jobs (FY18: 1.2m). The directly employed network continues to fulfil almost 90% of water jobs and 60% of heating jobs with the remainder of work completed by the subcontract network. In the HVAC business line, Help-Link completed 11.1k boiler installations (FY18: 9.5k).

Customer satisfaction remains high with Trustpilot and Reevoo scores of 8.6 and 96% (FY18: 8.2 and 95%).

The focus for LeakBot has been on turning test relationships with insurers into larger volume deals. The device itself is proven and the wifi model delivers the potential to scale the opportunity. HomeServe now has an approach which is attractive for both HomeServe and home insurers based upon a rental model for the LeakBot devices plus insurers paying HomeServe for a leak finding and fixing service.

Looking forward the UK business will lead certain global Membership initiatives aimed at reinventing customer service and product offers. Already live is a test for HomeServe Now, a technology-led claims process utilising Smart IVR and routing customer calls directly to available engineers in a local radius with engineers accepting the job on a 'fastest finger first' basis and attending within an hour. This is a quick and easy experience and one that can improve efficiency for HomeServe and the claims experience for the customer.



Operating review North America

Affinity Partner
Households (m)

60m ↗11%

2018: 55m

Policy retention
rate (%)

83% ↔

2018: 83%

Income per
customer (\$)

\$96 ↗5%

2018: \$91

Policies (m)

6.7m ↗19%

2018: 5.6m

Customers (m)

4.0m ↗13%

2018: 3.6m

\$million	2019	2018	Change
Revenue			
Net policy income	396.8	349.1	14%
Repair network	20.5	12.0	69%
Membership	417.3	361.1	16%
HVAC	17.6	14.1	27%
Other	1.3	—	100%
Total revenue	436.2	375.2	16%
Adjusted operating costs	(348.1)	(310.8)	12%
Adjusted operating profit	88.1	64.4	37%
Adjusted operating margin	20%	17%	3ppts

£million	2019	2018	Change
Revenue			
Net policy income	303.3	262.4	16%
Repair network	15.7	9.6	64%
Membership	319.0	272.0	17%
HVAC	13.4	10.1	28%
Other	1.0	—	100%
Total revenue	333.4	282.1	18%
Adjusted operating costs	(265.8)	(233.5)	14%
Adjusted operating profit	67.6	48.6	39%
Adjusted operating margin	20%	17%	3ppts

Financial performance

Total revenue increased by 16% to \$436.2m driven by another strong Membership performance. Net policy income increased by 14% to \$396.8m due principally to higher customer numbers year on year as a result of continued strong growth and the successful completion of the second tranche of the Dominion Products and Services (DPS) policy book in October 2018.

Repair network revenue comprises jobs completed by the directly employed network and reflects the growing volume of claims from the larger customer base.

Total HVAC revenue grew 27% to \$17.6m due principally to a 20% increase in total installations to c. 5k and a rise in the average revenue per install driven by an increased proportion of higher value jobs.

With the DPS policy book now fully integrated and an increase in the number of policies held per customer, income per customer rose 5% to \$96.

Adjusted operating costs rose 12% to \$348.1m due to continued business growth, but at a lower rate than revenue, reflecting the increasing scale and operational leverage of the North American business. This resulted in an adjusted operating margin of 20%, up by three percentage points compared to the prior year.

With the continued success of the North American business its stated target of \$160m of adjusted operating profit is within sight and with good progress in already achieving a 20% margin and income per customer getting close to \$100, it is clear that \$160m will be a milestone and not the end point for the North American business.

Operational performance

North America is now HomeServe's largest business in terms of both customer numbers and adjusted operating profit, overtaking the UK. Customer numbers increased by 13% to 4.0m including 0.2m added following the successful integration of the second tranche of Dominion. US homeowners continue to be highly receptive to HomeServe's products and 1.2m gross new customers were added in the year through annual marketing campaigns.

The policy retention rate remained high at 83% (FY18: 83%), and allied to a Better Business Bureau rating maintained at A+, is a good indicator of high customer satisfaction. The business was also honoured with 33 Stevie Awards for Sales & Customer Service and received a Grand Stevie Award, recognising HomeServe as the third most honoured organisation in the competition.

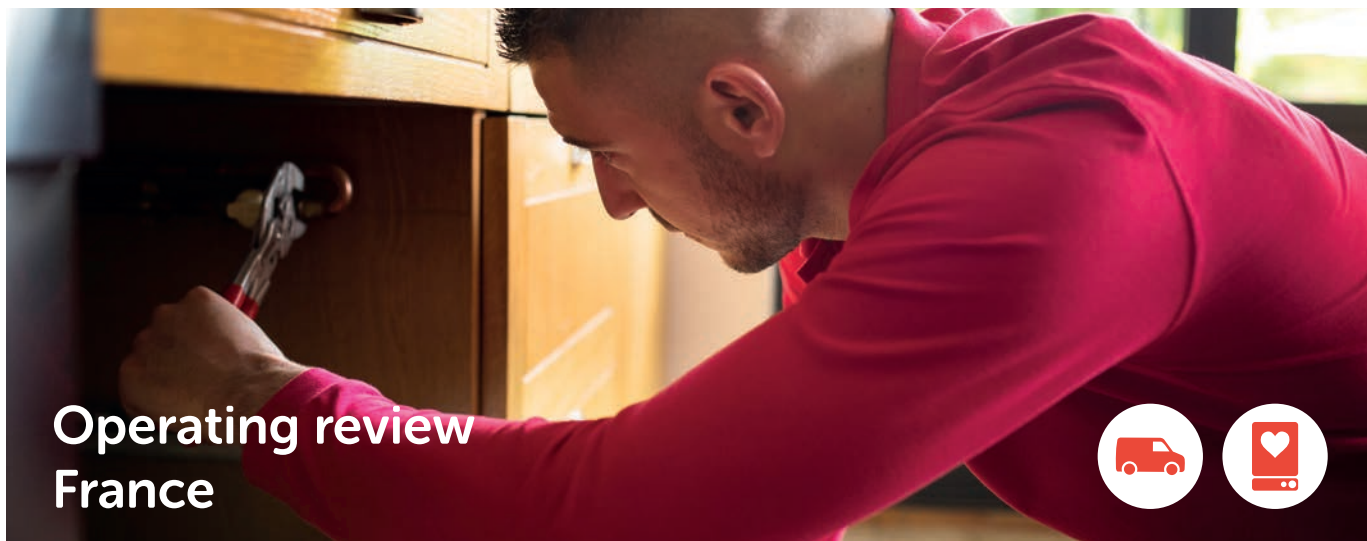
Utilities value the ongoing commission streams generated by partnering with HomeServe but they also value the high levels of service HomeServe provides to their customer base. This forms a key part of the proposal to win new partnerships. Successful business development led to an average of three new partners being signed every week and HomeServe North America now works with almost 700 partners with access to 60m households under a utility brand. The National League of Cities endorsement was renewed in the year and HomeServe also works with 16 individual State Leagues, bringing further endorsement at a more localised, State level.

HomeServe's network of c.5k contractors and 453 directly employed engineers (FY18: c.4k contractors and 170 directly employed engineers) completed 0.5m jobs in FY19, up 21% on the prior year. HomeServe provides a steady stream of work for its contractors and shares technology (job scheduling, job routing software) that improves their efficiency and service. Consequently there is high demand to join the network, but of all contractors applying only c.10% are approved; this means that HomeServe works with only the very best contractors who provide the excellent levels of service that HomeServe and its customers demand. The number of directly employed engineers increased as a result of the HVAC acquisitions in the year.

In January 2019 HomeServe made a strategic investment in consumer technology company Centriq, purchasing a 20% stake for \$5m. Centriq's app makes it easy for users to capture the details of items in their home, e.g. electronics and appliances simply by taking a photo of the product label. Having captured details, the app then provides users with resources to troubleshoot problems themselves, or with the details to obtain repair help and access to technicians when service is needed. A HomeServe branded version of the app will prove valuable in further engaging the existing 4.0m customer base and is a potential way to help acquire new customers.

Centriq is one of several initiatives to engage more customers digitally and to take advantage of technology that could improve the customer journey or increase operating efficiency. A smart IVR was launched during the year to enable customers to book tune-ups over the phone without agent intervention. This has proven to be a slick process for the customer and frees up agents to dedicate their time to providing high levels of customer service on more complicated calls. After its successful roll out in North America, the technology is now being introduced into the UK, France and Spain.

North America continues to lead on the Group's HVAC strategy and acquired three new HVAC businesses in the year, of which Cropp Metcalfe in March 2019 was the largest. The acquisition nearly doubles HomeServe's employed HVAC workforce and is the next step in building a share of the estimated \$29bn annual HVAC market in the US. Cropp Metcalfe meets HomeServe's criteria of a well-run, owner-managed business with a strong local reputation and will continue to provide its services to its existing customer base as well as now also providing installation services and repairs in an area (Washington D.C.) of existing high policy density.



Operating review France



Affinity Partner Households (m)

18m ↗20%

2018: 15m

Policy retention rate (%)

89% ↗1ppt

2018: 88%

Income per customer (€)

€109 ↗3%

2018: €106

Policies (m)

2.3m ↔

2018: 2.3m

Customers (m)

1.1m ↗2%

2018: 1.1m

€million	2019	2018	Change
Revenue			
Net policy income	115.6	111.7	3%
Repair network	0.5	0.5	(2%)
Membership	116.1	112.2	3%
HVAC	1.7	1.0	67%
Other	0.9	—	100%
Total revenue	118.7	113.2	5%
Adjusted operating costs	(80.9)	(77.5)	4%
Adjusted operating profit	37.8	35.7	6%
Adjusted operating margin	32%	32%	—

€million	2019	2018	Change
Revenue			
Net policy income	101.9	98.6	3%
Repair network	0.4	0.4	(3%)
Membership	102.3	99.0	3%
HVAC	1.5	1.0	50%
Other	0.8	—	100%
Total revenue	104.6	100.0	5%
Adjusted operating costs	(71.3)	(68.5)	4%
Adjusted operating profit	33.3	31.5	6%
Adjusted operating margin	32%	32%	—

Financial performance

Total revenue increased by 5% to €118.7m (FY18: €113.2m) primarily due to the higher customer count and an increase in HVAC revenue as a result of a full year's income from Electrogaz, a business acquired part way through the prior year.

Adjusted operating costs rose slightly, by 4%, to €80.9m largely linked to the HVAC growth. Adjusted operating margin was 32%, in line with the prior year, as adjusted operating profit grew 6% to €37.8m. The future adjusted operating margin is expected to be around 30% as the business invests in its business development opportunities, notably HVAC and customer acquisition with new partners.

Operational performance

France had a strong year as it once again returned the highest retention rate in the Group, up one percentage point to 89% (FY18: 88%), and total customers increased by 2% to 1.1m. For the third year running, France's focus on maintaining high customer service standards was reflected in the award of Élu Service Client de l'Année.

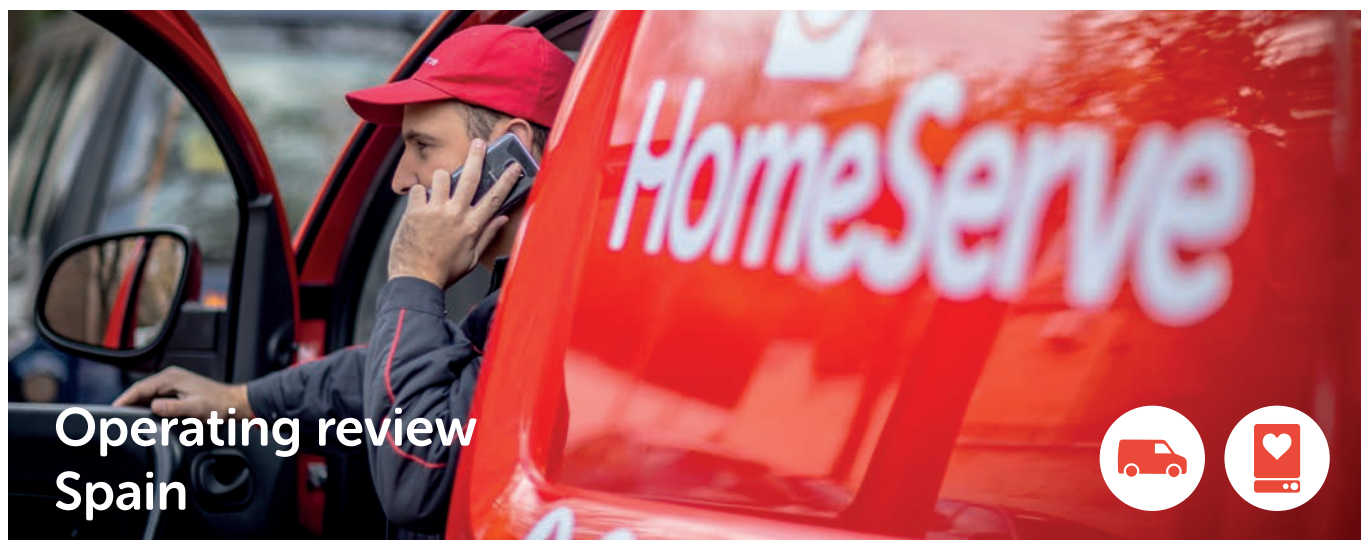
A key component of HomeServe's success in France has been its partnership with Veolia. The partnership began as a joint venture when HomeServe first entered France in 2001, continued as a 10 year affinity marketing agreement after HomeServe bought Veolia's share in 2011 and has now been extended early until 2026. The deal secures ongoing support for direct mail and renewal activities and also introduces new channels and opportunities to drive further growth through Veolia's HomeFriend initiative. As well as new telephony and digital channels, Veolia, through HomeFriend, will sell HomeServe's products directly in its own call centre, giving rise to similar partner payments within capital expenditure as seen with Suez (also in France) and previously Endesa in Spain.

The French business now works with the top three French water utilities having signed a new partnership with the third largest provider, Saur, in December 2018. The Saur relationship will enable marketing campaigns under a fresh brand to c.4.0m households. Having signed the partnership in December, test campaigns were quickly launched in the final quarter of FY19 with encouraging early results.

Approximately 10m French households receive their water supply from small to mid-sized municipals and the French team has now commenced attempts to access this channel by learning from the successful programme in North America where HomeServe already works with a large number of municipals.

Deregulation in the Energy sector in France is accelerating with more than 40 energy retailers taking market share from the larger incumbents and the French business has started to build a strong business development pipeline to partner with the new challengers.

Following the acquisition of Electrogaz, an HVAC business in the south of France, last financial year, the French business made two further HVAC acquisitions in FY19, Société V.B. Gaz and Etablissements Descamps. Descamps adds to HomeServe's HVAC presence in the South of France and complements last year's acquisition of Electrogaz whilst V.B. Gaz is based just outside Paris. Annual domestic boiler services are mandatory in France, so the HVAC market is a particularly attractive opportunity and the two acquisitions represent a further step in HomeServe's buy-and-build strategy to capture more of the revenue generated in the HVAC lifecycle from installation to annual service contract and one-off repairs.



Operating review Spain

Affinity Partner Households (m)

— **↘100%**

2018: 12m

Policy retention rate (%)

80% **↗2ppts**

2018: 78%

Income per customer (€)

€57 **↗19%**

2018: €47

Policies (m)

1.3m **↘15%**

2018: 1.5m

Customers (m)

1.1m **↘16%**

2018: 1.3m

€million	2019	2018	Change
Revenue			
Net policy income	62.7	63.0	(1%)
Repair network	92.0	97.1	(5%)
Membership	154.7	160.1	(3%)
HVAC	5.0	—	100%
Total revenue	159.7	160.1	—
Adjusted operating costs	(139.9)	(141.2)	(1%)
Adjusted operating profit	19.8	18.9	5%
Adjusted operating margin	12%	12%	—

€million	2019	2018	Change
Revenue			
Net policy income	55.3	55.6	(1%)
Repair network	81.1	85.7	(5%)
Membership	136.4	141.3	(3%)
HVAC	4.4	—	100%
Total revenue	140.8	141.3	—
Adjusted operating costs	(123.1)	(124.7)	(1%)
Adjusted operating profit	17.7	16.6	5%
Adjusted operating margin	13%	12%	1ppt

Financial performance

Total revenue was broadly flat at €159.7m as lower repair network revenue was offset by new HVAC revenue generated by Oscagas, a company acquired in July 2018.

Repair network revenue was down 5% principally due to the mix of completed work as the Claims business closed 0.8m jobs (FY18: 0.8m).

Net policy income fell by 1% to €62.7m as the effect of the lower customer count following the end of the Endesa partnership was offset by a maturing policy book and a 19% increase in income per customer to €57.

Adjusted operating costs fell 1% to €139.9m due to the mix of work in the Claims business and lower marketing and commission spend following the end of the Endesa partnership in May 2018, offset by costs incurred in the new HVAC business.

Operational performance

As announced last year end, the Endesa partnership in Spain came to an end in May 2018. Acquisition marketing ceased from this date and Endesa was removed from the Spanish household count. As expected total customers therefore reduced in Spain and at the year end were down by 16% to 1.1m.

With a maturing book and fewer Year 1 customers, the retention rate rose by 2 percentage points to 80%, and income per customer increased by 19% to €57: a strong result which underpins the Membership revenue in the short-term as the business continues to explore new partnership opportunities.

As well as attempting to unlock another sizeable partnership, the Spanish business is also pursuing opportunities with retail energy providers, water municipals and telcos. The retail energy opportunity looks to exploit the nascent switching market in Spain and although only small volumes so far, the take up rates with a new partner, PODO, have been very encouraging.

The Spain team is also exploring opportunities in the water sector as it looks to agree new partnerships with water municipals.

The Claims business ("Repair network") continued working with a number of Spain's largest bancassurers, managing a large volume of claims across multiple trades and is exploring business development opportunities to expand its partnerships further. Jobs continue to be completed by a network of over 1,907 sub contractors and 190 franchisees (FY18: 1,838 subcontractors and 192 franchisees).

The strong retention rate in the Membership business and the continued strength of the Claims business means that HomeServe expects no significant impact on adjusted operating profit through FY21 as it continues to seek new partnerships.



Operating review Home Experts

Emillion	2019	2018	Change
Revenue			
Checkatrade	29.8	8.3	258%
Habitissimo	10.6	10.3	2%
Total revenue	40.4	18.6	116%
Adjusted operating costs	(47.8)	(21.4)	123%
Adjusted operating loss	(7.4)	(2.8)	164%

Performance metrics	2019	2018	Change
Checkatrade trades (k)	36	29	23%
Habitissimo trades (k)	28	29	(2%)
Checkatrade website hits (m)	17.9	16.1	11%
Habitissimo website hits (m)	83.2	81.3	2%

Financial performance

FY19 was the first year of full ownership of Checkatrade. On a pro forma 12 month basis, revenue increased strongly by 33% from £22.4m to £29.8m driven by pricing initiatives implemented in the year and a 23% growth in the number of trades. The increased revenue has been reinvested to drive future growth.

Habitissimo revenue was broadly flat year on year as HomeServe focused on proving out the preferred subscription model with Checkatrade. This model will be introduced to Habitissimo's core market in Spain over the course of the next 12 months.

The increased adjusted operating loss of £7.4m (FY18: £2.8m) was principally due to a full year's ownership of Checkatrade and increased investment in initiatives to drive trades and consumer growth as well as the launch of Home Experts in France.

Operating performance

In FY19 Checkatrade made significant progress as it began to position itself for future growth. Central to this has been the recruitment of a new senior management team with experience in fast growing digital businesses, under the leadership of new CEO Mike Fairman, formerly CEO of giffgaff.

The Checkatrade model of a free to access directory of trusted, local trades is the one preferred by consumers. In order to achieve HomeServe's ambitious plans to expand and grow this model, the new Checkatrade team is progressing a number of initiatives to increase trades supply, increase consumer demand and transform its operations into a fully digital business.

The balance of supply and demand is fundamental to recruiting and retaining a satisfied trades base and Checkatrade is dedicated to generating work and helping

trades to grow their business. Trades value the benefits their membership brings; the endorsement of being extensively checked and approved, procurement discounts, a webpage and online presence, but more than any other factor, trades join Checkatrade to obtain a consistent flow of consumer enquiries and jobs.

There are an estimated 600,000 trades in the UK, all of whom could benefit from Checkatrade membership and Checkatrade has an ambition to recruit 200,000 of these. Owning the supply of trades will create a virtuous circle where consumers come to Checkatrade because it has the most trusted, local trades and in turn trades join and remain on Checkatrade because it is the site consumers use.

Trades recruitment becomes much easier when trades can be shown the consumer demand in their area that will generate work

for them and more than justify their monthly membership fee. FY19 saw an 11% increase in website visits and a 23% increase in the number of trades to 36k. Checkatrade has the largest number of active, paying trades of any platform in the UK today. As the business grows consumer demand, and with outbound telemarketing to trades now live, the aim remains to step change the number of trades on the platform towards the target of 200,000.

Checkatrade has built a market leading position from its reputation for extensive background checks and vetting and by building its brand through TV and radio advertising and sponsorship of sporting events, e.g. the Checkatrade Trophy. Under the guidance of the new management team, the business is becoming more sophisticated in how it appraises marketing spend and more selective as to where it allocates its investments. TV and radio advertising will continue to build the brand and drive consumers directly to the website but it is now accompanied by targeted online marketing, e.g. purchase of search terms, and affiliate referral arrangements to drive a greater proportion of existing online searches for repairs and improvements to Checkatrade.com.

Complementing extensive vetting and checks is the ongoing independent feedback provided by consumers. There are now over 4.4m reviews on Checkatrade.com with over 50k new reviews added every month.

An element lacking in the consumer offer today is trade availability. Trades are often booked up far in advance and consumers may need to contact several trades before finding one with availability. Checkatrade Now connects consumers with an available trade for an urgent job request. Next to be developed is a "Search For Me" function for consumers who simply want an available trade and do not want to search the directory themselves.

Shortly after the year end HomeServe launched Home Experts in France, initially in Lyon. The Lyon test area will prove out the Checkatrade model in a 'greenfield' market, growing supply and demand in the Lyon area before expanding to other regions.

As well as helping to launch Home Experts in France, Habitissimo continued to deploy its lead generation model in Spain and in its other markets in Europe and LATAM. Trade and website visitor numbers remained flat for FY19 but the focus will be on growing these in FY20 as Habitissimo also starts to adopt the preferred user experience.



Emillion	2019	2018	Change
Adjusted operating loss	(2.4)	(1.6)	150%

HomeServe's New Markets segment now contains the results of its international development operations including its Italian associate, Japanese joint venture and business development initiatives in other new geographies.

Total investment in New Markets was £2.4m (FY18: £1.6m) with the increase principally driven by a larger international development team and activities to agree the joint venture with Mitsubishi Corporation in Japan. HomeServe expects an ongoing annual investment of between £2m to £3m in this area.

The Italian associate, in partnership with Edison Energia, had 0.2m customers in line with the prior year.

On 14 February 2019, HomeServe entered into an agreement with Mitsubishi Corporation to establish a joint venture in Japan. Japan is the world's third largest economy with 53 million residential households and recent liberalisation of the gas and electricity markets, together with access to the water market for private concessions, has created a positive environment for HomeServe's utility branded home assistance model.

Mitsubishi Corporation is not itself a utility but it does have wide ranging relationships with private and public utilities throughout Japan, which should enable HomeServe Japan to agree utility partnerships and build a business to provide home emergency and repair services in electrics, plumbing, gas, heating, ventilation and air conditioning. The business will be based on a Membership model, and will also offer on-demand services to residential customers.

HomeServe and Mitsubishi Corporation have each agreed an initial cash investment of £2 million into the joint venture with the ongoing annual investment by HomeServe to be covered within the overall New Markets spend.



These financial results have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use by the European Union.

Group statutory results

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

£million	2019	2018
Total revenue	1,003.6	899.7
Operating profit	152.6	135.0
Net finance costs	(13.1)	(11.7)
Adjusted profit before tax	161.7	141.7
Amortisation of acquisition intangibles	(26.8)	(18.4)
Exceptional items		
Restructuring costs	(5.5)	—
Fair value movement on contingent consideration liabilities	10.1	—
Statutory profit before tax	139.5	123.3
Tax	(31.2)	(27.4)
Profit for the year	108.3	95.9
Attributable to:		
Equity holders of the parent	108.5	96.3
Non-controlling interests	(0.2)	(0.4)
	108.3	95.9

Profit before tax

The Group delivered 13% growth in profit before tax to £139.5m driven principally by further strong growth in North America. The performance of HomeServe's individual businesses is considered in the Operating review.

Net finance costs

Net finance costs rose to £13.1m (FY18: £11.7m) due to the unwinding of interest on deferred consideration in relation to previous M&A activity, the higher average net debt balance year on year and the fixing of a portion of interest as a result of the new private placement.

Exceptional items

The Group incurred two exceptional items in the year (FY18: nil).

An exceptional cost of £5.5m, mostly related to redundancies and other associated charges incurred in respect of changes to the organisational design of the UK business. Marketing and other support headcount decreased, as the business reduces its reliance on direct mail activity and prepares for the launch of new system implementations and operational improvements.

Offsetting the charge was an exceptional gain of £10.1m relating to a fair value movement on contingent consideration payable to the previous owners of Help-Link upon hitting certain stretch target volumes of boiler installations. At 31 March 2019 the Group determined that the likelihood of hitting these targets was now remote and that the fair value of the outstanding liabilities was £nil.

Amortisation of acquisition intangibles

Statutory profit before tax is reported after the amortisation of acquisition intangibles and the exceptional items noted above.

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

The amortisation of acquisition intangibles of £26.8m (FY18: £18.4m) increased principally due to annual charges relating to the acquisition of tranche 1 of the policy book of Dominion Products and Service Inc. (DPS) in North America and Checkatrade in the UK, which were acquired part way through the prior year together with the completion of tranche 2 of DPS on 26 October 2018.

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

Tax strategy

The Group has continued to operate within the tax strategy approved by the Board in May 2018. The tax strategy is subject to annual review and reflects HomeServe's status as a plc, and the regulated nature of its business which requires strong governance and consideration of reputation as well as compliance with local laws, regulations and guidance. The UK elements of the tax strategy document are publicly available on the HomeServe plc website as required by UK legislation.

The Group tax strategy covers how HomeServe:

1. Applies tax governance on an ongoing basis and maintains strong internal controls in order to substantially reduce tax risk;
2. Will not engage in artificial transactions the sole purpose of which is to reduce tax;
3. Holds a strategic aim to retain its low tax risk rating as determined by the UK Tax Authority's Business Risk Review process; and
4. Works with all tax authorities in an open, honest and transparent manner.

Tax charge and effective tax rate

The Group's tax charge in the financial year was £31.2m (FY18: £27.4m), representing an effective tax rate of 22% (FY18: 22%). The corporate income tax rates in the overseas countries in which the Group operates continue to be higher than the UK corporate income tax rate of 19% (FY18: 19%), which results in a Group effective rate higher than the headline UK rate. As the proportion of the Group's profits earned overseas continues to grow, the effective tax rate is expected to increase slightly.

Cash flow and financing

HomeServe's business model continues to be highly cash generative with cash generated by operations in FY19 of £202.2m (FY18: £164.2m), representing a cash conversion ratio against adjusted operating profit of 116% (FY18: 107%). The cash conversion ratio is expected to remain in excess of 100%.

Working capital

Working capital increased by £30.4m in FY19 reflecting continued growth in all businesses,

Group cash flow

£million	2019	2018
Adjusted operating profit	174.8	153.4
Exceptional items	4.6	–
Amortisation of acquisition intangibles	(26.8)	(18.4)
Operating profit	152.6	135.0
Impact of exceptional items	(4.6)	–
Depreciation and amortisation	73.9	62.6
Non-cash items	10.7	9.0
Increase in working capital	(30.4)	(42.4)
Cash generated by operations	202.2	164.2
Net interest and associated borrowing costs	(9.9)	(10.5)
Taxation	(31.7)	(27.2)
Capital expenditure	(66.9)	(71.1)
Repayment of finance leases	(0.6)	(0.6)
Free cash flow	93.1	54.8
Acquisitions of investments	(5.4)	–
Acquisitions of subsidiaries	(37.5)	(54.2)
Acquisitions of policy books	(48.8)	(53.6)
Dividend from associate	–	0.4
Equity dividends paid	(65.0)	(50.4)
Issue of shares (net of associated issue costs)	2.2	123.3
Net movement in cash and bank borrowings	(61.4)	20.3
Impact of foreign exchange and other non-cash items	(5.2)	2.9
Net debt acquired	(0.1)	(0.1)
Finance leases	(0.2)	0.5
Opening net debt	(237.8)	(261.4)
Closing net debt	(304.7)	(237.8)

in particular in North America following tranche 2 of Dominion and in Home Experts due to the changes being implemented at Checktrade, offset by the timing of certain supplier and underwriter payments.

Capital expenditure

Capital expenditure included £51.9m in relation to ordinary and transformational capital expenditure, the largest elements of which related to customer facing systems throughout the Group including the core customer management system and claims handling and job deployment systems in the UK. These systems are in the final stages of user testing before being rolled out during the coming year. This will give rise to an increased annual software amortisation charge, which is expected to be offset

by increased agent efficiency through shorter call handling times, higher engineer utilisation rates and more targeted cross sell and retention marketing opportunities.

Total partner payments and contract costs amounted to £15.0m an expected reduction on the prior year (FY18: £16.5m), due to the end of the Endesa contract in Spain.

Capital expenditure in FY20 is expected to be in line with FY19. Membership capex is expected to reduce, in line with previous guidance and HomeServe now expects to invest more in Home Experts to support its growth plans as it seeks to transform the digital experience at Checktrade and to scale the business efficiently.

Financial review

continued

Acquisitions

The £5.4m acquisition of investments related to a 20% investment in consumer technology company Centriq, amounting to \$5.0m, and an initial £1.5m cash outflow in relation to the £2m of investment that HomeServe has committed to its joint venture with Mitsubishi Corporation in Japan.

The Group incurred a net cash outflow in respect of business combinations of £37.5m in the year (FY18: £54.2m), principally in respect of £27.1m from the acquisition of HVAC businesses to advance the Group's buy and build initiative, including Cropp Metcalfe, Gregg Mechanical and Geisel in North America, Oscagas in Spain and VB Gaz in France.

In addition, there was a further outflow of £10.4m relating to deferred consideration in respect of business combinations in prior periods, principally Checktrade and Help-Link in the UK.

A cash outflow of £48.8m was incurred in relation to policy book acquisitions in North America and the UK. Tranche 2 of the policy book of DPS in North America completed on 26 October 2018 at a cost of £41.6m. The balance related to deferred payments from the prior year acquisitions of tranche 1 of DPS and also the policy book acquisition from the AA in the UK.

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

Earnings per share

Basic earnings per share for the year increased from 30.2p to 32.7p, an increase of 8%. On an adjusted basis, earnings per share increased 12% from 33.6p to 37.5p. The weighted average number of shares increased from 318.9m to 331.7m principally due to the equity placing which occurred part way through the prior year on 19 October 2017 and new shares issued in fulfilment of a number of share schemes that vested in the year.

Dividends

Given the Group's good performance and the Board's confidence in its future prospects, the Board is proposing to increase the final dividend to 16.2p per share (FY18: 14.4p) to be paid on 2 August 2019 to shareholders on the register on 5 July 2019.

Together with the interim dividend declared in November 2018 of 5.2p (November 2017: 4.7p), this represents a 12% increase in the total ordinary dividend payment for the year of 21.4p (FY18: 19.1p), which is 1.75x covered by the FY19 adjusted earnings per share (FY18: 1.76x). As previously indicated, the Board continues to adopt a progressive dividend policy.

Financing

In FY19 the Group continued to target net debt in the range of 1.0-2.0x adjusted EBITDA, measured at 31 March each year. With net debt of £304.7m and adjusted EBITDA of £221.9m the Group was inside this range at 1.4x and well within its total facilities of c.£700m at the year end.

Given its strong financial position, the Group is prepared to see leverage outside this range for reasonable periods of time if circumstances warrant, and the range itself remains subject to periodic review. Due to the ordinary seasonality of the business, net debt is expected to increase at the next half year.

On 25 October 2018 HomeServe arranged £174.2m funding via a US Private Placement, with a number of notes totalling \$125.0m and £80.0m and with maturity dates in the range of 7 to 12 years.

Net interest and borrowing costs paid reduced slightly to £9.9m (FY18: £10.5m) as the prior year included higher one-off costs associated with the renewal of the Group's bank debt facilities.

Foreign exchange impact

The impact of changes in the Euro and USD exchange rates between FY18 and FY19 resulted in a £5.3m increase in the reported revenue and a £1.5m increase in adjusted operating profit of the international businesses as summarised in the table above largely as a result of a beneficial movement in the US dollar. There was no material difference for the impact of foreign exchange on statutory operating profit.

With an increasing proportion of HomeServe's profits generated overseas, the potential translation impact of foreign exchange movements on reported profits may have a larger impact. A ten cent movement in the FY19 average USD rate of 1.31 and the Euro rate of 1.13 would have had approximately a £5.2m and £4.5m impact respectively on full year adjusted operating profit. The impact of future movements in the Yen in FY20 following HomeServe's new joint venture in Japan is not expected to be material.

		Average exchange rate			Effect on (£m)	
		2019	2018	Change	Revenue	Adj. operating profit
					2019	2019
North America	\$	1.31	1.33	2%	5.5	1.6
France	€	1.13	1.13	—	(0.2)	(0.1)
Spain	€	1.13	1.13	—	—	—
Home Experts ¹	€	1.13	1.13	—	—	—
Total International					5.3	1.5

¹ Home Experts is reported in GBP due to the different currencies used by the operating businesses within the segment. This table shows the impact of foreign exchange movements in the Euro for the results of Habitissimo.

Accounting standards

FY19 is the first year the Group has prepared results under IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. IFRS 15 has not had a material impact on the timing of the Group's revenue recognition, with the principal effects being limited to material reclassifications to the presentation of certain contract, receivable and payables balances in the Group Balance Sheet. None of these amendments had any impact on income, net assets or working capital. IFRS 9 had no significant impact on the financial statements. Further details are included in note 2.

IFRS 16 Leases is effective for the Group from 1 April 2019. IFRS 16 will cause a material decrease in operating costs largely offset by a material increase in the combined depreciation and interest expenses, resulting

in an increase to adjusted EBITDA but a net immaterial impact on profit before tax. The operating lease charge recorded in operating costs in FY19 was £12.9m (FY18: £12.7m). Non-current assets and gross liabilities are both expected to increase by between £45.0m to £60.0m with net assets remaining unchanged.

Customers

IFRS15 defines a customer as 'a party that has contracted with an entity to obtain goods or services'. In the Membership businesses where the Group acts as an intermediary selling contracts and insurance policies to end consumers, the 'IFRS 15 customer' is considered to be the underwriter with which the Group has contracted to sell policies.

This is different, however, from how the Group markets and communicates the value of its products and services to end consumers. Here, the businesses strategy and communications (both internally and externally) refer to the end consumer as the customer. As a result, for the purposes of describing the strategy and operational performance of the business, the Strategic Report and the Group's KPIs refer to the end consumer as the customer of the Group, rather than the underwriter. However, for the purposes of preparing the financial statements, the accounting transactions are recorded in accordance with IFRS 15 where the customer is the underwriter.

For all other sources of revenue, it is the party that has contracted with the Group to obtain goods and services that is classified as the customer. The following table summarises this position:

Revenue Stream	IFRS 15 'contracted' customer	Customer as referred to in the Strategic report
Policy Income – insurance intermediary commissions	Underwriter	End user of the service
Policy Income – repairs	Underwriters or other B2B contracted parties	
Policy Income – Home assistance	End user of the service	
Home Experts		
HVAC		
Other		

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the viability of the Group over a three year period to 31 March 2022. The Directors believe that a three year forward looking period is appropriate as it is aligned to the timeframe that management focus upon, the performance period in respect of the long-term incentive scheme for senior management and it is the period of assessment for recoverable values of cash generating units.

The Group has a formalised process of budgeting, reporting and review along with procedures to forecast its profitability, capital position, funding requirements and cash flows. These plans provide information to the Directors on a regular and timely basis and are used to ensure the adequacy of resources available for the Group to meet its business objectives, both on a short-term and strategic basis. The plans for the period commencing on 1 April 2019 were reviewed by the Executive Committee in February 2019 and subsequently approved by the Board in March 2019.

In making this statement, the Board carried out a robust assessment of the principal risks facing the Group. The Principal Risks and Uncertainties sets out the principal strategic, operational and financial risks which could threaten HomeServe's business model, future performance and growth plans and its liquidity or solvency. HomeServe has a robust risk management framework (see page 20) which addresses its risk appetite and risk policy. In the financial year ended 31 March 2019 HomeServe formalised the process by which it collates risks identified in local businesses into Group Enterprise Risks. All major risks are scored based on their potential impact and likelihood and are reviewed regularly by the Audit & Risk Committee.

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

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

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

- choosing to move where it allocates its resources
- choosing to reduce its investment of resources considered more discretionary in nature e.g. scaling back marketing investment to offset any reductions in income
- choosing to reduce the size and scale of back office functions to match any reductions in income.

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

- the geographical spread of HomeServe's operations
- a large and diverse portfolio of commercial partnerships
- high customer retention
- a strong financial position with recently agreed funding facilities
- an increasing contribution from other business lines with Home Experts and HVAC each growing revenues this financial year.

The business is geographically spread across the UK, Continental Europe, North America and now with an early stage presence in Japan. In each established territory, the business has long-term contractual relationships with utility businesses providing access to 105m households under Utility Partner brands. Retention rates are high across all established businesses, resulting in stable and recurring cash flows from a large, diverse base of 8.4m customers.

Considering the Group's current position, the principal risks and the Board's assessment of the Group's future, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a period of at least three years to 31 March 2022.

Going concern

The Group's business activities, together with the factors likely to affect its future development, including the potential impact of Brexit, performance and position are set out in the Strategic Report.

The Directors have reviewed the Group's budget, forecast and cash flows for 2019 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.

David Bower

Chief Financial Officer
21 May 2019

Non financial information statement

Requirement	Our policies	Where you can find out more
Anti-bribery and corruption	<ul style="list-style-type: none"> • Anti-Fraud and Bribery • Whistleblowing 	Resources, relationships and responsibilities page 29
Business model	N/A	Strategic report page 12
Employees	Code of Business Conduct	People page 29
Environment	HomeServe does not have a Group wide policy on the environment. Our individual businesses engage in different activities for the benefit of their local environments – more detail on these can be found in the Resources, relationships and responsibilities report on page 31	
Human rights	Modern Slavery Statement	Resources, relationships and responsibilities page 29
Non financial KPIs	N/A	Operational measures can be found within Our KPIs on page 16
Principal risks	N/A	Strategic report on page 20
Social activities	HomeServe does not have a Group wide policy for Social Matters. Our individual businesses engage in different activities and support charitable initiatives for the benefit of their local communities – more detail on these can be found in the Resources, relationships and responsibilities report on page 25	

Strategic Report 2019

For and on behalf of the Board

Richard Harpin

Founder and Chief Executive

21 May 2019

Home Experts

On demand, online marketplace to find checked, vetted and reviewed local tradespeople for a broad range of home repairs and improvements.





GOVERNANCE

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Dear Shareholder

I am pleased to present this year's Corporate governance report. As a Board, we continue to believe that good corporate governance underpins good business performance. We are accountable to our shareholders for ensuring that governance processes are in place and are effective and we are fully committed to meeting the required standards of corporate governance. The reports that follow are intended to provide an understanding of our corporate governance arrangements and how they operated in FY19.

Board focus

As a Board we regularly discuss and review:

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

As I set out in my introduction to the Strategic report on page 4, HomeServe's business model is based on five key sources of value – partnerships, marketing expertise, customer service, local networks and financials. The Board discusses all of these on a regular basis but the focus changes depending on current business priorities.

During the year, partnerships were a key focus due to our ambitions to further our international expansion. International development plans featured regularly on the agenda and the Board received detailed insight into the Japanese market with members of the Board able to bring their experience of working in that territory to the discussions. Given the potential in the Japanese market we were very pleased to be able to launch a joint venture with Mitsubishi Corporation.

The Board agenda also focused on our newer business lines, Home Experts and Heating, Ventilation and Air Conditioning (HVAC). On Home Experts, the Board received regular updates on activity to develop the model and has challenged the detail and timescale of the plans to prove out the model. On HVAC, the Board has been keen to ensure that the criteria for acquisitions has been completely clear and that the management teams can prove they can add real value to acquired businesses.

People resource is an ongoing challenge in a growing business and the Board has encouraged management to ensure that we have the right resource to support our stretching plans for growth. The People Committee is playing a key role in ensuring we have the right focus on talent.

Board changes

During the year, as a result of our reorganisation to create four global business lines, both Martin Bennett and Johnathan Ford left the Board to pursue other opportunities. We also said farewell to Chris Havemann who retired as a Non-Executive Director. Further details on these changes are set out on page 64. I would like to extend my thanks to all of them for their contribution and support during their time on the Board.

In March 2019, we appointed Olivier Grémillon, a French national, as an independent Non-Executive Director. Olivier brings extensive experience of growing digital platform businesses, which is directly relevant as HomeServe grows its Checkatrade and Habitissimo online platform businesses and digitises its membership businesses. I am delighted to welcome him to the Board.

Culture and diversity

We continue to take diversity seriously and are focused on achieving an inclusive and diverse culture. We believe this improves effectiveness, encourages constructive debate and delivers strong performance.

During the year, we approved a Diversity Policy for the Board and having fulfilled our desire to find an international Non-Executive Director will use our best endeavours to increase the number of women on the Board.

Our People Committee has now been operating for over a year and I am pleased that we have a report from that Committee on pages 68 to 69

Board effectiveness

During the year, a review of the Board and its committees was facilitated by Lintstock Limited. Further detail on the review is provided on page 64. Based on this review and my experience as Chairman, I am satisfied that the Board and its Committees are performing efficiently and that there is an appropriate balance of skills, experience, knowledge and independence to enable the Board to discharge its duties effectively.

JM Barry Gibson

Chairman
21 May 2019

Compliance and other statements

The Company is committed to the Principles of corporate governance contained in the 2016 UK Corporate Governance Code ('the Code') which is available at <http://www.frc.org.uk>. Under the Code, the Board is required to make a number of statements, as follows:

Compliance with the Code

The Directors confirm that, throughout FY19, the Company continued to apply the main Principles of the Code and complied with all of the relevant Provisions of the Code, save that the Senior Independent Director did not meet with any shareholders during the year although this opportunity was actively promoted.

Viability statement and going concern

Statements in respect of viability and going concern are set out on page 48.

Principal risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group (including those which would threaten the business model, future performance, solvency or liquidity), their appetite with respect to those risks and the systems required to mitigate and manage them. Details on the review process are set out on page 20. Further details on the principal risks and uncertainties can be found on pages 20 to 24.

Annual review of systems of risk management and internal control

The Board, through the Audit & Risk Committee, monitored the Group's systems of risk management and internal control and carried out a review of their effectiveness. The Board concluded that overall, these systems were effective. Details on the review process are set out on page 70.

Fair, balanced and understandable

The Directors consider that, taken as a whole, this Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance and position, business model and strategy. Details on the process for arriving at this conclusion are set out on page 75.

Application of principles

The section below sets out how the Company has continued to apply the main Principles of the Code during the year.

Leadership

A.1 Role of the Board

The Board is responsible for providing effective leadership. It met formally seven times during the year. The Board has a Schedule of Matters specifically reserved to it for decision and has approved the written terms of reference of the various Committees to which it has delegated its authority in certain matters. The full schedule is available on our website <http://www.homeserveplc.com/about-us/corporate-governance/our-board>.

A.2 Division of responsibilities

The Chairman's responsibilities are clearly defined in a written specification agreed by the Board which makes clear the division of responsibilities between the Chairman and the Chief Executive. The Chairman's responsibilities include the smooth running of the Board, effective communication between Executive and Non-Executive Directors and the general progress and long-term development of the Group.

A.3 The Chairman

The Chairman, Barry Gibson, sets the agendas for meetings and ensures that appropriate time is available for discussion of all agenda items, with particular focus on strategic issues. He facilitates open and constructive dialogue during meetings and promotes productive relations between Executive and Non-Executive Directors.

On his appointment in April 2010, the Board considered Barry to be independent in character and judgement in accordance with the Code.

A.4 Non-Executive Directors

The Non-Executive Directors provide the Board with a breadth of experience, independent judgement and constructive challenge. They meet regularly without the Executive Directors and at least once a year without the Chairman. The Senior Independent Director provides advice and support to the Chairman as required and to the other members of the Board. The Chairman and Senior Independent Director are also available for shareholder meetings.

Effectiveness

B.1 Composition of the Board

At the year end, the Board comprised six Non-Executive Directors (including the Chairman) and three Executive Directors. The Board considers all of the Non-Executive Directors (excluding the Chairman) to be independent in character and judgement.

B.2 Appointments to the Board

The process for Board appointments is generally led by a sub-committee created for the purpose. This approach allows those Directors with the most relevant experience to be involved in recruiting for particular roles. The committee then makes recommendations to the Board. For more information on Board appointments and the work of the Nomination Committee, please refer to pages 66 to 67.

B.3 Commitment

The commitment required of Directors is discussed prior to appointment.

B.4 Development

The Board actively encourages all Directors to deepen their knowledge of their roles and responsibilities and to gain a clear understanding of the Group and the environment in which it operates. Newly appointed Board members are required to undergo an induction programme which includes obtaining a thorough understanding of the Group's various operations.

Training and development is provided on an ongoing basis as required and Board members have the opportunity to receive formal training from external providers if they wish. The Chairman considers the training and development needs of individual Directors and has provided mentoring to the Chief Executive.

Application of principles continued

B.5 Information and support

The Chairman, supported by the Company Secretary, ensures that all Board members receive accurate and timely information on matters being considered at Board or Committee meetings. In advance of each Board or Committee meeting, all relevant papers are made available to the Directors via a secure electronic portal.

The Company Secretary is the secretary to the Board and its Committees and is also the secretary to the Executive Committee. All Directors have access to the services of the Company Secretary and Directors may take independent legal and other professional advice at the expense of the Company.

B.6 Evaluation

The Board conducts an annual, externally facilitated evaluation of its performance and that of its Committees. Further details are set out on page 64.

B.7 Re-election of Directors

Each Director is subject to election by the Company's shareholders at the Annual General Meeting immediately following their appointment, and is subject to re-election every year thereafter.

Accountability

C.1 Financial and business reporting

The Strategic report is set out on pages 2 to 49 and provides information about the performance of the Group, the business model, strategy and the principal risks and uncertainties relating to the Group's future prospects.

C.2 Risk management and internal control

The Board sets the Group's risk appetite and through the Audit & Risk Committee, monitors and annually reviews the effectiveness of the Group's systems of risk management and internal control. Further information on risk management and internal control is provided on pages 70 to 71.

C.3 Audit & Risk Committee and Auditor

The Board has delegated a number of responsibilities to the Audit & Risk Committee which is responsible for overseeing the Group's financial reporting processes, internal controls and the work undertaken by the external auditor. The Chairman of the Audit & Risk Committee provides regular updates to the Board.

Further detail on the work of the Audit & Risk Committee is provided on pages 72 to 78.

Remuneration

D.1 Level and components of remuneration

The Remuneration Committee is responsible for setting a remuneration policy that will promote the long-term success of the Company, attract, retain and motivate Executives and align their interests to those of shareholders.

D.2 Procedure

Details of the work of the Remuneration Committee are provided on pages 79 to 102.

Relations with shareholders

E.1 Dialogue with shareholders

The Group actively engages with investors and solicits their feedback. The Chairman met with a number of shareholders during the year and ensures that the Board is kept informed of shareholder views. The Senior Independent Director is available for meetings with major shareholders and the Board receives a monthly report from the investor relations team along with analyst and broker briefings.

E.2 Constructive use of general meetings

The AGM gives all shareholders the opportunity to communicate directly with the Board. All Directors attend the AGM and are available for questions both during the formal part of the meeting and informally afterwards.

Relations with shareholders

The Board, on the Company's behalf, recognises the need to maintain an active dialogue with its shareholders. The Chief Executive and Chief Financial Officer meet regularly with institutional investors and analysts to discuss the Company's performance and all shareholders have access to the Chairman and Senior Independent Director, who are available to discuss any questions which they may have in relation to the running of the Company.

During the year, the Chairman met with a number of major shareholders and contact was made with the top 10 shareholders offering a meeting with the Senior Independent Director. None of the shareholders contacted wished to arrange a meeting.

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

A shareholder consultation was undertaken during the year in respect of our intended succession planning approach for the Chairman and Non-Executive Directors. This consultation led to a number of calls between shareholders, the Company Secretary and the Senior Independent Director and the feedback provided by shareholders has directly informed the Board's thinking on the succession process. Further details of our plans are set out on page 65.

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

Leadership

Governance Framework

SHAREHOLDERS

Chairman

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

The Board

Responsible for providing leadership to the Group.

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

Board Committees

The terms of reference for each Committee are agreed by the Board. They are available in the Corporate Governance section of the website: <http://www.homeserveplc.com/about-us/corporate-governance/committees>

Nomination Committee

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

Committee report on pages 66 to 67.

People Committee

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

Committee report on pages 68 to 69.

Audit & Risk Committee

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

Committee report on pages 72 to 78.

Remuneration Committee

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

Directors' remuneration report on pages 79 to 102. The element on the activities of the Remuneration Committee on pages 89 to 102 are incorporated into this statement by reference.

Chief Executive

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

Executive Committee

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

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

The Board

The Board is responsible for the effective leadership and long-term success of the Group. It has a Schedule of Matters specifically reserved to it for decision and has approved the written terms of reference of the various Committees to which it has delegated its authority in certain matters.

Matters reserved to the Board include:

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

The full schedule is available on our website <http://www.homeserveplc.com/about-us/corporate-governance/our-board>

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

Board meetings

Up to eight regular meetings are held each year to review and monitor current and forecast performance. Regular reports on monthly financial and operational performance and other matters of importance to the Group ensure that the Board is supplied in a timely manner with the information necessary to make informed judgements. In addition, the Board has an annual strategy meeting, also attended by members of the Executive Committee who are not on the Board, to devise and discuss the Company's medium and long-term strategic focus and management development strategy.

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

During FY19, the Board held its annual strategy meeting to coincide with the Group wide management conference marking HomeServe's 25th anniversary. The Board was able to participate in the conference and meet people from across the Group.

Attendance at meetings

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

Nomination Committee meetings are held on an ad hoc basis as required as the preference is for the Board as a whole to consider succession planning. Specific sub-committees are established for new appointments to the Board. The Committee did not meet formally during the year. The activities of the Nomination Committee are described on pages 66 to 67.

	Board	Audit & Risk Committee	Remuneration Committee
R Harpin	7/7		
M Bennett ¹	2/2		
D Bower	7/7		
J Ford ²	4/4		
T Rusin	7/7		
J M B Gibson	7/7		4/5
K Cliffe	7/7	3/3	5/5
S David	7/7		5/5
E Fitzmaurice	7/7	1/1	
O Grémillon ³	1/1		
C Havemann ⁴	4/4	2/2	2/2
R McMillan	7/7	3/3	5/5

¹ Martin Bennett left the Board on 20 July 2018.

² Johnathan Ford left the Board on 31 December 2018.

³ Olivier Grémillon joined the Board on 29 March 2019.

⁴ Chris Havemann left the Board on 1 December 2018.

Leadership

continued

Executive Committee

Members

Richard Harpin (Chairman)

David Bower

Deb Dulsky (appointed 1 April 2019)

Mike Fairman (appointed 1 April 2019)

Guillaume Huser

John Kitzie (appointed 1 April 2019)

H Stephen Phillips

Fernando Prieto (appointed 1 April 2019)

Greg Reed (appointed 1 April 2019)

Tom Rusin

Responsibilities

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

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

The Committee has adopted formal terms of reference which are available on our website

<http://www.homeserveplc.com/about-us/corporate-governance/committees>

Short biographies of the members of the Executive Committee who are not on the Board, are set out on pages 62 to 63.

Culture

The last few years have seen increased focus on culture across the Group. Central to this has been the development of our Customer and People promises which are now well established in each business.

A Group wide employee engagement survey is run at least annually with the same set of questions used in each territory. Questionnaires are completed by employees on an anonymous basis and the process is facilitated by an external provider. The results of the surveys are reviewed and discussed by the People Committee and the Board and are used by local Executive teams to develop engagement action plans.

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

Board of Directors and Executive team

BOARD OF DIRECTORS



JM Barry Gibson (67)

Chairman

Appointed to the Board: April 2004

Appointed as Chairman: April 2010

Committee memberships: Nomination (Chair), Remuneration, People

Barry was previously Group Retailing Director at BAA plc, Group Chief Executive of Littlewoods plc and Non-Executive Director of Somerfield plc, National Express plc, William Hill plc, SSP Group Ltd, bwin.party digital entertainment plc and Non-Executive Chairman of Harding Brothers Holdings Ltd.

Key areas of prior experience: Retailing, travel, leisure

Principal current external appointments:

Chairman of Sports Information Services (Holdings) Limited



Richard Harpin (54)

Chief Executive

Appointed to the Board: May 2001

Committee memberships: Executive, People

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

Key areas of prior experience: Consumer marketing, management consultancy, entrepreneurship

Principal current external appointments:

Founder and Director of Growth Partner LLP



David Bower (47)

Chief Financial Officer

Appointed to the Board: February 2017

Committee memberships: Executive, People

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

Key areas of prior experience: Accountancy, audit, investor relations, mergers and acquisitions

Principal current external appointments:

None



Tom Rusin (50)

Global CEO, Membership

Appointed to the Board: May 2017

Committee memberships: Executive, People

Tom was appointed as Global CEO, HomeServe Membership in April 2018 following nearly seven years as Chief Executive Officer, HomeServe USA. Previously at Affinion Group where he undertook a number of roles culminating in three years as President and Chief Executive Officer of Affinion Group's North American Division. Before joining Affinion, he owned Just for Travel Inc. He was previously a Non-Executive Director of The Ambassador's Group.

Key areas of prior experience: Affinity marketing

Principal current external appointments:

None



Stella David (56)

Senior Independent Director (Independent)

Appointed to the Board: November 2010

Committee memberships: People (Chair), Remuneration, Nomination

Stella was previously Chief Executive Officer of William Grant & Sons following more than 15 years with Bacardi Ltd where she undertook a number of roles culminating in five years as Global Chief Marketing Officer. She also spent seven years as a Non-Executive Director at Nationwide Building Society.

Key areas of prior experience: Marketing, drinks industry, international

Principal current external appointments:

Chairman of C&J Clark Ltd, Non-Executive Director of Bacardi Ltd and Norwegian Cruise Line Holdings



Ron McMillan (66)

Non-Executive Director (Independent)

Appointed to the Board: October 2017

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

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

Key areas of prior experience: Accountancy, audit

Principal current external appointments:

Senior Independent Director and Chairman of the Audit Committee of N Brown PLC, SCS PLC and B&M European Value Retail SA

Board of Directors and Executive team

BOARD OF DIRECTORS



Edward Fitzmaurice (56)
Non-Executive Director (Independent)

Appointed to the Board: May 2017

Committee memberships: Audit & Risk, Nomination

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

Key areas of prior experience: Retailing, insurance

Principal current external appointments: None



Katrina Cliffe (52)
Non-Executive Director (Independent)

Appointed to the Board: May 2017

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

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

Key areas of prior experience: Financial services

Principal current external appointments: Non-Executive Director of Cembra Money Bank AG, London and Country Mortgages Limited, Majestic Wine plc and Shop Direct Finance Company Limited where she chairs the Risk Committee



Olivier Grémillon (39)
Non-Executive Director (Independent)

Appointed to the Board: March 2019

Committee memberships: None

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

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

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

EXECUTIVE TEAM



Anna Maughan (49)
Company Secretary

Appointed as Secretary: July 2008

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

Key areas of prior experience: Company secretarial, pensions

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



H Stephen Phillips (52)
CEO, Global Partnerships

Committee memberships: Executive

Stephen was appointed as CEO, Global Partnerships in January 2018 having led HomeServe Spain since 2005. He is a licensed insurance broker. Prior to joining HomeServe, he spent 12 years in senior business development, sales, and marketing roles in Diversified Business Communications S.A. and E.J. Krause de México, working across the US and Latin America

Key areas of prior experience: Business development, marketing, international

Principal current external appointments: Non-Executive Director of Assured Enterprises Inc



Guillaume Huser (52)
CEO, HomeServe France

Committee memberships: Executive

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

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

Principal current external appointments: None



Greg Reed (49)
CEO, HomeServe UK

Committee memberships: Executive

Greg was appointed as Chief Executive Officer, HomeServe UK, in June 2017 after joining as UK Chief Marketing Officer in 2012. Prior to HomeServe, Greg was Head of Credit Cards & Overdrafts at RBS Group and before that, spent 13 years at MBNA/Bank of America where, after leadership roles in finance and marketing, he became President of UK Card Services. Previously, Greg was a board member of both West Cheshire & North Wales Chamber of Commerce and Chester Renaissance.

Key areas of prior experience: Consumer & affinity marketing, finance, banking

Principal current external appointments:
Non-Executive Director of Clarion Housing Group



John Kitzie (65)
CEO, HomeServe North America

Committee memberships: Executive

John was appointed as Chief Executive Officer, HomeServe North America in April 2018 having served as Chief Operating Officer since October 2012. Prior to joining HomeServe, he served as Executive Vice President of Global Operations for Affinion Group where he was responsible for contact centres, fulfilment, merchandising, supply chain, procurement and telecommunications. Before joining Affinion Group, he served as President of Savemart and Senior Vice President of Vcommerce.

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

Principal current external appointments:
None



Deb Dulsky (49)
Global CEO, HVAC

Committee memberships: Executive

Deb was appointed as Global CEO, HVAC in November 2018 following nearly 8 years in leadership positions at HomeServe USA, most recently as Chief Strategy Officer. Prior to joining HomeServe, Deb led the Marketing Solutions division in the Americas of Williams Lea and served in a number of roles at Affinion Group. She was previously a Non-Executive Director of The Ambassadors Group.

Key areas of prior experience: Business development, mergers and acquisitions, marketing, international

Principal current external appointments:
None



Mike Fairman (52)
CEO, Checkatrade

Committee memberships: Executive

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

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

Principal current external appointments:
None



Fernando Prieto (53)
CEO, HomeServe Spain

Committee memberships: Executive

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

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

Principal current external appointments:
Trustee of Fundación Area XXI

Effectiveness

Board composition

As at 31 March 2019, the Board comprised six Non-Executive Directors (including the Chairman) and three Executive Directors. The Non-Executive Directors have a diverse range of skills and experience which enables them to oversee business performance and provide constructive challenge. The Executive Directors have extensive commercial, financial and operational experience both within HomeServe and beyond.

During the year there were a number of changes to the Board:

- On 20 July 2018, Martin Bennett stepped down as an Executive Director
- On 1 December 2018, Chris Havemann retired as a Non-Executive Director
- On 31 December 2018, Johnathan Ford stepped down as an Executive Director
- On 29 March 2019, Olivier Grémillon was appointed as an independent Non-Executive Director.

Short biographies of each of the Directors, including their membership of Committees, are set out on pages 61 to 62.

Board development

New members of the Board receive a tailored induction organised by the Company Secretary which includes visits to the different territories and operations. Where required, training on legal and regulatory responsibilities is also provided.

On an ongoing basis, Directors are encouraged to highlight specific areas where they feel their skills or knowledge would benefit from further development. As an example of this, when Katrina Cliffe became Chairman of the Remuneration Committee, a briefing was arranged for her with the advisers to the Committee, the Company Secretary and the Group Legal, Customer Culture & Reward Director to ensure that she had a full understanding of the remuneration policy and the wider remuneration environment.

Time commitment

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

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

Board evaluation

The Board has implemented a formal process for reviewing its own effectiveness, that of its Committees and its individual members. In addition, we continued to ensure that regular meetings of the Non-Executive Directors were held without the Executive Directors, and at least once a year, without the Chairman present, in order to evaluate his performance.

The Board evaluation is facilitated by Lintstock Limited. Lintstock Limited has no other connections with the Company.

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

Directors completed online evaluation questionnaires in February 2019 and Lintstock compiled a formal written report summarising the Directors' views. This report was discussed by the Board in March 2019.

The overall performance of the Board was rated very highly. In particular the Non-Executives' support and challenge of management was positively rated as was the relationship between the Board and the Chief Executive and the atmosphere at meetings.

The feedback identified the need to increase the international diversity on the Board and also to add digital and platform expertise. This has been addressed with the appointment of Olivier Grémillon, a French national, who is currently Vice President, Global Segments, at Booking.com having previously spent six years in management positions at Airbnb.

As a result of the review, a number of items have been added to the Board's forward agenda including a deep dive into the use of technology across the Group and spotlights on key markets and the competitive environment. It was recognised that through the People Committee, a lot of work had been done to increase the focus on people, particularly in respect of diversity and inclusion and talent management but it was agreed that it was important for the Board as a whole to review the people strategy in some detail at least once a year.

Feedback from the FY18 review suggested that the Board could do more to review and learn from acquisitions and investments. As a direct result of this, a post investment review process has been implemented, led by the CFO, with formal reports being considered by the Audit & Risk Committee.

Non-Executive Succession planning

The new UK Corporate Governance Code (the "Code") has greater focus on the tenure of the Chairman and the independence (including tenure) of directors. This is relevant to us in two areas.

Chairman

Barry Gibson was appointed to the Board in 2004 and became Chairman in 2010. At the point he became Chairman, he was independent (as required by the Code). In 2017 the Board agreed that Barry should be retained for a further three year term (from April 2019 to April 2022). This was based on Barry's performance and ongoing contribution to the Group.

Since the Board discussion in 2017, the new UK Corporate Governance Code has been finalised and it is now suggested that a chair should not remain in post beyond nine years from their initial appointment to the board. Having considered this new requirement, the Board agreed that it remained appropriate to renew Barry's appointment for one further term of three years but we will be commencing the succession process to replace him so that a full handover will be achieved by April 2022 at the latest. We plan to retain advisers and commence a search in FY20.

Barry encourages open and candid discussion in the board room and has an excellent relationship with Richard Harpin, our CEO, which enables him to constructively challenge Richard's thinking. The business has been through considerable change over the time Barry has been on the Board and has faced some challenges. Barry's leadership has been key and we feel that his experience means that he brings very helpful perspective to our strategic discussions. In addition, the Board itself has undergone change in the last 12 months and there is a clear advantage to retaining Barry whilst the new Board members establish themselves.

Stella David

Stella David was appointed to the Board in November 2010 and became our Senior Independent Director in February 2018. Prior to this, she served as Chairman of the Remuneration Committee. Her third term of office expires in November 2019.

During 2017, the Board recognised that we had more to do on the people agenda and we established a People Committee of the Board to move us forward in respect of talent and diversity throughout the Group. Stella has been instrumental in the establishment of the new Committee and took on the role of Chairman of the Committee in 2018. Given that the work of this Committee is in its infancy, we would very much like to retain Stella's input and leadership for our people agenda and are proposing that we renew her appointment for one, final, three year term to assist us in achieving some of our people related goals.

In addition to our desire to retain Stella to help us further our people agenda, we also consider that it is important to retain appropriate experience on our Board. Excluding the Chairman, three of our other Non-Executive Directors were appointed in 2017 and one was appointed in 2019. They are therefore all relatively new to the business. There have also been some recent changes to the Executive Directors. Overall therefore, we strongly believe that retaining Stella would be extremely beneficial. She will step down as Senior Independent Director when her current term ends.

Re-election of Directors

All of the Directors will offer themselves for election or re-election at the AGM. The Board is content that each of the Non-Executive Directors continues to perform their role effectively, makes a valuable contribution to the Board's deliberations and that each of them continues to demonstrate commitment to the role. Each Non-Executive Director is considered by the Board to be independent for the purposes of the UK Corporate Governance Code.



Dear Shareholder

As a Board, we recognise that having the right people is vital to the success of our business and whilst the Nomination Committee has a formal role to play in ensuring that the Board has the right mix of skills and experience to deliver our strategy, we believe that succession planning is best addressed by the Board as a whole. This ensures that the Executives as well as the Non-Executives can be fully involved in discussions on talent.

Members

J M Barry Gibson (Chairman)
Katrina Cliffe
Stella David
Edward Fitzmaurice
Chris Havemann (retired 1 December 2018)
Ron McMillan

Responsibilities

The primary responsibilities of the Committee are to:

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

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

We recognise that we have more to do on the people agenda and we have therefore established a People Committee to move us forward in respect of talent and diversity throughout the Group. The People Committee report is set out on page 68 to 69.

Key issues considered during the year

The Nomination Committee did not meet formally during the year. Succession planning arrangements were considered by the Board as a whole rather than by the Nomination Committee to ensure that both Executives and Non-Executives are fully aligned.

A specific sub-committee was appointed during the year to undertake a search for a new Non-Executive Director. The Board had identified that it needed more international diversity and needed expertise in respect of digital and platform businesses. We therefore appointed The Up Group, a leading digital executive search and networking firm to act as search consultants. The Group had previously used The Up Group in respect of a number of executive searches; it has no other connection with the Company.

The sub-committee considered a list of potential candidates provided by The Up Group taking into account the desire to add international diversity and digital expertise. Katrina Cliffe and I conducted the initial interviews and recommended a short list of candidates for interview by the wider Board. The short listed candidates were interviewed by all of the Non-Executive Directors and Richard Harpin. Following this, a recommendation was made to the Board that Olivier Grémillon be appointed as a Non-Executive Director with effect from 29 March 2019.

Olivier is currently Vice President, Global Segments, at Booking.com. His executive responsibilities were discussed in some detail as part of the appointment process and the Board is satisfied that he has sufficient time to devote to his role at HomeServe.

Succession planning

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

Diversity

We are committed to ensuring that our Board is appropriately diverse and during the year, we adopted a Board diversity policy (shown opposite). We do not publish specific Board diversity targets but 22% of the Board is currently female and as stated in our policy, we intend to use our best endeavours to increase this number over time. More information on talent and diversity is provided in the Resources, relationships and responsibilities report on pages 25 to 31.

JM Barry Gibson

Chairman
21 May 2019

BOARD DIVERSITY POLICY

This policy sets out the HomeServe plc Board's approach to diversity and provides a high level indication of the approach to diversity across senior leadership and the wider Group.

As a Board we believe that diversity, both at Board level and throughout the Group, drives innovation, growth and success.

We are committed to ensuring that the membership of our Board reflects diversity in its broadest sense. A combination of demographics, skills, experience, race, age, gender, educational and professional background and other relevant personal attributes will ensure our Board is effective. We believe that a diversity of experience and personal strengths is as important as diversity of gender and social and ethnic backgrounds.

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

We recognise the target for FTSE companies to move towards 33% female representation and will use our best endeavours to increase the number of female Board members over time.



Dear Shareholder

I am delighted to present the first formal report of the People Committee. As a Board, we have recognised that we have more to do on our people agenda and during 2017 we established a People Committee to move us forward in respect of talent and diversity throughout the Group.

Members

Stella David (Chairman)
Katrina Cliffe
J M Barry Gibson
Chris Havemann (retired 1 December 2018)
David Bower
Richard Harpin
Tom Rusin

Responsibilities

The primary responsibilities of the Committee are to:

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

The Committee has adopted formal terms of reference which are available on our website

<http://www.homeserveplc.com/about-us/corporate-governance/committees>

Key issues considered during the year

The People Committee met three times during the year. In addition to the members of the Committee, the Group Legal, Customer Culture & Reward Director, the Group Talent & Engagement Director and the Company Secretary attend all Committee meetings.

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

During the year, the Committee was consulted on the 'HomeServe Way' which was launched at HomeServe's 25th anniversary management conference. The HomeServe Way sets out the knowledge, skills and behaviours of successful HomeServe leaders and provides a clear and consistent framework for hiring, developing and promoting the right people.

Two talent development programmes are now in place, both of which are designed to develop readiness to step up to a more senior role and the Committee has encouraged the Executives to ensure that each group invited to participate on the programmes is appropriately diverse.

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

We are now monitoring gender diversity more closely and are starting to see some progress. I was delighted to see Deb Dulsky, our Global CEO of HVAC, promoted to the Executive Committee on 1 April 2019.

As a growing business which is expanding internationally, we believe it will be advantageous to have more people who are geographically mobile so that in new territories in particular, we can leverage HomeServe knowledge to establish new businesses more effectively. To this end, we have approved a Global Mobility Policy and are ensuring that senior vacancies are advertised Group wide. This has resulted in a small team of existing senior HomeServe people being mobilised to go to Japan.

Looking ahead

Over the coming year, the People Committee will continue to oversee and contribute to plans to develop talent and diversity and will also be reviewing the results of the global engagement survey. I am positive about the changes that have been made to date and while I recognise that there is still a lot to achieve, expect that we will continue to strengthen our position over the coming year.

We have agreed that I will be the nominated Non-Executive Director in respect of workforce engagement and the People Committee will have a key role to play in ensuring we turn this into a real opportunity.

Stella David

Chairman
21 May 2019

Accountability

Board assessment of risk management and internal control

The Board has overall responsibility for the Group's system of risk management and internal control including setting of risk appetite. The Audit & Risk Committee has a key role to play in overseeing risk management and internal controls and advising the Board thereon. More detail in respect of the role of the Audit & Risk Committee is provided in the report of that Committee on pages 72 to 78.

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

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

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

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

The relevant Board statements on these matters are set out on pages 48 and 54. The principal risks and uncertainties are set out on pages 20 to 24.

System of risk management and control

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

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

1st line of defence

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

2nd line of defence

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

3rd line of defence

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

Risk management cycle

Risk appetite

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

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

Risk framework

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

Risk assessment and risk registers

All businesses assess risks for likelihood and impact based on the materiality matrix included in the Group risk framework. Controls are then implemented to manage the risks. Risks are scored on a gross and net basis and rated as red, amber or green. Risk registers capture key risks and these are reviewed at local risk committees with the principal risks being reviewed by the Executive Committee and the Audit & Risk Committee.

Consideration is given to whether risks are within or outside appetite and particular attention is given to actions being taken to mitigate risks. Incidents are recorded and reported on at the various committees.

Risk oversight

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

Internal control

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

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

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

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

Financial reporting

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

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

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

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

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

Viability statement

The approach to the viability statement and the statement itself are set out on page 48.

Whistle blowing

A whistle blowing policy is in place and allows employees, franchisees and sub-contractors who wish to raise any issues of concern relating to the Group's activities to do so on a confidential basis by contacting an external hotline. Issues are independently investigated by internal audit and feedback is provided through the external hotline. The policy is available on our website <http://www.homeserveplc.com/about-us/corporate-governance/policies>

A number of calls were made to the external hotline during the year but no issues were raised that required any action from the Board.



Dear Shareholder

I am pleased to present the Committee's report for the year.

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

Members

Ron McMillan (Chairman)

Katrina Cliffe

Edward Fitzmaurice (appointed 1 February 2019)

Chris Havemann (retired 1 December 2018)

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

All members of the Committee have an understanding of financial reporting, relevant corporate legislation, the functions of internal and external audit and the regulatory and compliance framework of the Group. Katrina Cliffe brings experience in financial services and chairs the Risk Committee and is a member of the Audit Committee of Shop Direct Finance Company Limited. Chris Havemann, who retired from the Board and the Committee during the year, was from an entrepreneurial background and brought a wealth of experience in respect of digital.

Edward Fitzmaurice replaced Chris Havemann on the Committee. He has extensive experience of retail and insurance having served as Chief Executive Officer of Hastings Insurance Group.

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

Board reporting

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

Committee Effectiveness

The effectiveness of the Committee is reviewed as part of the annual Board review process facilitated by Lintstock. The FY19 review concluded that the Committee was operating effectively and benefited from a high quality cycle of work.

Responsibilities

The primary responsibilities of the Committee are to:

- monitor, on behalf of the Board, compliance with and the effectiveness of, the Group's accounting and internal control systems
- review the independence of the external auditor and agree their terms of engagement and remuneration
- review the scope of and outputs from the external audit
- approve the scope of the work undertaken by and the outputs from the work done by internal audit
- make recommendations to the Board on accounting policies and their application
- review the annual and interim financial statements before they are presented to the Board
- review the Group's overall risk appetite, tolerance and strategy
- monitor, on behalf of the Board, current risk exposures
- receive reports from compliance functions and review and approve the means by which the Group seeks to comply with its regulatory obligations
- review the adequacy and security of the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

The Committee has adopted formal terms of reference which are available on our website

<http://www.homeserveplc.com/about-us/corporate-governance/committees>

Summary of meetings in the year

The Committee usually meets three times in the year and did so in FY19. Details of meeting attendance are set out on page 59. The timing of Committee meetings is arranged to accommodate the release of financial information, the approval of the external and internal audit plans and the review of the outputs of those plans. In addition to scheduled meetings, I met with the CFO and members of his team, the Assurance & Risk Director and the external auditor on a number of occasions to receive updates on activity.

Items discussed	May 2018	November 2018	February 2019
Financial reporting			
Full year results	●		
Interim results		●	
Consideration of new accounting standards (IFRS 9, IFRS 15 and IFRS 16)	●	●	●
Internal audit			
Internal audit plan			●
Internal audit reports	●	●	●
Whistle blowing reports			●
Internal audit effectiveness and independence			●
External audit			
External audit plan			●
External audit reports	●	●	
External audit effectiveness and independence	●		
Risk			
Risk appetite			●
Risk registers	●	●	●
Other matters			
Regulatory compliance activity including the General Data Protection Regulation	●	●	●
IT security			●
Post investment reviews of acquisitions			●

Significant issues related to the financial statements

The Committee oversaw the process used by the Board to assess the going concern and viability of the Group, the stress testing of key trading assumptions and the preparation of the viability statement which is set out on page 48.

The Committee also satisfied itself that the disclosures in relation to accounting judgements and key sources of estimation uncertainty were appropriate and obtained, from the external auditor, an independent view of the key disclosure issues and risks. Management present reports to the Committee setting out the basis for the assumptions used and these reports are then discussed and challenged by the Committee. All of the issues were also discussed with the external auditor and their views taken into account. The Committee is satisfied that the judgements made are reasonable and appropriate disclosures have been included in the accounts.

The Committee assessed whether suitable accounting policies had been adopted and whether management had made appropriate estimates and judgements. The Committee also reviewed reports from the external auditor on the half year and full year results, which provided an overview of the audit work undertaken and highlighted any issues for discussion.

Audit & Risk Committee report

continued

The significant issues considered in the year were:

Issue	How it was addressed by the Committee
<p>Revenue recognition</p> <p>As an insurance intermediary, the Company is required to recognise revenue at the point at which a policy goes on risk. Some elements of revenue are deferred to cover future costs and also to provide for policies which may cancel mid-term.</p>	<p>The Committee reviewed the existing revenue recognition policies in light of the adoption of IFRS 15 with particular focus on the identification of contractual performance obligations, the allocation of revenue to individual performance obligations and the recognition of financial instruments associated with amounts due from policyholders payable to underwriters. The Committee satisfied itself that the accounting policies for revenue are compliant with IFRS 15.</p>
<p>Carrying value of goodwill</p> <p>The total goodwill balance at 31 March 2019 of £408m has been allocated to the relevant cash generating units (CGUs) and tested for impairment by comparing the carrying value of net assets (including allocated goodwill and acquisition intangibles) with the value in use, defined as the present value of future cash flows attributable to the CGUs.</p>	<p>Certain CGUs have been integrated during the year, the Committee satisfied itself the action taken was appropriate. The Committee also reviewed the 'headroom' to ensure that the value in use supported the carrying value of the net assets and satisfied itself that no impairment was required.</p>
<p>Business combinations and asset purchases</p> <p>During the year the Group completed a number of acquisition transactions.</p>	<p>The Committee reviewed the Group's accounting for these acquisitions and satisfied itself that it was appropriate.</p>
<p>Help-Link contingent consideration</p> <p>HomeServe acquired 100% of the share capital of Help-Link UK Limited in August 2017. The consideration payable was £5m on completion with up to £15.5m being payable through an earn-out based on the volume of installations. It is not expected that this volume will be achieved and the present value of the remaining loan notes (£10.1m) has been released to the income statement.</p>	<p>The Committee reviewed the budget assumptions along with the legal advice taken on the original loan note instrument and concluded that it was reasonable to release the contingent consideration.</p>
<p>Capitalisation of development costs</p> <p>The Group has incurred significant costs in relation to the development of new IT systems, a programme which is expected to complete in early FY20.</p>	<p>The Committee considered the benefits due to be delivered by the programme and the costs and satisfied itself that the discounted benefits of the new systems were significantly higher than the carrying value of the asset.</p>
<p>Brexit impact</p> <p>All of the HomeServe businesses trade exclusively within their own borders and the Group is not exposed to any cross border transactional currency risk.</p>	<p>The Committee considered the potential impact of the UK's decision to leave the EU and the ongoing implementation delay and concluded that the impact on the underlying performance of the Group will be limited.</p>

Board statements

Going concern

The Committee reviewed whether it was appropriate to adopt the going concern basis for the preparation of the Annual Report. Consideration was given to the Group's three year forecasts, availability of committed bank facilities and expected headroom under the financial covenants and a report from management was considered. The Committee ensured that the assumptions underpinning the forecasts were stress tested and that the factors which impact on risks and uncertainties were properly considered.

Following the Committee's review, it recommended to the Board that it was appropriate to adopt the going concern basis. The going concern statement is made on page 48.

Viability statement

The Committee reviewed a report from management setting out the basis for the conclusions in the viability statement. The approach to the viability statement and the statement itself are given on page 48.

Fair, balanced and understandable

The Committee considered whether the Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance, business model and strategy. The Committee considered management's assessment of items included in the financial statements and the prominence given to them.

Having reviewed the Annual Report and taking into account the verification exercise completed in respect of the content, the Committee and subsequently, the Board were satisfied that taken as a whole, the Annual Report was fair, balanced and understandable and provided the necessary information for shareholders.

Risk management and internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Audit & Risk Committee supports the Board by advising on the Group's overall risk appetite, tolerance and strategy, current risk exposures and future risk strategy. The Committee reviews risk registers produced by the management of each business and the plc function at each of its meetings. On a periodic basis, we also review action plans in respect of significant risks. Information security and cyber risks were a particular focus during the year.

The Committee also monitors, on behalf of the Board, the effectiveness of the Company's material accounting and internal control systems. In fulfilling this responsibility for FY19, the Committee considered reports from management and the internal and external auditors.

The Committee considers that appropriate controls are in place across the Group, that the Group has a well defined organisational structure with clear lines of responsibility and a comprehensive financial reporting system. The Committee also considers that the Group complies with the Financial Reporting Council ('FRC') guidance on risk management, internal control and related financial reporting.

Further details in respect of risk management and internal controls are set out on pages 70 to 71. Details in respect of the principal risks and uncertainties are set out on pages 20 to 24.

Audit & Risk Committee report

continued

Regulation and compliance

The Group operates in a regulated marketplace and is challenged by regulatory requirements across its different territories. This creates risk for the business as non compliance can lead to customer detriment, reputational damage, financial penalties and potential loss of licence to operate.

The Committee receives regular updates on legal and compliance from management and believes that key compliance indicators are strong across the Group. All established businesses outside the UK are required to complete Annual Compliance Reports to confirm that the requirements of the Group Compliance Framework have been met and that processes and controls are sufficient to identify breaches in local law and regulations.

Interaction with regulators

The FRC undertook a Corporate Reporting Review of the FY18 Annual Report and although such reviews are inherently limited, no questions or queries were raised as a result. They did note a limited number of matters where they believed that users of the accounts would benefit from improvements to existing disclosures and these have been considered during the drafting of the FY19 Annual Report.

During the year, the FRC's Audit Quality Review team selected Deloitte's audit of the FY18 Annual Report as part of their annual review of audit firms. The Committee reviewed the FRC's report, discussed it with Deloitte and agreed their plan for addressing the limited findings presented by the FRC. The Committee noted that there was nothing in the FRC's report which might have a bearing on the auditor's appointment.

External auditor

The Committee is responsible for assessing the effectiveness of the external audit process, for monitoring the independence and objectivity of the external auditor and for making recommendations to the Board in relation to the appointment of the external auditor. The Committee is also responsible for developing and implementing the Group's policy on the provision of non-audit services by the external auditor.

Deloitte LLP has been the Group's auditor since 2002, although the lead audit partner rotates every five years. The current lead audit partner, Matthew Perkins, was appointed in 2014 and he will step down following the completion of the FY19 audit. Peter Birch has been identified as the new lead partner.

The Committee reviewed the reports prepared by Deloitte on key audit findings and any significant deficiencies in the control environment, as well as the recommendations made to improve processes and controls together with management's responses to those recommendations. Deloitte did not highlight any material internal control weaknesses and management has committed to making appropriate changes to controls where these have been highlighted.

The Committee also discussed with Deloitte, the results of the FRC's firm wide review of audit quality for the period from March 2017 to February 2018 and the proposed improvement plans arising from the report. The Committee will also monitor progress against these plans.

The Committee reviews the performance of the external auditor annually based on their understanding of the Group, their approach to key areas of judgement and the extent of challenge, the quality of reporting and the efficiency and conduct of the audit. Feedback is also sought from Group finance and local finance directors on the external auditor's performance. We also reviewed the external auditor's transparency report, which is intended to demonstrate the steps it takes to ensure audit quality with reference to the Audit Quality Framework issued by the Professional Oversight Board of the FRC. In addition, I meet regularly with the external auditor outside of formal Committee meetings to ensure that there is an ongoing dialogue.

The Committee is satisfied that the audit continues to be effective and that Deloitte LLP continues to provide constructive and independent challenge to management and consistently demonstrates a realistic and commercial view of the business. On this basis, the Committee concluded that the needs of the Group would not be best served by putting the external audit out to tender at this time. The Committee has therefore recommended to the Board that the re-appointment of Deloitte LLP should be proposed at the forthcoming Annual General Meeting.

The Committee has noted the changes to EU audit legislation and the UK adoption of this legislation, which will require mandatory rotation for auditors of public interest entities at least every 20 years with a mandatory tender process being undertaken at the 10 year point. The transitional rules for this new legislation mean that the Group would be required to change its auditor after 2024. A recommended course of action will be proposed to the Board in due course. The Company confirms that it has complied with the provisions of the CMA's Statutory Audit Services Order for the financial year under review.

In accordance with International Standards on Auditing (UK & Ireland) 260 and Ethical Statement 1 issued by the Accounting Practices Board, and as a matter of best practice, the external auditor has confirmed its independence as auditor of the Company.

Non-audit services

The Committee has approved a policy in respect of non-audit services which reflects the Ethical Standards. The policy sets out a list of prohibited services and in particular, prevents Deloitte LLP from providing almost all taxation services. The policy provides that the total fees payable to the auditor for non-audit related work in any financial year should not normally be more than 50% of the total fees payable in respect of audit and compliance services. In addition, any proposed spend over a predetermined limit must be approved by the Committee.

The fees payable to the auditor in respect of audit and audit-related assurance services totalled £1,002,000 and there were no fees incurred for non-audit related work (excluding audit-related assurance services). Further detail on the fees paid is provided in Note 5.

Internal audit

The Committee considers and approves the internal audit plan which is based on an assessment of the strategic risks faced by the Group. The internal audit team undertakes an initial review of the strategic risks and drafts a plan which addresses those risks while taking into account the need to review key control processes on a cyclical basis. The draft plan is then discussed with senior management in each business or territory before being presented to the Committee.

Progress in respect of the plan is monitored throughout the year and care is taken to ensure that the internal audit function has sufficient resource to complete the plan. The audit plan may be reviewed during the year as a result of the ongoing assessment of the key risks or in response to the needs of the Group.

The Assurance & Risk Director reports ultimately to the Chairman of the Committee although he reports on a day-to-day basis to the Chief Financial Officer. He attends all meetings of the Committee and reports regularly to the Executive Committee. A report on completed internal audits is presented to each meeting of the Committee and, where appropriate, action plans are reviewed. In addition, all grade 1 audit reports are circulated to the Committee as soon as they are finalised so that any issues can be addressed in a timely manner. Reports are graded as 1 if the controls currently operated are inadequate and expose the business to significant loss or regulatory breach. There were no such reports in the year.

During the year, the Committee received 61 reports in respect of the following areas:

Finance	Key financial controls and processes including balance sheet control reviews, purchase to pay, order to cash and record to report cycles
Operations	Key operations processes including fulfilment, contractor management, business continuity planning and disaster recovery, compliance and risk management.
IT controls	Key IT controls including disaster recovery, mobile device management and general controls such as logical access, back up and restore processes and controls.
Information Security	Developments in information and cyber security including penetration testing, firewalls, server security and crisis management.

Audit & Risk Committee report continued

In relation to each of the above, internal audit made recommendations for improvements, the vast majority of which have been, or are being implemented by management. Management's approach to internal audit is generally positive and there is a real desire to work collaboratively to continually improve the control environment. Action trackers are reported on at each Committee meeting.

The internal audit function continues to benefit from a co-sourced arrangement with PwC which is used to augment the internal skills and experience available and ensure that the Group can access appropriate technical and specialised resource on a global and flexible basis.

Conclusion and looking ahead

The Committee considers that it has acted in accordance with its terms of reference and that it has ensured the independence, objectivity and effectiveness of the external and internal auditors.

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

I am available to speak with shareholders at any time and will be available at the AGM to answer any questions. I would like to thank my colleagues on the Committee for their help and support during the year.

Ron McMillan

Chairman of the Audit & Risk Committee

21 May 2019



Directors' Remuneration report

Dear Shareholder

I am pleased to present the Remuneration report for the year ended 31 March 2019 having taken over as Chairman of the Committee in July 2018.

Performance and reward

HomeServe has had another very good year, delivering double digit growth in adjusted profit before tax. There was strong performance in respect of the core Membership business with particular success once again in North America. Good progress has been made implementing our buy-and-build HVAC strategy and Checkatrade is now well positioned for future growth. More detail on performance during the year is set out in the Strategic report on pages 2 to 49.

The stretching financial targets for the Group have been met but there was only partial achievement in respect of the non financial targets. The continued focus on delivering great customer service meant that the customer dissatisfaction target was met in full. Despite strong customer growth in North America there was a decline in Spain following the end of the Endesa partnership and in the UK in the absence of a policy book acquisition. The Group customer target was therefore not met.

In respect of longer-term performance, the standard LTIP awards granted in 2016 will vest in full in July 2019 and 96.38% of the additional awards granted in the same year will also vest. The standard awards over 150% of salary were based 25% on TSR performance and 75% on adjusted earnings per share (EPS) performance and there was a stretch EPS target applied to additional awards over 50% of salary. HomeServe's TSR performance to 31 March 2019 was 151.84% (compared to the FTSE 250 Index TSR of 24.65%) and EPS growth of 19.82% per annum was achieved, representing significant growth for shareholders. The vested shares, net of tax, are subject to a two year post-vesting holding requirement.

Following Johnathan Ford's departure and the removal of the COO role, David Bower's responsibilities as CFO were expanded to include M&A, legal, talent and human resources and health & safety. Taking into account this larger role along with David's personal performance and growth since he was initially appointed as CFO, his basic salary was increased by 22.5% from £306,000 to £375,000 with effect from 1 December 2018.

The Committee is satisfied that the remuneration paid to the Executive Directors in the year fairly reflects both corporate and individual performance.

The Committee's activities during the year are described in more detail later in this report.

Remuneration policy FY20

The remuneration policy was approved by shareholders at the 2017 AGM and the LTIP was renewed at the 2018 AGM. No changes are proposed for FY20 although the Committee has approved a formal policy on the share holding requirement.

Salaries for Executive Directors will increase by 2% with effect from 1 July 2019 in line with the average increase for the UK workforce.

The Remuneration Committee is satisfied that the remuneration policy continues to work effectively and supports our strategy as an entrepreneurial, customer focused business.

The Committee has reviewed the remuneration related requirements of the new UK Corporate Governance Code and is pleased to note that many of them are already reflected in our current policy. Our policy will be reviewed over the coming year and submitted to shareholders for approval at the 2020 AGM as required under the triennial review process.

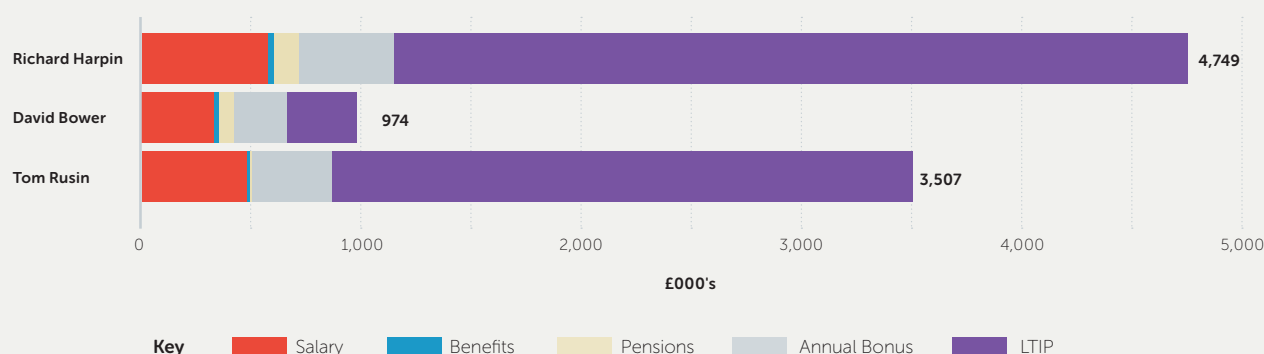
Katrina Cliffe

Chairman of the Remuneration Committee
21 May 2019

Remuneration at a glance

Single Total Remuneration Figure (£000)

A significant proportion of remuneration is delivered through share-based, long-term variable pay.



Annual Bonus Outcome

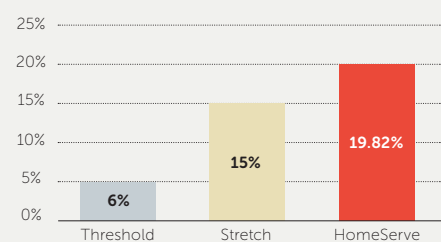
The information below is based on Group performance, a proportion of Tom Rusin's bonus is based on Membership performance as set out on page 91.

		Weighting	Target/Stretch	Actual	% Payable
Financial measures	Group profit before tax	25%	£161.7m	£161.7m	100%
	Group net debt	5%	£341.2m	£304.7m	100%
Non financial measures	Customer growth	25%	8.4m	8.2m	0%
	Customer dissatisfaction	25%	5.00	4.51	100%
	Personal targets	20%			90-100%

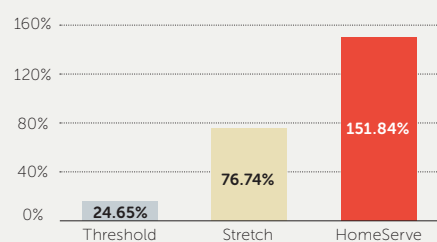


LTIP Outcome

Adjusted earnings per share



Relative TSR



Directors' remuneration policy

The Directors' remuneration policy was approved by shareholders at the 2017 AGM and is not subject to a shareholder vote this year. The policy is set out below for information only. In order to assist shareholders, the remuneration scenario charts later in the report have been updated to reflect the proposed remuneration levels for FY20 and we have added additional commentary, where relevant, to explain how the policy will be operated in FY20.

The Committee's policy for the remuneration of Executive Directors and other senior Executives is based on the following principles:

- to align rewards with the Group's financial and operational performance
- to ensure that remuneration, in particular, variable pay, supports the Group's strategy as a customer focused operation
- to promote high levels of executive share ownership to encourage a long-term focus and alignment of interest between executives and shareholders
- to attract, retain and motivate high calibre executives.

To that end, the Committee structures executive remuneration in two distinct parts: fixed remuneration of basic salary, pension and benefits and variable performance-related remuneration in the form of a cash bonus and long-term incentive arrangements. Remuneration for Executive Directors is structured so that the variable pay element forms a significant portion of each Director's package.

The Committee is satisfied that neither the structure of the remuneration packages, with the high weighting on variable pay, nor the performance measures targeted under the annual bonus and long-term incentive arrangements, encourages inappropriate risk taking.

The remuneration arrangements are designed so as to provide a strong alignment of interest between the Executives and shareholders and to support the growth and performance aspirations of the Company. The Committee is satisfied that the current arrangements meet these objectives. Furthermore, there is a clawback provision in respect of annual bonuses and long-term incentive awards which helps to guard further against excessive risk-taking.

A risk review of the remuneration policy was completed in April 2017 by the Company Secretary and Director of Assurance & Risk and considered by the Committee in May 2017. The review identified the potential risks in respect of the policy and assessed the controls and procedures in place to mitigate those risks. The Committee concluded that overall, the remuneration policy was appropriate and did not encourage excessive risk taking.

Summary of components of Executive Directors' remuneration

The table below summarises the Committee's policy for the remuneration of Executive Directors.

Element	Purpose and link to strategy	Performance period	Operation (including performance measures and maximum limits)
Basic salary	To reflect the particular skills and experience of an individual and to provide a competitive base salary compared with similar roles in similar companies.	Usually reviewed annually, with any changes normally taking effect from 1 July each year.	<p>Individual pay is determined by the Committee taking into account the role, responsibilities, performance and experience of the individual and market data on comparable roles.</p> <p>The Committee has not set a cap on the maximum salary level that may be offered. However, any salary increases will normally be no higher than the typical level of increase awarded to other UK employees.</p> <p>Increases above this level may be offered in certain circumstances such as where an Executive Director has been promoted, has had a change in responsibility, to reflect increased experience in the role, or where there has been a significant change in the size and/or scope of the business.</p> <p>When reviewing salary increases, the Committee also takes into account the impact of any increase to base salaries on the total remuneration package.</p> <p>Details of the current salaries of the Executive Directors are set out in the Annual Report on Remuneration.</p>

Directors' remuneration policy

continued

Element	Purpose and link to strategy	Performance period	Operation (including performance measures and maximum limits)
Performance related bonus	The annual bonus is designed to drive and reward the short-term operating performance of the Company and encourage the delivery of consistently good customer outcomes.	Annual (determined after the year end)	<p>Annual bonuses are determined by reference to performance against a mix of financial, non financial and personal objectives. Before any bonus is payable a minimum level of financial performance must be achieved.</p> <p>Bonuses are based on Group performance. Individual performance accounts for no more than 20% of the overall bonus opportunity.</p> <p>The maximum potential quantum is 100% of salary.</p> <p>Bonuses are payable in cash but may be voluntarily invested by the executive into shares under the matching element of the LTIP.</p>
Long-term incentives	To drive long-term delivery of the Group's objectives, to align Directors' interests with those of the Company's shareholders and to encourage exceptional performance.	Three years	<p>Awards of performance and matching shares are granted under the Long Term Incentive Plan (which was approved by shareholders in 2008 and renewed at the 2018 AGM).</p> <p>The maximum limit is 200% of salary for performance share awards (currently, awards of 150% of salary are made to the Executive Directors) and a maximum 2:1 match on voluntary investment of bonus into shares.</p> <p>The maximum amount of bonus that may be invested is set at 75% of the maximum bonus potential (i.e. 75% of salary). If the bonus earned is less than 25% of salary, then the executive may invest the equivalent of 25% of salary, from their own money, in shares to receive a matching award. In determining the number of matching awards to be granted, the investment is deemed to be made gross of tax.</p> <p>Dividend equivalents may be awarded on shares vesting under the Plan.</p> <p>Both performance and matching awards are currently subject to the same performance conditions which are based on challenging earnings per share and relative Total Shareholder Return targets. Performance is measured over a performance period of at least three years and, for awards granted in FY16 onwards, a two year post vesting holding period applies. Different measures may be applied for future award cycles as appropriate to reflect the business strategy.</p>
Pension	To provide benefits comparable with similar roles in similar companies.	N/A	<p>Executive Directors may receive a pension allowance of up to 20% of salary, to be paid, subject to the scheme limits, into the HomeServe Money Plan (a money purchase pension scheme) and/or taken as a cash allowance in lieu.</p> <p>Retirement benefits under the scheme are restricted by a notional earnings cap (£147,795 for FY20). An unapproved pension contribution equal to 20% of the amount by which basic salary exceeds the notional cap is provided.</p>

Element	Purpose and link to strategy	Performance period	Operation (including performance measures and maximum limits)
Other benefits	To provide a competitive package of benefits to assist with recruitment and retention of staff.	N/A	<p>Other benefits include a fully expensed car (or cash alternative), fuel allowance, private health cover (for the individual, partner and dependant children), death in service benefits (up to 8 x salary) and permanent health insurance.</p> <p>Other benefits may be provided as appropriate and Directors can access HomeServe products and services on the same terms as offered to employees.</p> <p>Any reasonable business related expenses (including tax thereon) may be reimbursed if determined to be a taxable benefit.</p> <p>There is no maximum limit on the value of the benefits provided but the Committee monitors the total cost of the benefit provision.</p>
All Employee Share Plans	To encourage employee share ownership.	N/A	The Executive Directors may participate in any HMRC tax-advantaged all employee share plans offered by the Company on the same terms as other employees, subject to limits on the level of individual participation as set by HMRC.
Chairman and Non-Executive Directors' fees	To attract and retain Non-Executive Directors of the right calibre.	N/A	<p>Non-Executive Director fees are determined by the Board. The fees for the Chairman are determined by the Remuneration Committee taking into account the views of the Chief Executive. The Chairman excludes himself from such discussions.</p> <p>The fee levels are reviewed periodically and are set to reflect the responsibilities and time commitment of the role and the experience of the individual. Fee levels are set by reference to rates in companies of comparable size and complexity. The fees for the Non-Executive directors comprise a basic Board fee, with additional fees paid for chairing a Committee or for the Senior Independent Directorship. The Chairman receives an all encompassing fee for his role.</p> <p>In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment. Fees are paid monthly in cash.</p> <p>Any reasonable business related expenses (including tax thereon) may be reimbursed if determined to be a taxable benefit.</p> <p>The Chairman and Non-Executive Directors may be eligible to access HomeServe products and services on the same terms as offered to employees.</p>

Directors' remuneration policy

continued

Rationale behind performance metrics and targets

The Remuneration Committee works hard to ensure that the remuneration policy for the Executive Directors supports the business strategy, and that the level of remuneration received is reflective of the overall business performance and the returns received by shareholders. A significant proportion of the remuneration package comes from variable pay with careful consideration given to the choice of performance metrics to ensure that the executives are not encouraged to take inappropriate risks.

Annual Bonus

The annual bonus is designed to drive and reward excellent short-term operating performance of the Company. No annual bonus is paid unless a very high level of performance is achieved. The Committee reviews the annual bonus plan measures annually in order to ensure that they are aligned with the Group's strategy and so that bonus arrangements are consistent amongst the senior executive team. Performance targets are set at the start of the financial year and are linked to the Group's strategic and operational objectives. The customer focused culture across our business is reflected in the use of non financial metrics in the annual bonus scheme. These are balanced by the use of financial targets and personal objectives used to reflect other strategic priorities.

The Committee retains the discretion to alter the choice and weighting of the metrics for future bonus cycles to reflect the changing needs of the business. The payment of any bonus is at the discretion of the Committee and bonuses will only be paid once a minimum level of customer and financial performance is achieved.

LTIP

Long-term incentive awards will be granted in accordance with the rules of the shareholder approved HomeServe 2018 Long-Term Incentive Plan (LTIP) (and any subsequent replacement plan) and the discretions contained therein. The performance measures for the matching and performance awards are set using a sliding scale of targets and no more than 25% of the award (under each measure) will vest for achieving the threshold performance hurdle.

The choice of measures may change for future award cycles, but is currently based on the following:

Metric	Link to strategy
Earnings per share (EPS)	This provides an assessment of the profitability of the Group over the longer-term and is strongly aligned to the execution of the business strategy. Challenging targets are set for each award cycle based on internal and external forecasts.
Total Shareholder Return (TSR)	This measures the total return to shareholders provided through share price appreciation and dividends. TSR is measured relative to the performance of the FTSE 250 Index. TSR provides a clear alignment between the value created for shareholders and the reward earned by executives.

The Committee would consult with shareholders in advance of a change in the choice or weighting of the performance measures to be applied to future award cycles.

Under the rules of the plan, the Committee has the discretion to adjust the targets applying to existing awards in exceptional circumstances providing the new targets are no less challenging than originally envisaged. The Committee also has the power to adjust the number of shares subject to an award in the event of a variation in the capital of the Company.

Awards under the LTIP may be granted as conditional allocations or nil (or nominal) cost options with, or as, forfeitable shares. The Committee may also decide to grant cash based awards of an equivalent value to share based awards or to satisfy share based awards in cash, although it does not currently intend to do so. Awards are satisfied through a mixture of either market purchase or new issue shares. To the extent new issue shares are used, the LTIP will adhere to a 5% in 10 year dilution limit.

A post vesting holding period was introduced for awards granted in FY16 onwards. There will be a minimum period of five years from the date of grant of an award before shares can be sold. To the extent that nil cost options are exercised after the three year vesting point, but before five years, the net of tax value of the vested shares must continue to be held. The dividend roll up on unexercised nil cost options will continue until five years from grant. This five year view provides a longer-term perspective to the incentive programme than the three year performance period.

Clawback

The Committee has the power to reclaim some, or all, of a cash bonus and vested LTIP awards (performance and matching) in exceptional circumstances, such as misstatement of financial results, an error in assessment of performance, the use of misleading information and/or gross misconduct on the part of the individual. The Committee's power was strengthened in 2018 as part of the LTIP review process.

Pensions

Richard Harpin participated on a non-contributory basis in a funded, HMRC approved occupational defined benefit scheme (with benefits limited to a notional capped salary) which is closed to new members. He opted out of the scheme on 1 May 2018 and subsequently transferred out. He now receives a cash allowance in lieu along with a cash contribution in respect of basic salary above the cap.

Shareholding guidelines

It is the Board's policy that Directors build up and retain a minimum shareholding in the Company. Each Director is encouraged to hold shares of at least equal value to three times their annual basic salary or fee.

If the holding guideline has not been fulfilled at the point of exercise of any option or the vesting of any other long-term incentive award, the Director must retain 50% of the net proceeds in the Company's shares until the holding requirement is achieved. Details of the current shareholdings of the Directors are provided later in this report.

Changes to operation in FY20

A formal policy in respect of the shareholding requirement has been adopted. This confirms that for new Directors, the requirement is expected to be met within five years of appointment (within five years of the adoption of the new policy for existing Directors). It also reflects the post vesting shareholding requirement in respect of the Long-Term Incentive Plan whereby the net of tax value of shares that vest must be retained for a period of two years.

How employees' pay is taken into account

The remuneration policy for the Executive Directors is designed with regard to the policy for employees across the Group as a whole. Our ability to meet our growth expectations and compete effectively is dependent on the skills, experience and performance of all of our employees. Our employment policies, remuneration and benefit packages for employees are regularly reviewed.

There are some differences in the structure of the remuneration policy for the Executive Directors and senior management team compared to other employees reflecting their differing responsibilities, with the principal difference being the increased emphasis on performance related pay for the more senior executives within the organisation. However, there are many common themes. For example, the structure of the annual bonus, with the focus on financial, non financial and personal performance is the same for employees at management grade and above.

Employee share ownership is encouraged and facilitated through extending participation in the LTIP to other senior leaders within the business and all eligible employees are able to participate in the HomeServe One Plan, a share incentive plan.

Although the Committee does not consult directly with employees on directors' pay, the Committee does take into consideration the pay and employment conditions of all employees when setting the policy for directors' remuneration. In terms of comparison metrics, the Committee takes into account the average level of salary increase being budgeted for the UK workforce when reviewing the salary levels of the Executive Directors. The Committee is also mindful of any changes to the pay and benefit conditions for employees more generally when considering the policy for directors' pay.

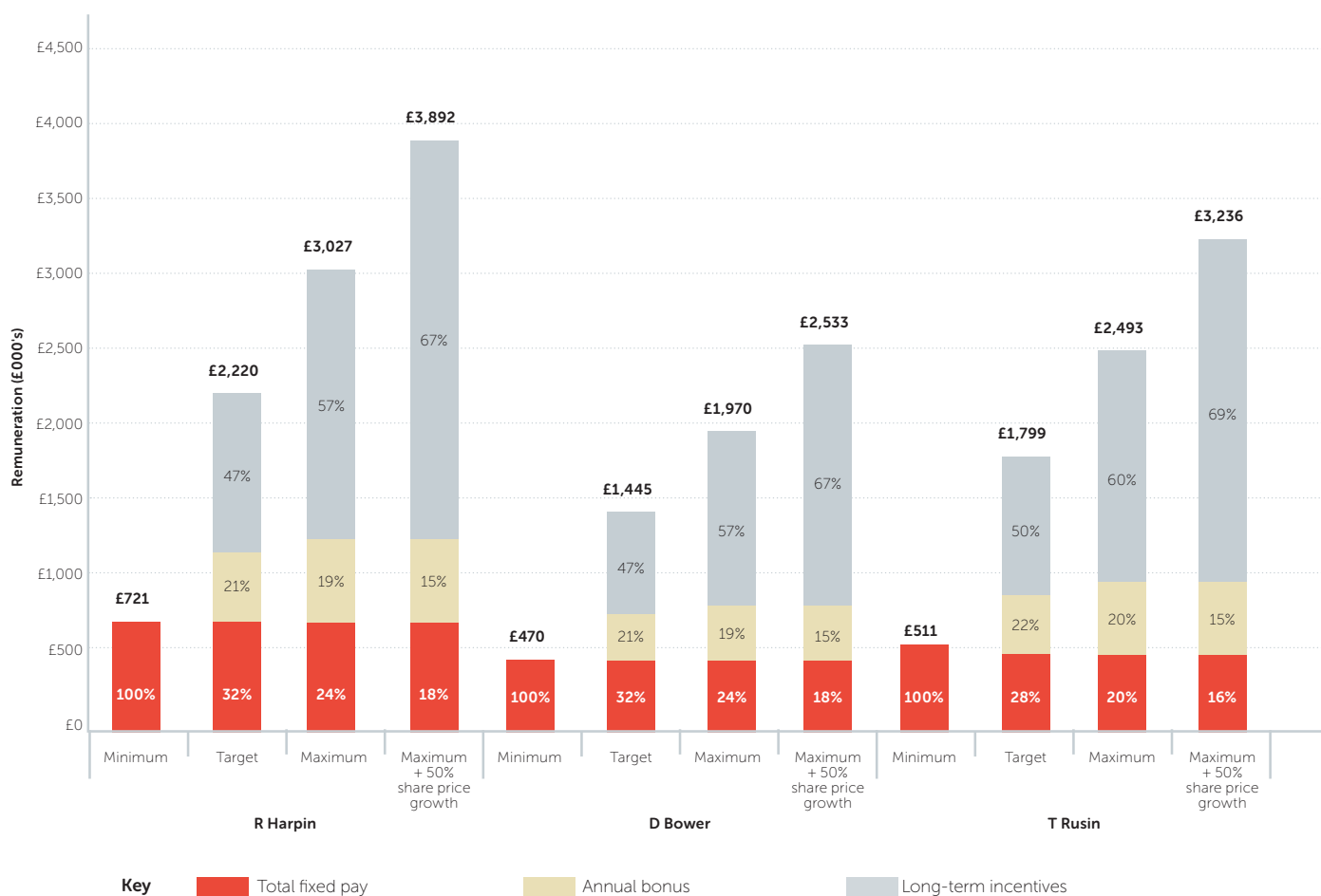
How shareholders' views are taken into account

The Committee considers shareholder feedback received regarding the Remuneration report annually and guidance from shareholder representative bodies more generally. These views are key inputs when shaping remuneration policy. The Committee consults with shareholders when considering changes to remuneration arrangements and did so in respect of the renewal of the LTIP.

Directors' remuneration policy continued

Remuneration scenarios for Executive Directors

The chart below details the composition of each Executive Director's remuneration package and how it varies at different levels of performance under the policy set out above. It demonstrates the balance between fixed and variable pay at threshold, on-target and maximum performance levels under the normal remuneration policy for the Executive Directors.



Assumptions

Fixed fixed pay only (salary plus benefits plus pension).
 On target target annual bonus of 80% of salary plus target LTIP awards in FY20 of 90% of salary plus matching awards of 90% of salary.
 Maximum maximum annual bonus of 100% of salary plus maximum LTIP awards in FY20 of 150% of salary plus matching awards of 150% of salary.
 Maximum plus share price growth the maximum scenario above but illustrating the impact of a 50% increase in the share price on the LTIP awards.

Salary levels (on which other elements of the packages are calculated) are based on salaries as at 31 March 2019.

The value of taxable benefits is based on the actual values paid in FY19.

The UK Executives receive a pension allowance of 20% of basic salary.

The Executive Directors may participate in all-employee share schemes on the same basis as other employees. The value that may be received under these schemes is subject to tax approved limits. For simplicity, the value that may be received from participating in these schemes has been excluded from the above charts.

The on target and maximum scenarios exclude the impact of share price growth except as otherwise noted.

Executive Directors' service agreements and policy on payments for loss of office

Under the Executive Directors' service contracts up to twelve months' notice of termination of employment is required by either party (reduced to six months if following a prolonged period of incapacity).

Dates of current contracts are summarised in the table below:

Name	Date of contract
R Harpin	18 January 2002
D Bower	3 February 2017
T Rusin	4 April 2018

Should notice be served, the Executives can continue to receive basic salary, benefits and pension for the duration of their notice period. The Company may require the individual to continue to fulfil their current duties, or may assign a period of garden leave. The Company applies a general principle of mitigation in relation to termination payments and supports the use of phased payments.

Outplacement services may be provided where appropriate, and any statutory entitlements or sums to settle or compromise claims in connection with a termination (including, at the discretion of the Committee, reimbursement for legal advice) would be paid as necessary.

The service contracts also enable the Company to elect to make a payment in lieu of notice equivalent in value to twelve months' base salary, benefits and pension.

In the event of cessation of employment, the executives may still be eligible for a performance related bonus for the period worked. Different performance measures may be set to reflect changes in the director's responsibilities until the point of departure.

The rules of the LTIP set out what happens to outstanding share awards if a participant leaves employment before the end of the vesting period. Generally, any outstanding share awards will lapse when an Executive leaves employment, except in certain circumstances. If the Executive leaves employment as a result of death, ill-health, injury, disability, retirement, transfer of employment or any other reason at the discretion of the Committee, then they will be treated as a 'good leaver' under the plan rules.

For a good leaver, any outstanding unvested LTIP awards will vest on the normal vesting date subject to an assessment of performance, with a pro rata reduction to reflect the proportion of the vesting period served. The Committee may dis-apply the time pro-rating requirement if it considers it appropriate to do so. In the case of cessation due to death, the Committee can determine that the awards vest early. Outstanding vested but not exercised awards can be exercised by a good leaver until the expiry of the normal exercise period (or within 12 months in the case of death).

In determining whether an Executive should be treated as a good leaver and the extent to which their award may vest, the Committee will take into account the circumstances of an individual's departure.

The treatment of share awards on a change of control is the same as that set out above in relation to a good leaver (albeit with the vesting period automatically ending on the date of the change in control).

Recruitment Policy

Base salary levels will be set in accordance with HomeServe's remuneration policy, taking account of the executive's skills, experience and their current remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be given over subsequent years subject to individual performance. Benefits will generally be provided in accordance with the approved policy, with relocation expenses and/or an expatriate allowance paid for if necessary. For an overseas appointment (which may include the relocation of an existing Director), the benefit and pension arrangements may be tailored to reflect local market practice (subject to the overall maximum limits on pension set out in the policy table).

Directors' remuneration policy continued

The structure of the variable pay element will be in accordance with HomeServe's policy as detailed above. The maximum permitted variable pay opportunity is 450% of salary (100% of salary bonus + 200% of salary LTIP + 150% of salary matching award). However, the normal award limits are a bonus of 100% of salary, a performance share award of 150% of salary and up to a 150% of salary matching award. In the case of the matching awards, a new recruit may be invited to invest up to 25% of salary from their own funds in the first year in order to receive a matching award (in determining the number of matching awards to be granted, the investment is deemed to be made gross of tax). LTIP awards may be made shortly following an appointment (assuming the Company is not in a closed period).

The performance and matching awards would be granted on a consistent basis to the other Executive Directors. In the case of the annual bonus, different performance measures may be set for the first year, taking into account the responsibilities of the individual and the point in the financial year at which they joined. If it is necessary to buy-out incentive pay (which would be forfeited on leaving the previous employer) in order to secure the appointment, this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. The LTIP permits the grant of restricted share awards to Executive Directors in the case of recruitment to facilitate this, although awards may also be granted outside of this scheme if necessary, and as permitted under s.9.4.2.2 of the Listing Rules.

The service contract for a new appointment would be in accordance with the policy for the current Executive Directors.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant.

Fees for a new Chairman or Non-Executive Director will be set in line with the approved policy.

Non-Executive Directors' letters of appointment

Non-Executive Directors serve under letters of appointment for periods of three years. The Non-Executive Directors (including the Chairman) have a notice period of three months but no liquidated damages are payable.

Fees are determined by the Executive Directors within the limits set by the Articles of Association, and are based on information on fees paid in similar companies and the skills and the expected time commitment of the individual concerned.

Details of their current three year appointments are as follows:

Name	Date of contract
J M B Gibson	1 April 2019
K Cliffe	23 May 2017
S David	23 November 2016
E Fitzmaurice	23 May 2017
O Grémillon	29 March 2019
R McMillan	27 October 2017

Outside Appointments

Executive Directors may hold one outside appointment and can retain any fees received.

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6R of the Listing Rules. The annual report on remuneration will be put to an advisory shareholder vote at the 2019 Annual General Meeting.

Remuneration Committee Members

Katrina Cliffe (Chairman with effect from 20 July 2018)
 JM Barry Gibson
 Stella David (Chairman until 20 July 2018)
 Ron McMillan
 Chris Havemann (retired 1 December 2018)

All of the members are independent Non-Executive Directors. Stella David became Senior Independent Director and Chairman of the newly formed People Committee during 2018. Given these additional responsibilities, it was agreed that she should be replaced as Chairman of the Remuneration Committee by Katrina Cliffe. Stella remains a member of the Committee.

The Board determined that the Company Chairman, Barry Gibson, should remain a member of the Committee taking account of the fact that he was considered to be independent on appointment and also that, as a former Chairman of the Remuneration Committee, his knowledge of the development of the remuneration policy and practices at HomeServe is invaluable. He takes no part in discussions relating to his own remuneration.

Responsibilities

The primary responsibilities of the Committee are to:

- determine the Group's overall remuneration strategy
- determine the remuneration packages of the Executive Directors and other members of the Executive Committee
- approve the grant and exercise of executive long-term incentive arrangements and oversee the operation of other share-based plans across the Group.

The full schedule is available on our website: <http://www.homeserveplc.com/about-us/corporate-governance/our-board>

In determining remuneration policy, the Committee is free to obtain such professional advice as it sees fit, and it periodically monitors both the policies of comparator companies and current market practice in order to ensure that the packages provided are sufficient to attract and retain Executive Directors of the necessary quality.

The Committee aims to develop and recommend remuneration strategies that drive performance and reward it appropriately. In determining its policy, the Committee has paid regard to the principles and provisions of good governance contained in the Code and the guidelines issued by institutions such as the Investment Association, ISS and the Pensions and Lifetime Savings Association (PLSA). The Committee operates under the delegated authority of the Board.

The remuneration of Non-Executive Directors is a matter for the Board. No Director is involved in determining his or her own remuneration.

The Committee has agreed and implemented a procedure for reviewing and assessing its own effectiveness as part of the annual effectiveness review of the Board.

Key issues considered during the year

Aside from the usual cycle of discussions in respect of pay and bonuses, the key issue discussed by the Committee during the year was the new UK Corporate Governance Code. The Committee will be reviewing its terms of reference and policy to ensure that they remain appropriate.

Advisers

During the year, independent advice was received by the Committee from the Executive Compensation practice of Aon plc. The Committee selects its own advisers. Aon also provided technical implementation and accounting advice in relation to the administration of the Company's share schemes. Aon is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. During the year, insurance broking services were also provided to the Group by other subsidiaries of Aon plc, which the Committee considers in no way prejudices Aon's position as the Committee's independent advisers. Fees charged by Aon for advice provided to the Committee for the year ended 31 March 2019 amounted to £73,000 (excluding VAT).

The Committee has also received assistance from Richard Harpin, Group Chief Executive, Emma Thomas, Group Legal, Customer Culture and Reward Director and Anna Maughan, Company Secretary, all of whom attended meetings of the Committee as required. No Executive took part in discussions in respect of matters relating directly to their own remuneration.

Annual Report on Remuneration

continued

Remuneration for the year under review (Audited)

	Year	Salary and fees £000	Taxable benefits ¹¹ £000	Pensions ¹² £000	Bonus £000	LTIP ¹³ £000	Total FY19 £000	Total FY18 £000
Executives								
R Harpin	FY19	574	29	110	430	3,606	4,749	
	FY18	563	26	147	541	7,889		9,166
M Bennett ¹	FY19	129	6	26	98	—	259	
	FY18	418	21	84	—	5,778		6,301
D Bower	FY19	328	20	66	246	314	974	
	FY18	300	19	60	300	745		1,424
J Ford ²	FY19	309	15	62	219	—	605	
	FY18	405	17	81	380	4,632		5,515
T Rusin ³	FY19	494	10	9	361	2,633	3,507	
	FY18	399	6	6	372	3,901		4,684
Non-Executives								
J M B Gibson	FY19	250	—	—	—	—	250	
	FY18	250	—	—	—	—		250
K Cliffe ⁴	FY19	62	—	—	—	—	62	
	FY18	47	—	—	—	—		47
S David	FY19	78	—	—	—	—	78	
	FY18	65	—	—	—	—		65
E Fitzmaurice ⁵	FY19	55	—	—	—	—	55	
	FY18	47	—	—	—	—		47
O Grémillon ⁶	FY19	—	—	—	—	—	—	
	FY18	—	—	—	—	—		—
C Havemann ⁷	FY19	41	—	—	—	—	41	
	FY18	55	—	—	—	—		55
R McMillan ⁸	FY19	65	—	—	—	—	65	
	FY18	25	—	—	—	—		25
B Mingay ⁹	FY19	—	—	—	—	—	—	
	FY18	55	—	—	—	—		55
M Morris ¹⁰	FY19	—	—	—	—	—	—	
	FY18	66	—	—	—	—		66
Total FY19		2,385	80	273	1,354	6,553	10,645	
Total FY18		2,695	89	378	1,593	22,945		27,700

¹ Martin Bennett left the Board on 20 July 2018. Further details on his termination arrangements are shown on page 100.

² Johnathan Ford left the Board on 31 December 2018. Further details on his termination arrangements are shown on page 100.

³ Tom Rusin was appointed to the Board on 23 May 2017. He is paid in USD and the USD amounts have been converted into GBP for the purposes of this table using the average exchange rate for FY19.

⁴ Katrina Cliffe was appointed to the Board on 23 May 2017.

⁵ Edward Fitzmaurice was appointed to the Board on 23 May 2017.

⁶ Olivier Grémillon was appointed to the Board on 29 March 2019.

⁷ Chris Havemann retired from the Board on 1 December 2018.

⁸ Ron McMillan was appointed on to the Board 27 October 2017.

⁹ Ben Mingay retired from the Board on 26 March 2018.

¹⁰ Mark Morris retired from the Board on 27 February 2018.

¹¹ Benefits comprise company car, fuel allowance and medical insurance.

¹² Details of pension benefits and contributions can be found later in the report.

¹³ The FY18 figure includes the vesting of awards granted in 2014 and 2015. These awards were granted approximately a year apart in accordance with our LTIP grant policy. However, as the performance period for both awards ended during the same financial year (albeit nine months apart), we were obliged to include both awards in the 2018 remuneration table. The figures for FY18 have been updated to reflect the actual share price on vesting for the 2015 award. The figures for FY19 are based on the average share price over the last three months of the financial year as the awards have not yet vested. The value shown for each LTIP award includes an amount in respect of dividend equivalents.

Details of variable pay earned in the year (Audited)

Annual Bonus

For FY19, the annual bonus was based on the following stretching targets::

Financial and non financial bonus targets for Richard Harpin, David Bower, Martin Bennett and Johnathan Ford

		Weighting	% Payable at Threshold	Threshold	Target/Stretch	Actual	% Payable
Financial measures	Group profit before tax	25%	25%	£153.6m	£161.7m	£161.7m	100%
	Group net debt	5%	—	—	£341.2m	£304.7m	100%
Non financial measures	Customer growth ¹	25%	—	—	8.4m	8.2m	0%
	Customer dissatisfaction (measured as a weighted average level of customer dissatisfaction across the UK, US, France and Spain)	25%	—	—	5.00	4.51	100%

Financial and non financial bonus targets for Tom Rusin

		Weighting	% Payable at Threshold	Threshold	Target/Stretch	Actual	% Payable
Financial measures	Group profit before tax	10%	25%	£153.6m	£161.7m	£161.7m	100%
	Membership adjusted profit before tax	15%	25%	£171.3m	£180.3m	£184.6m	100%
	Membership net debt	5%	—	—	£364.0m	£341.3m	100%
Non financial measures	Customer growth ¹	25%	—	—	8.4m	8.2m	0%
	Customer dissatisfaction (measured as a weighted average level of customer dissatisfaction across the UK, US, France and Spain)	25%	—	—	5.00	4.51	100%

¹ Excludes Italy.

Annual Report on Remuneration

continued

Personal bonus targets

	Objectives	Weighting	Outcome	% Payable
R Harpin	<ul style="list-style-type: none"> • Prove out new Checktrade model • Prove out a further innovation in Home Experts • Implement three people related initiatives • Open one new country • Attract two long-term US shareholders. 	20%	Key achievements included: <ul style="list-style-type: none"> • New pricing model implemented at Checktrade • Emergency service (Checktrade Now) proved out at Checktrade and platform in use for Membership • Senior teams in HVAC and Checktrade strengthened and CEO Forum launched for senior leaders • Joint venture with Mitsubishi in Japan • Three new US shareholders have bought shares. 	100%
D Bower	<ul style="list-style-type: none"> • Develop and implement a consistent framework for financing solutions across the Group • Increase range of high quality analyst research • Implement a new treasury management system • Develop and implement a framework for managing and reporting underwriting relationships and ensure resilience in all markets • Support the talent and leadership agenda. 	20%	Key achievements included: <ul style="list-style-type: none"> • Arranged medium to long-term funding through a US private placement and solutions for other finance products across the Group • Additional research coverage secured from three analysts • New treasury management system implemented at plc level and will be rolled out across the Group • Underwriting terms and conditions have been reviewed and a new dashboard developed. Additional underwriters being introduced • Having taken responsibility for the Group People function part way through the year, was actively involved in the launch of the HomeServe Way and provided support for the CEO Forum. 	100%
T Rusin	<ul style="list-style-type: none"> • Launch the target operating model for HVAC and accelerate HVAC acquisitions • Prove out the On Demand model for membership • Fully test new membership propositions • Automate claims via intelligent IVR. 	20%	Key achievements included: <ul style="list-style-type: none"> • HVAC acquisitions completed in the US, France and Spain and target operating model implemented • On Demand model launched with encouraging early results • A number of new membership propositions have been tested including Boiler for Life and HomeServe Now • Smart IVR was launched in the UK and US. 	90%
J Ford	<ul style="list-style-type: none"> • Launch the target operating model for HVAC and accelerate HVAC acquisitions • Automate claims via intelligent IVR • Complete the implementation of the new CRM system in the UK • Lead the People agenda including launching the HomeServe Way and development programmes for senior leaders. 	20%	Key achievements included: <ul style="list-style-type: none"> • HVAC acquisitions completed in the US, France and Spain and target operating model implemented • Smart IVR was launched in the UK and US • HomeServe Way launched during the year along with the CEO Forum for senior leaders. 	80%

It was agreed with Martin Bennett that his bonus for FY19 would only be based on Group performance with no element based on personal performance.

In addition to the above minimum financial (PBT) performance levels had to be achieved before any bonuses could be paid.

The stretching financial targets have been met but there was only partial achievement in respect of the non financial targets. The continued focus on delivering great customer service meant that the customer dissatisfaction target was met in full. Despite strong customer growth in North America there was a decline in Spain following the end of the Endesa partnership and in the UK in the absence of a policy book acquisition and as a result, the Group customer target was not met. Having reviewed performance, the following bonuses were payable:

Name	Bonus £	% of salary
R Harpin	430,280	75
M Bennett ¹	292,591	69
D Bower	245,625	75
J Ford ²	292,584	71
T Rusin	361,194	74

¹ Martin Bennett left the Board on 20 July 2018. The bonus figure above is the total bonus payable. A pro rated amount has been shown on the remuneration table on page 90.

² Johnathan Ford left the Board on 31 December 2018. The bonus figure above is the total bonus payable. A pro rated amount has been shown on the remuneration table on page 90.

Annual bonuses are paid in cash but serving Executive Directors have the opportunity to invest their bonuses (up to 75% of the maximum) in HomeServe shares in order to participate in the matching element of the LTIP.

Long-Term Incentive Plan

The 2016 LTIP performance and matching awards were granted on 1 July 2016. The performance awards were granted in two parts with different performance conditions applying to each part.

The performance conditions for the performance awards up to 150% of salary and the matching awards were as follows:

Condition	Percentage of award to which the condition applies	Performance period	Threshold target	Stretch target	Actual performance	Vesting
TSR (underpinned by underlying financial performance)	25%	3 years to 31 March 2019	TSR equal to the FTSE 250 index	TSR exceeds the index by an average of 15% p.a.	151.84%	100%
EPS	75%	3 years to 31 March 2019	Compound annual growth of 6%	Compound annual growth of 15%	19.82%	100%

The performance conditions for the performance awards above 150% of salary were as follows:

Condition	Percentage of award to which the condition applies	Performance period	Threshold target	Stretch target	Actual performance	Vesting
EPS	100%	3 years to 31 March 2019	Compound annual growth of 15%	Compound annual growth of 20%	19.82%	96.38%

Performance for both the total shareholder return and earnings per share condition was based on performance over the three financial years ended 31 March 2019. Based on the strong performance of HomeServe over this period the stretch performance targets were exceeded in respect of the standard awards and partially met for the additional awards. Awards will vest on 1 July 2019. A two year post-vesting holding requirement applies to the awards.

The 2016 awards have been valued for the purpose of the remuneration table on page 90 using the average share price over the last three months of the financial year.

Annual Report on Remuneration

continued

Summary of outstanding awards (Audited)

LTIP

Details of the maximum number of shares receivable from awards made under the LTIP are as follows:

	31 March 2019	Awarded during year	Lapsed during year	Vested during year	31 March 2018	Date granted	Type of award
R Harpin	—	—	—	251,774	251,774	25.6.15	Performance
	—	—	—	188,135	188,135	25.6.15	Matching
	211,338	—	—	—	211,338	1.7.16	Performance
	155,521	—	—	—	155,521	1.7.16	Matching
	111,632	—	—	—	111,632	27.6.17	Performance
	107,547	—	—	—	107,547	27.6.17	Matching
	87,133	87,133	—	—	—	24.7.18	Performance
	84,691	84,691	—	—	—	24.7.18	Matching
D Bower	—	—	—	37,766	37,766	25.6.15	Performance
	31,779	—	—	—	31,779	1.7.16	Performance
	—	—	—	18,975	18,975	1.7.16	Restricted
	59,250	—	—	—	59,250	27.6.17	Performance
	46,247	46,247	—	—	—	24.7.18	Performance
	45,117	45,117	—	—	—	24.7.18	Matching
T Rusin	—	—	—	154,740	154,740	25.6.15	Performance
	—	—	—	81,557	81,557	25.6.15	Matching
	155,624	—	—	—	155,624	1.7.16	Performance
	112,223	—	—	—	112,223	1.7.16	Matching
	93,920	—	—	—	93,920	27.6.17	Performance
	83,823	—	—	—	83,823	27.6.17	Matching
	74,699	74,699	—	—	—	24.7.18	Performance
	67,192	67,192	—	—	—	24.7.18	Matching
M Bennett ¹	—	—	—	186,770	186,770	25.6.15	Performance
	—	—	—	136,825	136,825	25.6.15	Matching
	156,774	—	—	—	156,774	1.7.16	Performance
	115,366	—	—	—	115,366	1.7.16	Matching
	82,810	—	—	—	82,810	27.6.17	Performance
	79,781	—	—	—	79,781	27.6.17	Matching
J Ford ²	—	—	—	171,664	171,664	25.6.15	Performance
	—	—	—	111,171	111,171	25.6.15	Matching
	144,094	—	—	—	144,094	1.7.16	Performance
	106,034	—	—	—	106,034	1.7.16	Matching
	80,184	—	—	—	80,184	27.6.17	Performance
	76,279	—	—	—	76,279	27.6.17	Matching
	62,587	62,587	—	—	—	24.7.18	Performance

¹ Martin Bennett left the Board on 20 July 2018.

² Johnathan Ford left the Board on 31 December 2018.

The performance conditions are as follows:

- 2015 awards – 25% comparative TSR (FTSE 250 Index + 15% per annum for maximum vesting) and 75% compound annual EPS growth (15% CAGR for maximum vesting)
- 2016 awards up to 150% of salary – 25% comparative TSR (FTSE 250 Index + 15% per annum for maximum vesting) and 75% compound annual EPS growth (15% CAGR for maximum vesting)
- 2016 awards above 150% of salary – compound annual EPS growth of 15% to 20% (20% CAGR for maximum vesting)
- 2017 and 2018 awards – 25% comparative TSR (FTSE 250 Index + 15% per annum for maximum vesting) and 75% compound annual EPS growth (15% CAGR for maximum vesting).

David Bower had one outstanding restricted share award which pre dated his appointment as CFO and which has now vested. This award was not subject to performance conditions.

Further details on LTIP awards granted in the year

On 24 July 2018, the following performance and matching share awards were granted to the Executive Directors under the LTIP:

Performance share awards

	Date of grant	Number of shares	Share price used to determine awards	Award size (% salary)	Face value at grant £	% that vests at threshold
R Harpin	24.7.18	87,133	£9.925	150%	864,795	25%
D Bower	24.7.18	46,247	£9.925	150%	459,001	25%
J Ford ¹	24.7.18	62,587	£9.925	150%	621,176	25%
T Rusin	24.7.18	74,699	£9.925	150%	741,388	25%

¹ Johnathan Ford left the Board on 31 December 2018.

Matching share awards

	Date of grant	Number of investment shares purchased	Award size	Number of shares subject to matching award	Share price used to determine awards	Face value £	% that vests at threshold
R Harpin	24.7.18	22,443	2:1 match	84,691	£9.925	840,558	25%
D Bower	24.7.18	11,956	2:1 match	45,117	£9.925	447,786	25%
T Rusin	24.7.18	17,806	2:1 match	67,192	£9.925	666,881	25%

The performance awards and the matching awards are subject to two performance conditions. 25% of the awards are subject to a relative total shareholder return performance condition that requires HomeServe's TSR to match that of the FTSE 250 Index over a three year performance period for threshold vesting, increasing on a straight-line basis to Index + 15% per annum for full vesting. The other 75% of the awards are subject to an earnings per share condition that requires compound annual EPS growth of 9% to 15% per annum. 9% growth would result in threshold vesting, increasing on a straight-line basis to full vesting if growth of 15% per annum is achieved.

Vesting is also subject to underlying financial performance and a two year post vesting holding period applies.

Annual Report on Remuneration

continued

Further details on awards vested in the year

Performance and matching awards granted on 25 June 2015 vested in full during the year. In addition, a restricted award granted to David Bower before he was appointed as CFO also vested.

	Date of grant	Type of Award	Date of exercise	No of Shares	Share price at exercise	Face value at exercise £	Dividend equivalents paid in cash £
R Harpin	25.6.15	Performance	27.6.18	251,774	£8.96	2,255,895	102,145
	25.6.15	Matching	27.6.18	188,135	£8.96	1,685,690	76,326
M Bennett ¹	25.6.15	Performance	27.6.18	186,770	£8.96	1,673,459	75,773
	25.6.15	Matching	27.6.18	136,825	£8.96	1,225,952	55,510
D Bower	25.6.15	Performance	27.6.18	37,766	£8.96	338,383	15,322
	1.7.16	Restricted	2.7.18	18,975	£8.92	169,257	5,484
J Ford ²	25.6.15	Performance	27.6.18	171,664	£8.96	1,538,109	69,644
	25.6.15	Matching	27.6.18	111,171	£8.96	996,092	45,102
T Rusin	25.6.15	Performance	27.6.18	154,740	£8.96	1,386,470	62,778
	25.6.15	Matching	27.6.18	81,557	£8.96	730,751	33,088

¹ Martin Bennett left the Board on 20 July 2018.

² Johnathan Ford left the Board on 31 December 2018.

One Plan Matching Shares (Share Incentive Plan)

	31 March 2019	Acquired during year	31 March 2018	Aggregate face value of shares awarded during the year £ ⁴
R Harpin	304	97	207	895
D Bower	304	97	207	895
T Rusin ¹	331	105	226	967
M Bennett ²	242	35	207	301
J Ford ³	256	74	182	672

¹ Tom Rusin was appointed on 23 May 2017.

² Martin Bennett left the Board on 20 July 2018.

³ Johnathan Ford left the Board on 31 December 2018.

⁴ Based on the acquisition price of the associated Partnership Shares. The highest share price was £10.39 and the lowest share price was £7.32.

Participants receive one Matching Share for every two Partnership Shares they purchase. Shares are purchased on a monthly basis. Matching Shares are normally kept in trust for a minimum period of three years.

Shareholding Guidelines (Audited)

It is the Board's policy that Executive Directors build up and retain a minimum shareholding in the Company. Each Director is encouraged to hold shares of at least equal value to 300% of their annual basic salary or fee.

Under the Long-Term Incentive Plan, the net of tax value of shares that vest must be retained for a period of two years.

The beneficial interests of Directors who served at the end of the year, together with those of their families, in the shares of the Company are as follows:

	21 May 2019	31 March 2019	31 March 2018	Outstanding LTIP awards	Total 31 March 2019	Value of shares counting towards guideline holding (as a % of salary or fee) ¹	Guideline met?
R Harpin ²	40,146,814	40,146,773	39,684,114	757,862	40,904,635	71,376%	Yes
M Bennett ³	—	223,396	555,258	434,731	658,127	n/a	n/a
D Bower	113,627	113,586	81,370	182,393	295,979	310%	Yes
J Ford ⁴	—	198,533	191,730	469,178	667,711	n/a	n/a
T Rusin	522,464	522,421	477,879	587,481	1,109,902	1,082%	Yes
J M B Gibson	150,070	150,070	150,070	—	150,070	615%	Yes
K Cliffe	12,076	12,076	12,076	—	12,076	190%	No
S David	68,945	68,945	68,945	—	68,945	975%	Yes
E Fitzmaurice	786,265	786,265	786,265	—	786,265	14,653%	Yes
O Grémillon ⁵	—	—	—	—	—	—	No
C Havemann ⁶	20,000	20,000	20,000	—	20,000	n/a	n/a
R McMillan	—	—	—	—	—	—	No

¹ Calculated using the shareholding and share price on 29 March 2019 of £10.25 divided by the Executive's salary or Non-Executive's fee on that date.

² Includes an indirect interest of 28,500.

³ Martin Bennett left the Board on 20 July 2018.

⁴ Johnathan Ford left the Board on 31 December 2018.

⁵ Chris Havemann left the Board on 1 December 2018.

⁶ Olivier Grémillon joined the Board on 29 March 2019.

Directors' pensions (Audited)

Members of the Water Companies Pension Scheme

Richard Harpin opted out of the Scheme on 1 May 2018 and subsequently transferred out. At the end of the year, he therefore retained no prospective rights to any defined benefits from the Scheme.

Details of the calculation of the single figures relating to his individual pension entitlements in the HomeServe plc Section of the Water Companies Pension Scheme, as required under Schedule 8 of the Large Companies Regulations and the Listing Rules, are shown below:

	2019 £000	2018 £000
Accrued pension per annum at end of period ¹	—	61
Accrued lump sum at end of period ¹	—	184
Director's contributions in the period	—	—
Single figure of pension remuneration attributable to the Scheme ²	—	62
Unapproved pension contributions paid as cash	110	85

¹ The accrued pension and lump sum figures are the leaving service benefits to which the Director would have been entitled had they left the Section at the relevant date.

² This is calculated as 20 times the increase in the accrued pension over the period after allowing for CPI inflation plus the increase in accrued lump sum (also after allowing for CPI inflation), less the contributions made by the Director over the period.

Annual Report on Remuneration continued

Other Directors

David Bower, Martin Bennett and Johnathan Ford received the following cash payments in lieu of pension contributions:

	2019 £000	2018 £000
D Bower	66	60
M Bennett ¹	26	84
J Ford ²	61	81

¹ Martin Bennett left the Board on 20 July 2018.

² Johnathan Ford left the Board on 31 December 2018.

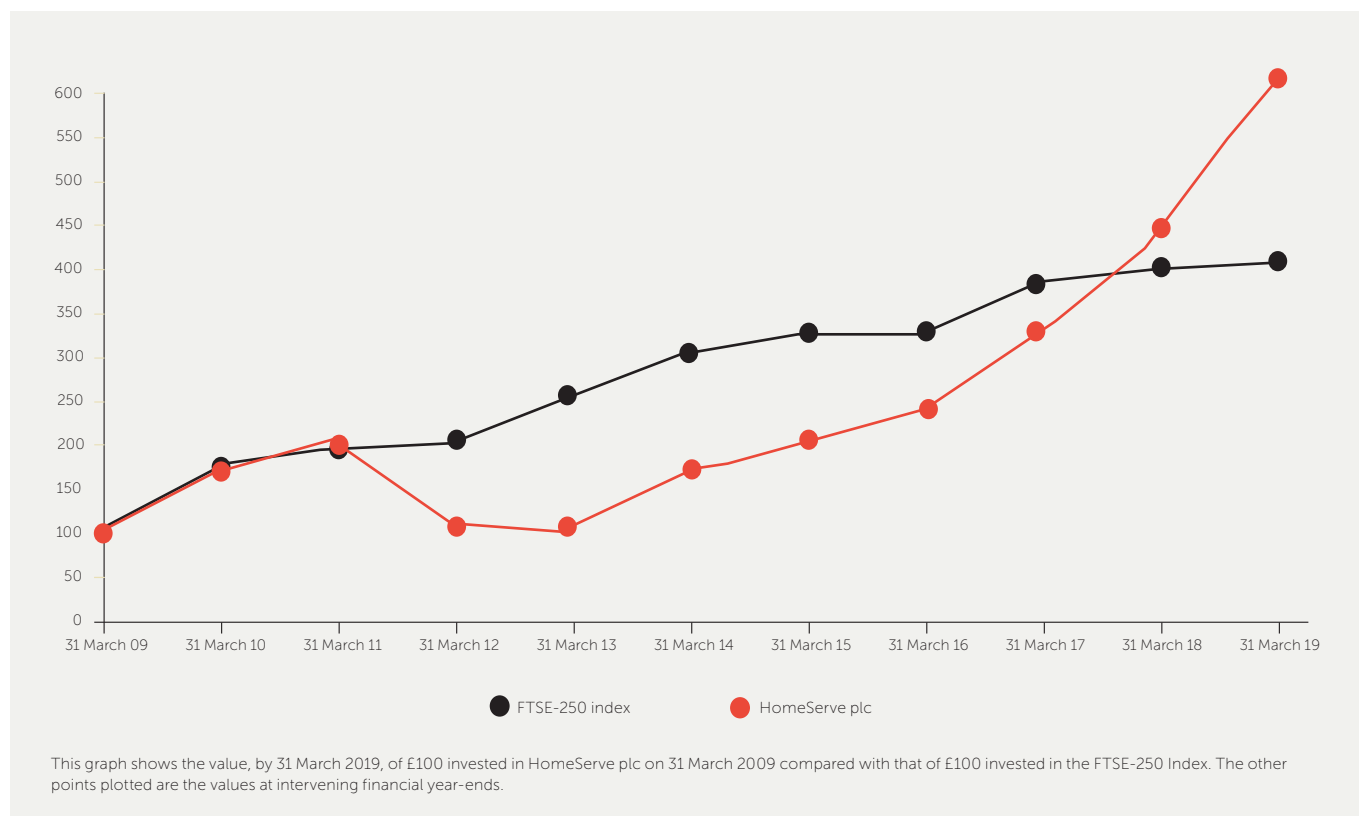
Tom Rusin participates in a US 401k pension plan (a defined contribution scheme) to which the Company contributed £8,783 (\$11,538) in FY19. (FY18: £5,806).

Performance graph

The graph below shows the Company's performance, measured by TSR, compared with the performance of the FTSE-250 Index (also measured by TSR) for the ten years ended 31 March 2019. This comparator has been chosen as it is a broad equity index of which the Company is a constituent and it is also the one used in assessing relative TSR performance under the LTIP.

Total shareholder return

Source: Datastream (Thomson Reuters)



Chief Executive's remuneration

The total remuneration figures for the Chief Executive during each of the last ten years are shown in the table below. The figures include the annual bonus based on that year's performance and the matching awards plus the LTIP awards based on the three year performance period ending in the relevant year. The annual bonus and long-term incentive award vesting level as a percentage of the maximum opportunity are also disclosed below:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total remuneration (£000s)	1,030	953	559	953	1,212	1,200	3,355	4,256	8,563 ³	4,749
Annual Bonus	100%	87%	0%	75%	100%	96%	98%	100%	96%	75%
LTIP awards vesting	21% ¹	51% ²	60%	0%	0%	0%	100%	100%	100%	100% ⁴

Notes:

¹ No LTIPs were due to vest in FY10. The ESOP awards granted in 2006 lapsed as the performance conditions were not met. Awards made under the Deferred Bonus Plan vested on the basis of 1.19 shares out of a maximum of 3.

² No LTIPs were due to vest in FY11. The ESOP awards granted in 2007 lapsed as the performance conditions were not met. Awards made under the Deferred Bonus Plan vested on the basis of 2.48 shares out of a maximum 3.

³ The total includes the 2014 and 2015 LTIP awards which were granted and vested a year apart.

⁴ Standard LTIPs vested at 100%. Additional LTIPs vested at 96.38%

Percentage change in Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's total remuneration (excluding the value of any pension, matching awards and performance awards receivable in the year) between FY18 and FY19 compared to the average for all employees of HomeServe plc.

	% Change from FY18 to FY19		
	Salary	Benefits	Annual Bonus
Chief Executive Officer	2.0%	11.3%	(20.4%)
Average of other HomeServe plc employees	3.6%	26.0%	10.2%

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends, tax and retained profits:

	FY18 £m	FY19 £m	% change
Pay	267.5	306.9	15%
Dividends	50.4	65.0	29%
Tax	27.4	31.2	14%
Retained profits	96.3	108.5	13%

£9.3m of the staff costs figures relate to pay for the Executive Directors. This is different to the aggregate of the single figures for the year under review due to the way in which the share based awards are accounted for.

The dividends figures relate to amounts payable in respect of the relevant financial year.

Annual Report on Remuneration continued

Termination Arrangements and Loss of Office Payments (Audited)

Martin Bennett

On 22 May 2018 the Company announced that Martin Bennett would step down from the Board on 20 July 2018. Martin continued to serve as CEO of the UK business until 30 September 2018, following which he was given notice that his employment was being terminated by reason of redundancy. Martin was required to assist with an orderly transition of certain functions as part of restructuring of the global business lines.

Salary and Benefits

In accordance with his contract of employment he will continue to be paid his salary, pension and benefits by monthly instalments until the end of his employment. Martin will also receive an enhanced redundancy payment equal to 18 weeks salary.

Martin received a capped contribution towards his reasonable legal fees incurred in connection with his departure, up to a maximum of £3,500 plus VAT. The Company will also contribute reasonable outplacement support in accordance with the Remuneration Policy.

Incentives

Martin was eligible to receive an annual bonus for FY19, in accordance with the Company's Remuneration Policy, as he continued to work for the Company during the FY19 bonus year. This bonus was determined based on performance achieved.

Awards granted to Martin under the Long Term Incentive Plan were treated as follows:

- The awards granted in 2016 will vest on the normal vesting date to the extent the performance conditions are met and will not be pro-rated as Martin will be employed on the relevant vesting date.
- The award granted in 2017 will vest on the normal vesting date, to the extent the performance conditions are met, and will be pro-rated to reflect the proportion of the performance period in which Martin was employed.

These awards will continue to be subject to a post-vesting holding period.

Johnathan Ford

On 20 November 2018 the Company announced that Johnathan Ford would step down from the Board on 31 December 2018. Johnathan was given notice that his employment was being terminated by reason of redundancy on 31 December 2018. He was required to assist with an orderly transition of his COO responsibilities.

Salary and Benefits

In accordance with his contract of employment he will continue to be paid his salary and benefits by monthly instalments until July 2019 at which time he will receive a payment equivalent to six months' salary and benefits as compensation for the remainder of his notice period. Johnathan will also receive an enhanced redundancy payment equal to nine weeks' salary.

Johnathan received a capped contribution towards his reasonable legal fees incurred in connection with his departure, up to a maximum of £5,000 plus VAT. The Company will also contribute reasonable outplacement support in accordance with the Remuneration Policy.

Incentives

Johnathan was eligible to receive an annual bonus for FY19, in accordance with the Company's Remuneration Policy, as he continued to work for the Company during the FY19 bonus year. This bonus was determined based on performance achieved.

Awards granted to Johnathan under the Long Term Incentive Plan were treated as follows:

- The awards granted in 2016 will vest on the normal vesting date to the extent the performance conditions are met and will not be pro-rated as he will be employed on the relevant vesting date.
- The awards granted in 2017 and 2018 will vest on the normal vesting dates, to the extent the performance conditions are met, and will be pro-rated to reflect the proportion of the performance period in which Johnathan was employed.

These awards will continue to be subject to a post-vesting holding period.

Application of the remuneration policy for FY20

Basic salary

Basic salary for each Executive Director is determined by the Remuneration Committee taking into account the roles, responsibilities, performance and experience of the individual. Salary increases are determined taking into account pay and employment conditions of employees elsewhere in the Company and market data on salary levels for similar positions at comparable companies in the FTSE 250.

Salaries are normally reviewed in July each year (unless responsibilities change). Salaries for Executives will increase by 2% which is in line with the average increase for the UK workforce.

The salaries for the Executive Directors effective from 1 July 2019 will therefore be as follows:

Name of Director	Salary as at 1 July 2018	Salary as at 1 July 2019	Increase
R Harpin	£576,533	£588,064	2.0%
D Bower	£306,000	£375,000	22.5%
T Rusin	\$650,000	\$663,000	2.0%

Fees for the Chairman and Non-Executive Directors

As detailed in the remuneration policy, the Company aims to set remuneration for Non-Executive Directors at a level which is sufficient to attract and retain Non-Executive Directors of the right calibre. The fees paid to the Chairman and the Non-Executive Directors are reviewed periodically. The fees for the Non-Executive Directors were reviewed during the year but no changes were made.

Details of the current fees are detailed in the table below.

Chairman's fees	£250,000
Senior Independent Director additional fee	£7,500
Non-Executive Directors' base fee	£55,000
Chair of Remuneration, Audit & Risk or People Committee	£10,000

Annual bonus performance targets

The annual bonus plan for FY20 will operate on a similar basis to FY19 and is consistent with the policy detailed earlier in this report.

The bonus measures will be as follows:

Financial measures (30% of bonus)	Non financial measures (50% of bonus)	Personal objectives (20% of bonus)
<ul style="list-style-type: none"> Profit before tax (20%) Net debt (10%) 	<ul style="list-style-type: none"> Customer growth (25%) Reduction in Customer dissatisfaction (20%) Improvement in Employee Engagement (5%) 	<ul style="list-style-type: none"> Up to five stretching personal objectives

The Committee considers the forward looking performance targets to be commercially sensitive but more detailed disclosure will be provided in next year's remuneration report.

The Committee has discretion to scale back any bonus payments if it is deemed appropriate.

Long-term incentives

The Long-Term Incentive Plan will continue to provide a mix of performance (up to 200% of salary) and matching share awards (2:1 match on up to 75% of salary bonus invested in shares). In line with the policy, the FY20 Performance Share award for Executive Directors will be at 150% of salary.

Annual Report on Remuneration

continued

Performance criteria

For Performance Share awards and Matching Share awards, the performance targets for FY20 grants will be:

FY19 weighting	3 year performance target	Change from FY18
75% based on EPS	9% to 15% per annum EPS growth (for 25% to 100% vesting).	No change
25% based on relative TSR	25% vesting for TSR equal to that of the FTSE 250 Index increasing on a straight-line basis to full vesting for out-performance of the Index by 15% per year or more	No change

When setting the EPS target range for the FY20 grants, the Committee took into account internal projections and external forecasts. Having considered these projections and forecasts, the Committee believes that the EPS targets are appropriately stretching.

Holding period for vested shares

The net of tax value of any shares vesting under the LTIP must be held for a further two years, providing a longer-term perspective to the incentive programme.

Shareholding guidelines

The minimum required shareholding for each Executive Director is three times annual basic salary. Shareholding guidelines at three times their fee also applies to Non-Executive Directors.

Shareholder voting at the 2018 Annual General Meeting

At last year's Annual General Meeting held on 20 July 2018, the following votes from shareholders were received:

	Total number of votes	Remuneration report % of votes cast
For	264,213,548	96%
Against	10,210,253	4%
Total votes cast (for and against excluding withheld votes)	274,423,801	100%
Votes withheld	196,171	
Total votes (including withheld votes)	274,619,972	

The current remuneration policy was approved by shareholders at the 2017 AGM. 99% of the votes cast were in favour of the policy.

General

The market price of the Company's shares at 29 March 2019 was £10.25 (2018: £7.38). During the year the price ranged from £7.19 to £10.41.

The shares required for share options and awards under any of the long-term incentive schemes described above may be fulfilled by the purchase of shares in the market by the Company's Employee Benefit Trust (EBT). Awards may also be fulfilled through newly issued shares, subject to the dilution limits within each scheme (which are fully compliant with investor guidelines). As beneficiaries under the EBT, the Directors are deemed to be interested in the shares held by the EBT which at 31 March 2019 amounted to 10,609 ordinary shares.

By Order of the Board

Katrina Cliffe

Chairman of the Remuneration Committee
21 May 2019

Directors' report

The Directors have pleasure in presenting their Annual Report and audited financial statements for the year ended 31 March 2019.

Management report

The Directors' report, together with the Strategic report set out on pages 2 to 49 form the Management Report for the purposes of Disclosure Guidance and Transparency Rule (DTR) 4.1.5R.

Statutory information contained elsewhere in the Annual Report

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

Information	Location in Annual Report
Likely future developments in the business of the Company or its subsidiaries	Pages 2 to 49
Employees (employment of disabled persons, employee engagement and policies)	Pages 25 to 29
Corporate Governance Statement	Pages 52 to 78
Directors' details (including changes made during the year)	Pages 61, 62 and 64
Related party transactions	Note 48 on page 187
Diversity	Page 26
Share Capital	Note 27 on page 165
Going Concern and Viability Statement	Page 48
Employee share schemes (including long-term incentive schemes)	Note 31 on pages 167 to 168
Financial instruments: Information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging	Notes 26 and 44 on pages 162 to 164 and 181 to 183
Disclosure of information to auditor	Page 106

Results and Dividends

The Directors are recommending the payment on 2 August 2019 of a final dividend of 16.2p per ordinary share to shareholders on the register at the close of business on 5 July 2019 which, together with the net interim dividend of 5.2p per ordinary share paid on 7 January 2019, results in a total net dividend for the year of 21.4p per share (FY18: 19.1p).

Greenhouse Gas Emissions Reporting

	Global tonnes of CO ₂ e FY19	Global tonnes of CO ₂ e FY18
Combustion of fuel and operation of facilities	12,899	11,366
Electricity, heat, steam and cooling purchased for own use	1,697	2,423
Total	14,596	13,789
Tonnes of CO ₂ e per thousand customers	1.74	1.65

We have reported on all of the emission sources required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 as amended in August 2013. The reporting boundary used for collation of the above data is consistent with that used for consolidation purposes in the financial statements. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2014 to calculate the above disclosures.

Political donations

No political donations were made during the year.

Directors' report

continued

Rules on appointment and replacement of Directors

All the Directors will seek election or re-election at the AGM in accordance with the Company's Articles of Association and the recommendations of the Code.

A Director may be appointed by ordinary resolution of the shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such meetings. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual seeks election at the next AGM.

A Director may be removed by the Company in certain circumstances set out in the Articles of Association or by an ordinary resolution of the Company.

Directors' indemnities and insurance

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were in place during the year and remain in force at the date of this report. The Company maintains directors' and officers' liability insurance for its Directors and officers.

Articles of Association

The powers of the Directors are set out in the Company's Articles of Association which are available on request. The Articles of Association may be changed by special resolution.

Capital Structure

Details of the issued share capital, together with details of shares issued during the year, are set out in note 27. There is one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at a general meeting of the Company.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 31. No votes are cast in respect of the shares held in the Employee Benefit Trust and dividends are waived.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. Subject to the Companies Act 2006 and any relevant authority of the Company in general meeting, the Company has authority to issue new shares.

The AGM held in 2018 authorised the Directors to allot shares in the capital of the Company within certain limited circumstances and as permitted by the Companies Act. A renewal of this authority will be proposed at the 2019 AGM.

Authority to purchase shares

The Company was authorised at the 2018 AGM to purchase its own shares, within certain limits and as permitted by the Articles of Association. A renewal of this authority will be proposed at the 2019 AGM. No shares were purchased during the year and no shares are held in Treasury.

Significant agreements – change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors and employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Annual General Meeting

The 2019 Annual General Meeting of the Company will be held on 19 July 2019.

Fixed Assets

Capital expenditure on tangible fixed assets amounted to £9.8m (FY18: £11.0m) during the year.

Directors' interests in shares

The beneficial interests of the Directors in the shares of the Company and the options held as at 31 March and 21 May 2019 are set out in the Remuneration report on page 97. None of the Directors serving at the year end had a beneficial interest in the share capital of any subsidiary company.

Substantial Shareholdings

As far as the Directors are aware, no person or company had a beneficial interest in 3% or more of the voting share capital at 31 March and 21 May 2019, except for the following:

Name	As at 31 March 2019		As at 21 May 2019	
	ordinary shares	%	ordinary shares	%
R Harpin ¹	40,146,773	12.07	40,146,814	12.07
Invesco Limited	33,050,338	9.94	33,050,338	9.94
Baillie Gifford & Co	17,124,224	5.15	17,124,224	5.15

¹ Includes an indirect interest of 28,500 shares.

Taxation status

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

By Order of the Board

Anna Maughan
Company Secretary
21 May 2019

Statements of responsibilities

The Directors are responsible for preparing the Annual Report and Accounts, Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements under International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent Company financial statements under IFRS as adopted by the European Union. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of Information to Auditor

Each of the Directors confirms that:

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

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

Resolutions proposing the reappointment of Deloitte LLP as auditor and authorising the Board to fix its remuneration will be put to the Annual General Meeting.

Website publication

The Directors are responsible for ensuring the Annual Report, including the financial statements, is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website (at <http://www.homeserveplc.com>) is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibility statement

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the Management Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

By Order of the Board

Richard Harpin

Chief Executive Officer
21 May 2019

David Bower

Chief Financial Officer
21 May 2019

Independent Auditor's report to the members of HomeServe plc

Opinion

In our opinion:

- the financial statements of HomeServe plc ('the parent company') and its subsidiaries ('the Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the Group income statement;
- the Group and parent company statements of comprehensive income;
- the Group and parent company balance sheets;
- the Group and parent company statements of changes in equity;
- the Group and parent company cash flow statements; and
- the related notes 1 to 48.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- carrying value of goodwill;
- carrying value of the new Customer Relationship Management ("CRM") system; and
- revenue deferrals.

Within this report, the key audit matters identified are the same as the prior year with the exception of revenue deferrals. The refund liability contains less manual input and management judgement in the current year and is therefore no longer considered a part of the revenue deferrals key audit matter.

Materiality

The materiality that we used for the Group financial statements was £6.5m which was determined on the basis of 5% of profit before tax. Our determination excludes the £10.1m fair value gain on the Help-Link contingent consideration because it is an exceptional gain not related to the overall trading performance of the Group.

Scoping

Consistent with the prior year, we focused our Group audit scope primarily on the following operating segments:

- United Kingdom;
- North America;
- France; and
- Spain.

All of the material entities within these segments were subject to a full audit. The New Markets and Home Experts segments were subject to specific audit procedures, with the exception of Checkatrade which was subject to a full audit.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 20 to 24 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 107 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 48 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether 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 their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Independent Auditor's report to the members of HomeServe plc continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of goodwill

Key audit matter description

The carrying value of goodwill is £407.9m (FY18: £386.6m).

The Group's assessment of the carrying value of goodwill is a judgemental process which requires estimates concerning the future cash flows of each cash generating unit and associated discount rates. We identified key audit matters in the following areas:

- the number of cash generating units ("CGUs") has reduced to six (FY18: eight). The goodwill associated with the FY18 acquisitions of Help-Link and Electrogaz has been reallocated from the 'UK – HVAC' and 'France – HVAC' CGUs which are no longer identified in the current year, to the 'UK' and 'France' CGUs respectively;
- the accuracy of the most sensitive assumption, which is the weighted average cost of capital ("WACC") used to discount the cash flows within the Group's impairment assessment.

Further detail on the key judgements involved is set out within the Audit and Risk Committee report on page 74, significant accounting policies in note 2, the other areas of focus in note 3 and note 13 to the financial statements.

How the scope of our audit responded to the key audit matter

We first understood the Group's process and key controls around the carrying value of goodwill by undertaking a walk-through. We assessed the design and implementation of controls that the Group has in place to assess the carrying value of goodwill, specifically the Group review process to assess the accuracy and completeness of key assumptions within the impairment assessment.

As part of our risk assessment, sensitivity analysis was also performed in relation to the key assumptions.

We challenged the Group's assessment of the CGUs identified in the current year and for the revised CGUs, whether the interdependency between the cash inflows, management structure and decision making process supported the reallocation of goodwill.

We assessed the Group's WACC using our internal valuations specialists. Our specialists benchmarked assumptions to external macro-economic and market data and independently recalculated the WACC rate for each CGU.

We challenged the Group's key assumptions relating to the estimated future cash flows applied to each CGU. Our procedures included:

- challenging the appropriateness of using cash flow forecasts based on Board approved plans for the next four years for Checktrade, and three years for the rest of the Group;
- assessing the Group's ability to accurately forecast business performance with reference to historical trading performance;
- consideration of the future prospects of the business;
- reviewing the Group's assessment of the potential impacts that the uncertainty around Brexit could have on future cash flows.

We have reviewed the consistency of the key assumptions used in the carrying value of goodwill assessment to the budget used by the Group to assess longer term viability and going concern.

Key observations

We concluded that the CGUs identified in the current year are appropriate.

We concluded that the key assumptions used within the Group's goodwill impairment assessment and WACC calculation were reasonable.

The key assumptions used within the carrying value of goodwill assessment were consistent with the Group's longer term viability and going concern assessment.

Carrying value of the new CRM system**Key audit matter description**

The Group is continuing to progress its development of the CRM system. The carrying value of the new CRM system is £81.8m (FY18: £72.3m).

In order to support the carrying value of the CRM system, the Group has performed an impairment assessment, which compares the expected value in use of the asset once operational to the current carrying value plus expected costs to complete.

The key judgement in relation to the new CRM system is the expected future cash flows associated with the benefits case, which will begin to be realised once UK customers are transitioned onto the CRM system in the next financial year.

Further detail on the key judgements involved is set out within the Audit and Risk Committee report on page 74, significant accounting policies in note 2 and note 14 to the financial statements.

How the scope of our audit responded to the key audit matter

We first understood management's process and key controls around the carrying value of the new CRM system by undertaking a walk-through. We assessed the design and implementation of controls that the Group has in place to assess the carrying value of the new CRM system, specifically the Group review process to assess the accuracy and completeness of key assumptions used to determine the expected future cash flows.

We have assessed the key assumptions including the expected retention rates underpinning the benefits case. We also reviewed the Group's assessment of the potential impacts that the uncertainty around Brexit could have on future cash flows.

In conjunction with our IT specialists we assessed the progress of the CRM project through review of Board minutes, Steering Group minutes and by holding discussions with management.

Additionally we have analysed budgeted costs to complete in order to assess whether the impact of future costs indicates a risk of an impairment trigger.

Key observations

We concluded that the key assumptions used within the Group's carrying value assessment were reasonable and therefore no impairment was required.

Independent Auditor's report to the members of HomeServe plc continued

Revenue deferrals

Key audit matter description

The recognition of revenue requires significant judgement by the Group to determine key assumptions, particularly regarding the level of revenue to defer in order to satisfy the Group's obligations for future claims handling and non-recoverable costs incurred by HomeServe's directly employed operations. The refund liability contains less manual input and management judgement in the current year and is therefore no longer considered a part of the revenue deferrals key audit matter.

The total amount of revenue deferred at 31 March 2019 in respect of the Group's future claim handling obligations is £19.4m (FY18: £19.6m). The total amount of revenue deferred at 31 March 2019 in respect of the Group's directly employed operations is £20.7m (FY18:£19.1m).

As part of our risk assessment, sensitivity analysis was also performed in relation to the key assumptions.

The key assumptions used by the Group for claims handling and directly employed operations include the claims profiles and the average cost per claim.

Further detail on the Group's revenue recognition policy is set out within the Audit and Risk Committee report on page 74, significant accounting policies in note 2 and the associated key judgements involved are set out in the critical accounting judgements and key sources of estimation uncertainty in note 3 to the financial statements.

How the scope of our audit responded to the key audit matter

We first understood the Group's process and key controls around the revenue deferrals by undertaking a walk-through. Following identification of the key controls we evaluated the associated design and implementation of such controls. Specifically, we assessed the implementation of controls that the Group has in place to manage the risk of inappropriate assumptions being used within the revenue deferrals.

We assessed the Group's policy for deferring revenue, including considering whether the policy is in accordance with current accounting standards.

We challenged and tested the methodology used for calculating the claims handling revenue deferral by comparing the inputs and assumptions used by reference to policy agreements, industry data provided by the underwriter and costs incurred in satisfying claims in the current financial year.

Additionally we have assessed if the Group is consistent in implementing the calculations across the membership businesses worldwide and in line with Group policy.

Key observations

We were satisfied that appropriate revenue deferral policies have been adopted and complied with across the Group.

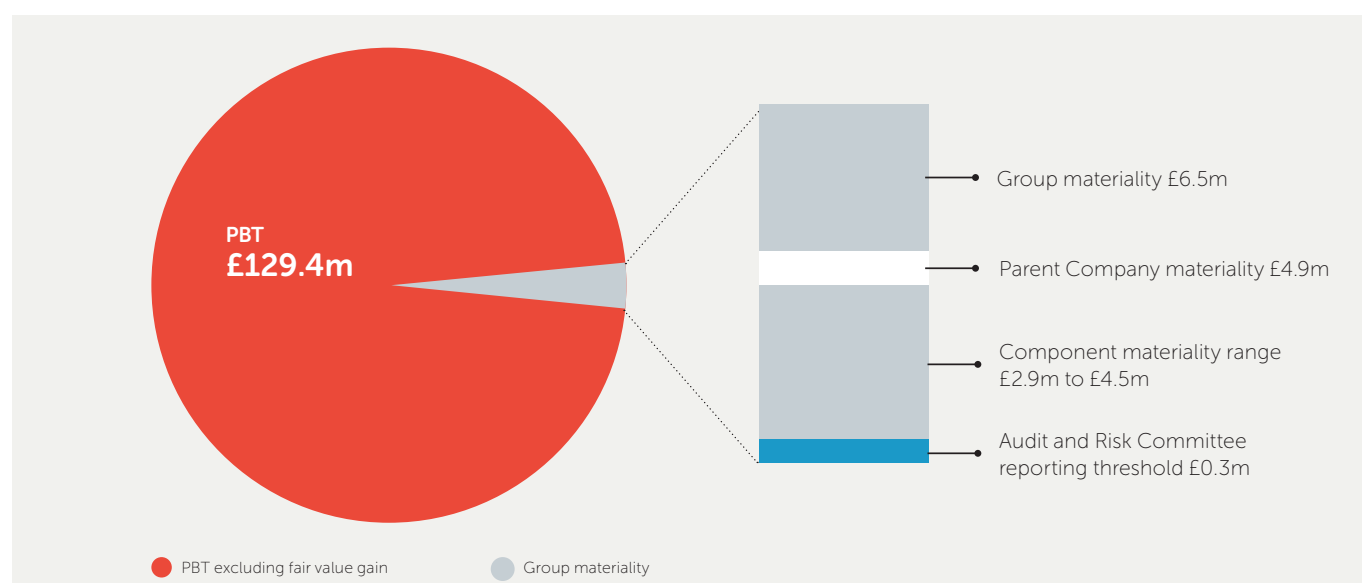
We found the models used by the Group to determine the revenue deferrals to be working as intended and the underlying assumptions were reasonable.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£6.5m (FY18: £7.4m)	£4.9m (FY18: £5.5m)
Basis for determining materiality	5% (FY18: 6%) of profit before tax. We have changed the measure from 6% in the prior year audit to 5%. The reduced measure was driven by the continued growth and increasing complexity of the Group's operations. Our determination excludes the £10.1m fair value gain on the Help-Link contingent consideration because it is an exceptional gain not related to the overall trading performance of the Group.	Parent company materiality equates to 1.2% of total equity and is capped at 75% of Group materiality. The prior year materiality was capped at 75% of Group materiality on the basis of the investment in subsidiaries balance. In the current year we determined total equity to be a more appropriate basis.
Rationale for the benchmark applied	We determined materiality using profit before tax as we considered this to be the most appropriate measure to assess the performance of the Group. This is because profit based measures are the financial measures most relevant to users of the financial statements.	We determined materiality using the equity balance, as the Company is the parent company and is not a trading entity we considered this to be the most appropriate measure for the Company.



We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £323,500 (FY18: £370,000) for the Group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditor's report to the members of HomeServe plc continued

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, as in the prior year, we focused our Group audit scope primarily on the following operating segments:

- UK;
- North America;
- France; and
- Spain.

All of the material entities within these segments were subject to a full audit. The New Markets and Home Experts segments were subject to specific audit procedures, with the exception of Checkatrade which was subject to a full audit.

The UK, North America, France and Spain segments and the Checkatrade legal entity account for 98.9% (FY18: 98.5%) of the Group's revenue and 100% (FY18: 100%) of the Group's profit before tax from profit-making segments (there was a loss for the year in the New Markets and Home Experts segments). They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the four segments was executed at levels of materiality ranging from £2.9m to £4.5m (FY18: £3.7m to £4.8m).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining segments not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that at least two senior members of the Group audit team visits the UK, North America, France and Spain at least twice a year. This included a planning visit where we provided input into the segment's planned audit strategy and risk assessment, and a fieldwork visit where we participated in the segment's audit close meetings and assessed documentation of the findings from their work. We issue referral instructions to our overseas component audit teams and receive a signed reporting package from each component prior to issuing our audit opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit and Risk Committee reporting – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit and the Audit and Risk Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: revenue deferrals, supportability of tax provisions and accruals; and
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included UK Companies Act, Listing Rules, pensions legislation and tax legislation. In addition, compliance with the regulation set by the Financial Conduct Authority were fundamental to the Group's ability to continue as a going concern.

Independent Auditor's report to the members of HomeServe plc continued

Audit response to risks identified

As a result of performing the above procedures, we identified revenue deferrals as a key audit matter. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- obtained an understanding of provisions and held discussions with management to understand the basis of recognition or non-recognition of tax provisions;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters**Auditor tenure**

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors on 1 August 2002 to audit the financial statements for the year ending 31 March 2003 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 17 years, covering the years ending 31 March 2003 to 31 March 2019.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Perkins (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

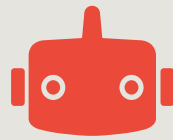
Birmingham, UK

21 May 2019



Smart Home

Development and distribution of technology to enable home automation, including LeakBot, smart thermostats and connected boilers.



FINANCIAL STATEMENTS

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Group income statement

Year ended 31 March 2019

	Notes	2019 £m	2018* £m
Continuing operations			
Revenue	4	1,003.6	899.7
Operating costs	5	(850.7)	(765.7)
Share of results of equity accounted investments	18	(0.3)	1.0
Operating profit		152.6	135.0
Investment income	8	0.2	0.1
Finance costs	9	(13.3)	(11.8)
Adjusted profit before tax		161.7	141.7
Amortisation of acquisition intangibles	5	(26.8)	(18.4)
Exceptional items			
Restructuring costs	7	(5.5)	—
Fair value movement on contingent consideration liabilities	7	10.1	—
Profit before tax		139.5	123.3
Tax	10	(31.2)	(27.4)
Profit for the year		108.3	95.9
Attributable to:			
Equity holders of the parent		108.5	96.3
Non-controlling interests		(0.2)	(0.4)
		108.3	95.9
Dividends per share, paid and proposed			
	11	21.4p	19.1p
Earnings per share			
Basic	12	32.7p	30.2p
Diluted	12	32.3p	29.7p

* The Group's results are being reported under IFRS 9 and IFRS 15 for the first time in 2019 following the mandatory adoption of the standards from 1 April 2018. In accordance with the transitional provisions of these standards, comparatives have not been restated. See note 2.

Group statement of comprehensive income

Year ended 31 March 2019

	Notes	2019 £m	2018 £m
Profit for the year		108.3	95.9
Items that will not be reclassified subsequently to profit and loss:			
Actuarial (loss)/gain on defined benefit pension scheme	32	(0.4)	2.1
Deferred tax credit/(charge) relating to actuarial re-measurements	10	0.1	(0.4)
Fair value gain on "fair value through other comprehensive income" (FVTOCI) investment in equity instruments	17	0.7	—
Deferred tax charge relating to fair value gain on FVTOCI investment in equity instruments	10	(0.2)	—
		0.2	1.7
Items that may be reclassified subsequently to profit and loss:			
Exchange movements on translation of foreign operations		6.8	(10.2)
Fair value losses on cash flow hedges	28	—	(0.5)
		6.8	(10.7)
Total other comprehensive income/(expense)		7.0	(9.0)
Total comprehensive income for the year		115.3	86.9
Attributable to:			
Equity holders of the parent		115.5	87.3
Non-controlling interests		(0.2)	(0.4)
		115.3	86.9

Group balance sheet

31 March 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Goodwill	13	407.9	386.6
Other intangible assets	14	418.6	384.8
Contract costs	4	27.5	—
Property, plant and equipment	15	42.8	39.9
Equity accounted investments	18	10.6	5.5
Other investments	17	9.2	8.7
Deferred tax assets	10	7.4	6.8
Retirement benefit assets	32	6.4	4.7
		930.4	837.0
Current assets			
Inventories	19	7.0	4.3
Trade and other receivables	20	424.6	515.7
Cash and cash equivalents	21	72.6	57.8
		504.2	577.8
Total assets		1,434.6	1,414.8
Current liabilities			
Trade and other payables	22	(382.3)	(508.5)
Bank and other loans	25	(39.7)	(38.0)
Current tax liabilities		(6.0)	(10.4)
Provisions	24	(5.7)	—
Obligations under finance leases	25	(0.5)	(0.5)
		(434.2)	(557.4)
Net current assets		70.0	20.4
Non-current liabilities			
Bank and other loans	25	(336.4)	(256.7)
Deferred tax liabilities	10	(26.4)	(25.5)
Other financial liabilities	23	(23.3)	(23.4)
Obligations under finance leases	25	(0.7)	(0.4)
		(386.8)	(306.0)
Total liabilities		(821.0)	(863.4)
Net assets		613.6	551.4
Equity			
Share capital	27	9.0	8.9
Share premium account	28	180.7	171.8
Share incentive reserve	28	23.3	22.1
Currency translation reserve	28	22.9	16.1
Investment revaluation reserve	28	2.3	1.8
Other reserves	28	82.2	82.2
Retained earnings		293.0	248.1
Attributable to equity holders of the parent		613.4	551.0
Non-controlling interests	29	0.2	0.4
Total equity		613.6	551.4

The financial statements were approved by the Board of Directors and authorised for issue on 21 May 2019. They were signed on its behalf by:

David Bower

Chief Financial Officer
21 May 2019

Group statement of changes in equity

Year ended 31 March 2019

	Share capital £m	Share premium account £m	Share incentive reserve £m	Currency translation reserve £m	Investment revaluation reserve ¹ £m	Other reserves ² £m	Retained earnings £m	Attributable to equity holders of the parent £m	Non-controlling interest £m	Total equity £m
Balance at 1 April 2018	8.9	171.8	22.1	16.1	1.8	82.2	248.1	551.0	0.4	551.4
Opening adjustment for the impact of IFRS 15 (note 2)	—	—	—	—	—	—	(2.1)	(2.1)	—	(2.1)
Opening balance under IFRS 15	8.9	171.8	22.1	16.1	1.8	82.2	246.0	548.9	0.4	549.3
Profit for the year	—	—	—	—	—	—	108.5	108.5	(0.2)	108.3
Other comprehensive income for the year	—	—	—	6.8	0.5	—	(0.3)	7.0	—	7.0
Total comprehensive income	—	—	—	6.8	0.5	—	108.2	115.5	(0.2)	115.3
Dividends paid (note 11)	—	—	—	—	—	—	(65.0)	(65.0)	—	(65.0)
Issue of share capital	0.1	8.9	—	—	—	—	—	9.0	—	9.0
Share-based payments	—	—	8.8	—	—	—	—	8.8	—	8.8
Share options exercised	—	—	(7.6)	—	—	—	0.8	(6.8)	—	(6.8)
Tax on exercised share options (note 10)	—	—	—	—	—	—	2.7	2.7	—	2.7
Deferred tax on share options (note 10)	—	—	—	—	—	—	0.3	0.3	—	0.3
Balance at 31 March 2019	9.0	180.7	23.3	22.9	2.3	82.2	293.0	613.4	0.2	613.6

Year ended 31 March 2018

	Share capital £m	Share premium account £m	Share incentive reserve £m	Currency translation reserve £m	Available for sale reserve £m	Other reserves ² £m	Retained earnings £m	Attributable to equity holders of the parent £m	Non-controlling interest £m	Total equity £m
Balance at 1 April 2017	8.4	45.7	18.3	26.3	1.8	72.2	196.5	369.2	0.8	370.0
Profit for the year	—	—	—	—	—	—	96.3	96.3	(0.4)	95.9
Other comprehensive expense for the year	—	—	—	(10.2)	—	(0.5)	1.7	(9.0)	—	(9.0)
Total comprehensive income	—	—	—	(10.2)	—	(0.5)	98.0	87.3	(0.4)	86.9
Dividends paid (note 11)	—	—	—	—	—	—	(50.4)	(50.4)	—	(50.4)
Issue of share capital	0.5	126.1	—	—	—	10.0	—	136.6	—	136.6
Share-based payments	—	—	8.1	—	—	—	—	8.1	—	8.1
Share options exercised	—	—	(4.3)	—	—	—	1.0	(3.3)	—	(3.3)
Basis adjustments on hedged items	—	—	—	—	—	0.5	—	0.5	—	0.5
Tax on exercised share options (note 10)	—	—	—	—	—	—	2.8	2.8	—	2.8
Deferred tax on share options (note 10)	—	—	—	—	—	—	0.2	0.2	—	0.2
Balance at 31 March 2018	8.9	171.8	22.1	16.1	1.8	82.2	248.1	551.0	0.4	551.4

¹ The available for sale reserve was renamed the investment revaluation reserve upon adoption of IFRS 9 on 1 April 2018.

² Other reserves comprise the Merger, Own shares, Capital redemption and Hedging reserves. Full details of these reserves are included in note 28.

Group cash flow statement

Year ended 31 March 2019

	Notes	2019 £m	2018 £m
Net cash inflow from operating activities	30	162.0	129.5
Investing activities			
Interest received		0.2	0.1
Proceeds on disposal of fixed assets		0.3	0.6
Purchases of intangible assets		(99.1)	(114.3)
Contract costs		(7.9)	—
Purchases of property, plant and equipment		(9.0)	(11.0)
Dividend received from associate	18	—	0.4
Acquisition of equity accounted investments	18	(5.4)	—
Acquisition of subsidiaries	16	(37.5)	(50.3)
Net cash used in investing activities		(158.4)	(174.5)
Financing activities			
Dividends paid	11	(65.0)	(50.4)
Repayment of finance leases		(0.6)	(0.6)
Acquisition of subsidiaries		—	(3.9)
Proceeds on issue of share capital		2.2	124.1
Costs associated with issue of share capital		—	(0.8)
New bank and other loans raised		174.2	221.0
Costs associated with new bank and other loans raised		(1.6)	(3.1)
Movement in bank and other loans		(98.9)	(226.5)
Net cash generated by financing activities		10.3	59.8
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		57.8	46.2
Effect of foreign exchange rate changes		0.9	(3.2)
Cash and cash equivalents at end of year		72.6	57.8

Notes to financial statements

Year ended 31 March 2019

1. General information

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

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

There have been no post balance sheet events identified since the year end.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with IFRSs, adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation. 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 26.

Adoption of new or revised standards

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

IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IAS 40	Transfers of Investment Property
Annual Improvements to IFRSs	2014-2016 Cycle – IFRS 1 and IAS 28 Amendments
Annual Improvements to IFRSs	2014-2016 Cycle – IFRS 12 Amendments

None of the items listed above have had any material impact on the amounts reported in this consolidated set of financial statements. The impact of the following standards and clarifications are discussed under 'Changes in accounting policies' and 'Impact of adoption of IFRSs 9 & 15' below:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Clarifications to IFRS 15	Revenue from Contracts with Customers

Changes in accounting policies

The Group has adopted IFRS 9 and IFRS 15 (including clarifications) with effect from 1 April 2018. In accordance with the transitional provisions of these standards, comparatives have not been restated. The impacted accounting policies for the years ended 31 March 2019 and 31 March 2018 are outlined below. All other accounting policies of the Group are set out in the 'Other Accounting Policies' section of this note.

Revenue recognition (applicable from 1 April 2018)

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 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.

Notes to financial statements

Year ended 31 March 2019

2. Significant accounting policies (continued)

Revenue recognition (applicable from 1 April 2018) (continued)

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 stand-alone 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 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 handling and administration services. Amounts are typically allocated to the entire contract.

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

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

Revenue by category

The Group disaggregates revenue from contracts with customers between Net Policy Income, Repair Income, Home Experts, HVAC and Other as management believe this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are effected 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	<p>Includes commissions received for the obligation to sell policies, handle claims and provide administration services for underwriters. The Group satisfies its obligation to sell policies over time, recognising revenue as each policyholder is contracted on behalf of the Group's customers, the underwriters.</p> <p>The transaction prices of the Group's arrangements with underwriters are entirely variable and measured based on the commission due to the Group for the number of policies sold, net of a refund liability. This refund liability reflects management's best estimate of mid-term policy cancellations ensuring that a significant reversal of revenue will not arise in the future (see note 3).</p> <p>Handling and administration service obligations are satisfied over the term of a policy, which is typically 12 months. The portion of the total transaction price allocated to these performance obligations is deferred, as a deferred income contract liability, and recognised as revenue over the profile of claims throughout the policy term.</p> <p>The determination of the amount of transaction price to allocate to claims handling and administration services takes account of the expected numbers of claims and the estimated cost of handling those claims, which are validated through historic experience of actual costs, as well as incorporating an appropriate profit margin for the service provided to the underwriter (see note 3).</p> <p>Revenue associated with the commissions received for the obligation to sell policies is allocated using the residual method at the point of policy inception or renewal.</p> <p>Where the Group's role on behalf of the underwriter is only as an intermediary in the cash collection process, such amounts are not included in revenue. Consequently, net policy income consists of only a component of the overall policy price, representing the commission receivable for the services the Group provides to the underwriter, stated net of sales related taxes.</p>	Billed and paid 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 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 over the term of the contract with the relevant third party
Home Experts – Web and directory	Includes website subscriptions and directory advertising fees from contracted members (trades). For website subscriptions revenue is recognised evenly over the contractual term, for directory membership fees revenue is recognised as each directory is delivered throughout the contractual term.	Billed and paid over the term of the contract
Home Experts – Lead generation	Includes commissions received for the provision of job leads to trades. Revenue is recognised at the point in time a lead is transferred.	Billed and paid as leads are delivered
HVAC	Includes the provision of installation services at the point in time the installation or service 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

Notes to financial statements

Year ended 31 March 2019

2. Significant accounting policies (continued)

Contract related assets and liabilities (applicable from 1 April 2018)

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.

Revenue recognition (applicable up to 31 March 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT, Insurance Premium Tax and other sales related taxes.

Net policy income

Revenue recorded by the Group includes commissions receivable in the Group's role as an intermediary for the householder in the policy sale and policy administration process. Any third-party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement, or where the Group's role is only as an intermediary in the cash collection process for the principal, are not included in revenue. Consequently, on the sale of a policy, gross revenue consists of only a component of the overall policy price, representing the commission receivable for the marketing, sale and administration of the policy, stated net of sales related taxes.

Where a contractual arrangement consists of two or more separate arrangements that can be provided to customers either on a stand-alone basis or as an optional extra, revenue is recognised for each element as if it were an individual contract. Accordingly, revenue is recognised on the sale of a policy except where an obligation exists to provide future services, typically claims handling and policy administration services. In these situations, a proportion of revenue, sufficient to cover future claims handling costs and margin, is deferred over the life of the policy, as deferred income. The assessment of future claims handling takes account of the expected numbers of claims and the estimated cost of handling those claims, which are validated through experience of historical actual costs. Revenue deferred for the performance of claims handling services is released over the expected profile of anticipated claims.

To the extent that policies are expected to cancel mid-term, and hence all of the economic benefits associated with those policies are not expected to flow to the Group, a provision is made to ensure that the related revenue is not recognised at the point that the policy incepts.

Repair services revenue

Repair revenue relates to repairs undertaken on behalf of underwriters subject to separate contractual arrangements. Such revenue is recognised on completion of the repair.

Other revenue

Revenue in respect of boiler installations and uninsured jobs is recognised when our performance obligations are complete.

Annual service revenue is recognised on completion of the annual service. Ongoing service revenue is recognised in equal instalments over the life of the policy.

Revenue generated in HomeServe's 'Home Experts' businesses is derived from three principal streams:

- Website subscriptions: recognised evenly over the period of the contract, which is typically 12 months;
- Directory advertising fees: recognised at the point the obligation to the customer is fulfilled; and
- Lead generation revenue (representing commissions received from trades people): recognised at the point of purchase.

Financial instruments (applicable from 1 April 2018)**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.

Trade receivables

Trade receivables do not carry any interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. 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.

Financial instruments (applicable up to 31 March 2018)**Available for sale 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 available for sale reserve.

Trade receivables

Trade receivables do not carry any interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Impact of adoption of IFRSs 9 & 15**a. IFRS 15 (and Clarifications to IFRS 15) Revenue from Contracts with Customers**

IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group has adopted IFRS 15 from 1 April 2018 utilising the cumulative effect method. The adoption of IFRS 15 has not had a material impact on the timing of revenue recognition and comparative information has not been restated. All of the Group's revenue is in scope of IFRS 15.

The following abridged statements summarise the impact of adopting IFRS 15 on the Group's Consolidated Balance Sheet and its Consolidated Cash Flow Statement at 31 March 2019. There was no material impact to the Consolidated Income Statement, year on year.

Notes to financial statements

Year ended 31 March 2019

2. Significant accounting policies (continued)

Impact of adoption of IFRSs 9 & 15 (continued)

Impact on the consolidated balance sheet

	Ref	As reported 31 March 2019 £m	IFRS 15 adjustments £m	Amounts without adoption £m
Non-current assets				
Intangible assets	i	418.6	(27.5)	446.1
Contract costs	i	27.5	27.5	—
Deferred tax assets	iii	7.4	0.5	6.9
Others		476.9	—	476.9
		930.4	0.5	929.9
Current assets				
Trade and other receivables	ii, iv & v	424.6	(165.0)	589.6
Others		79.6	—	79.6
		504.2	(165.0)	669.2
Total assets		1,434.6	(164.5)	1,599.1
Current liabilities				
Trade and other payables	ii - v	(382.3)	162.4	(544.7)
Others		(51.9)	—	(51.9)
		(434.2)	162.4	(596.6)
Net current assets		70.0	(2.6)	72.6
Non-current liabilities		(386.8)	—	(386.8)
Total liabilities		(821.0)	162.4	(983.4)
Net assets		613.6	(2.1)	615.7
Equity				
Retained earnings	iii	293.0	(2.1)	295.1
Others		320.6	—	320.6
		613.6	(2.1)	615.7

References

- i. Historically the Group has capitalised the value attributable to the portfolios of renewable customer policies created by Affinity Partners through their own sales and marketing activity and subsequently purchased by the Group as intangible assets. Where these capitalised costs are incremental to the cost of obtaining the contract with HomeServe's direct customer they are now capitalised under IFRS 15, which provides specific guidance in this area.
- ii. Under IAS 18 the Group held a cancellation provision in respect of policies that may be cancelled by the policyholder part way through the contractual term, to ensure the appropriate amount of revenue was recognised at the point the policy incepts. This balance reduced trade and other receivables on the balance sheet. Under IFRS 15 a refund liability is held in liabilities to ensure a significant revenue reversal does not occur in the future due to mid-term cancellations. This reclassification increased closing trade receivables and trade and other payables by £17.7m respectively, with no impact on net assets, cash generated by operations or working capital.
- iii. IFRS 15 is applied to the contractual period in which parties to the contract have present enforceable rights and obligations. A small population of service agreements was identified whereby the Group's right to a portion of the contractual revenue is not deemed enforceable under IFRS 15 at the point the revenue was previously booked under IAS 18. At 1 April 2018 this opening adjustment resulted in a £2.6m increase to deferred income, a £2.1m decrease to retained earnings and a £0.5m increase to deferred tax assets. There was no material in year income statement impact.

Impact on the consolidated cash flow statement

	Ref	As reported 31 March 2019 £m	IFRS 15 adjustments £m	Amounts without adoption £m
Operating profit		152.6	—	152.6
Adjustments for:				
Amortisation of other intangibles	i	23.1	(14.9)	38.0
Amortisation of contract costs	i	14.9	14.9	—
Others		42.0	—	42.0
Operating cash flows before movements in working capital		232.6	—	232.6
Decrease/(increase) in receivables	ii, iv & v	104.0	165.0	(61.0)
(Decrease)/increase in payables and provisions	ii - v	(133.7)	(165.0)	31.3
Others		(0.7)	—	(0.7)
Net movement in working capital		(30.4)	—	(30.4)
Cash generated by operations		202.2	—	202.2
Others		(40.2)	—	(40.2)
Net cash inflow from operating activities		162.0	—	162.0
Investing activities				
Purchases of intangible assets	i	(99.1)	7.9	(107.0)
Contract costs	i	(7.9)	(7.9)	—
Others		(51.4)	—	(51.4)
Net cash used in investing activities		(158.4)	—	(158.4)
Net cash used in financing activities		10.3	—	10.3
Net movement in cash and cash equivalents		13.9	—	13.9

- iv. The Group has revised its balance sheet presentation in relation to customer contract balances in accordance with the definitions provided for contract assets and liabilities under IFRS 15. The Group presents these balances as accrued and deferred income respectively, as permitted by paragraph 109 of IFRS 15. This reclassification decreased closing trade receivables and trade and other payables by £42.2m respectively, with no impact on net assets, cash generated by operations or working capital.
- v. Under IFRS 15 a receivable cannot be recorded in relation to a cancellable contract until the Group has an unconditional right to consideration. HomeServe has historically recorded receivables in relation to the third party insurance premiums on cancellable contracts, alongside a corresponding payable, to recognise the corresponding liability due to the relevant underwriter. As these contracts are cancellable, receivables and payables are only recognised to the extent the policy has completed. This reclassification decreased closing trade receivables and trade and other payables by £140.5m respectively, with no impact on net assets, cash generated by operations or working capital.

Notes to financial statements

Year ended 31 March 2019

2. Significant accounting policies (continued)

Impact of adoption of IFRSs 9 & 15 (continued)

b. IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. The Group adopted IFRS 9 from 1 April 2018 and in accordance with the transitional provisions in the Standard, comparatives have not been restated. Adoption of IFRS 9 had no impact on any of the financial statements.

Classification and measurement of financial instruments

IFRS 9 requires the use of two criteria to determine the classification of financial assets: the entity's business model for the financial assets and the contractual cash flow characteristics of the financial assets. The Standard identifies three categories of financial assets:

- amortised cost;
- fair value through profit or loss (FVTPL);
- fair value through other comprehensive income (FVTOCI).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

A summary of all reclassifications, which have resulted in no change to the carrying value of any financial instrument, is shown below. All other financial instruments classifications and carrying amounts remain the same.

Type of financial instrument	IAS 39 classification	IFRS 9 classification	Carrying amount at 1 April 2018 (£m)
Non-current financial assets			
Other investments	Available-for-sale	FVTOCI	8.7
Current financial assets			
Trade and other receivables	Loans and Receivables	Amortised cost	498.1
Cash and cash equivalents	Loans and Receivables	Amortised cost	57.8

Impairment

IFRS 9 mandates the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model, and therefore it is not necessary for a credit event to have occurred before credit losses are recognised. The Group has elected to measure loss allowances utilising probability-weighted estimates of credit losses for trade receivables at an amount equal to lifetime expected credit losses. As the Group's financial assets primarily comprise its portfolio of current trade receivables which have a consistent history of low levels of impairment, the inclusion of specific expected credit loss considerations did not have a material impact on transition.

Hedging

The Group has no existing open hedging relationships at the transition or reporting date.

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 (not all of which have been endorsed by the EU):

IFRS 16	Leases
IFRS 17	Insurance Contracts
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9	Prepayment Features with Negative Compensation
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 and IAS 8	Definition of Material
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRSs	2015-2017 Cycle
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

IFRS 16 Leases

IFRS 16 is effective for the Group from 1 April 2019 and will change lease accounting for lessees under operating leases. Such agreements will require recognition of an asset, representing the right to use the leased item, and a liability, representing future lease payments. Lease costs (e.g. rent charges) will be recognised as depreciation and interest, rather than as an operating cost.

The Group plans on adopting the modified retrospective approach with the "right of use" (RoU) asset equal to the lease liability at transition date, less any lease incentives received. Adoption of IFRS 16 will cause a material decrease to operating costs largely offset by a material increase to the combined depreciation and interest expenses, resulting in a net immaterial impact to profit before tax. Non-current assets and gross liabilities are both expected to increase by between £45.0m and £60.0m with net assets remaining unchanged. Although total cash outflows will remain consistent, rental outflows will now be presented under financing activities, where they were previously recorded as operational outflows, thereby increasing the Group's cash conversion percentage.

The Group has elected not to recognise RoU assets and lease liabilities for short-term leases (with a term of 12 months or less) or low-value assets (where the cost of the asset new would be approximately £3,800). The Group will continue to expense the lease payments associated with these leases on a straight line basis over the lease term.

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, including the potential impact of Brexit, performance and position are set out in the Strategic Report.

The Directors have reviewed the Group's budget, forecast and cash flows for 2019 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.

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 2018:

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.

Interests in equity accounted investments

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

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

Notes to financial statements

Year ended 31 March 2019

2. Significant accounting policies (continued)

Interests in equity accounted investments (continued)

The Group discontinues the use of the equity method of accounting if the investment increases to become a subsidiary. Upon becoming a subsidiary, the Group accounts for the entity in accordance with the business combinations policy below. 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.

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.

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 over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

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.

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 policy holder.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

Transactions in currencies other than 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.

Operating profit

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

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.

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 cost is 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 cost, 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.

Notes to financial statements

Year ended 31 March 2019

2. Significant accounting policies (continued)

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	25 – 50 years
Furniture, fixtures and equipment	5 – 7 years
Computer equipment	3 – 7 years
Motor vehicles	3 years (with 25% residual value)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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 access rights are amortised on a straight-line basis over their estimated useful lives, which are in the range of 3 – 20 years.

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. Acquired customer databases are amortised on a straight-line basis over their estimated useful lives, which are in the range of 3 – 15 years.

Acquired brands are recorded at fair value using the relief from royalty valuation method. The Group's brand asset is amortised over its useful economic life (8 years) on a straight-line basis. This period represents the period over which the acquired brand is reasonably expected to transfer economic benefits to the Group.

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 and are amortised on a straight-line basis over the length of the contractual agreement, up to a maximum of 20 years.

Trademarks represent costs incurred to legally protect the established brand names of the Group. Trademarks are stated at cost and amortised on a straight-line basis over their useful economic lives, up to a maximum of 20 years.

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 and are amortised on a straight-line basis over the expected duration of the customer relationship, which are in the range of 3 – 10 years.

Computer software and the related licences are stated at cost and amortised on a straight-line basis over their estimated useful lives of 3 – 10 years.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct material cost only. Cost is measured on a first-in, first-out 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.

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.

Cash and cash equivalents

Cash and cash equivalents 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.

Financial liabilities and equity

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

Borrowings

Interest-bearing loans and overdrafts are stated at amortised cost and are recorded at the notional amount of the proceeds received, net of direct issue costs. Interest-bearing loans are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Trade payables

Trade payables are not 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. In the event that the option expires unexercised, the liability will be 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 2019

2. Significant accounting policies (continued)

Financial instruments (continued)

Forward contracts and hedge accounting

The Group enters into derivative transactions with a view to managing currency risks associated with financing acquisitive activities. Forward contracts used by the Group are stated at fair value on initial recognition and at subsequent balance sheet dates. The fair values of forward contracts are calculated by discounting all future cash flows by the applicable market yield curves at the balance sheet date.

Cash flow hedges mitigate exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction. Hedge accounting is only used where, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, it meets the Group's risk management objective strategy for undertaking the hedge and it is expected to be highly effective. The portion of any gains or losses on cash flow hedges which meet the conditions for hedge accounting and are determined to be effective, are recognised directly in the statement of comprehensive income. The gains or losses relating to the ineffective portion are recognised immediately in the income statement. When a firm commitment or highly probable future transaction that is hedged becomes an asset or a liability recognised on the balance sheet, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that point in time, for cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement. Gains or losses arising from changes in the fair value of forward contracts that do not qualify for hedge accounting, are recognised immediately in the income statement.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The Group also provided employees with the ability to purchase the Group's ordinary shares at a discount to the current market value through Save As You Earn schemes. In addition, the Group provides employees with the ability to purchase shares through its One Plan scheme. For every two shares purchased, employees will receive one free matching share at the end of the vesting period.

Fair value is measured by use of the Black-Scholes model or Monte Carlo simulation models depending on the type of scheme.

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, management have determined that 10% increases/decreases to primary inputs are appropriate thresholds to illustrate the potential impact on profit in the year.

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

Critical accounting judgements

There are no critical accounting judgements.

Key sources of estimation uncertainty

Claims handling obligations

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

The key sources of estimation uncertainty in determining an appropriate proportion of revenue to defer are the assumptions made with regards to claims frequency and the estimated cost of handling a claim. The Group uses historical experience of claim volumes and forecast activity levels to estimate these assumptions. The total amount of revenue deferred at 31 March 2019 in respect of the Group's future claim handling obligations is £40.1m (FY18: £38.7m). If either of these assumptions were individually higher or lower than the Group's historical experience by 10% the impact to the profit in the year would be £4.0m (FY18: £3.9m).

Valuation of acquisition intangible assets

Acquired access rights and acquired customer databases are recognised as intangible assets. These are valued using the excess earnings method taking into account a number of key assumptions such as retention and net income. In applying this methodology, certain estimates are required to be made in respect of future cash flows together with an appropriate discount factor for the purpose of determining the present value of those cash flows.

The key sources of estimation uncertainty with respect to customer databases are the future retention rate and the income per customer generated from those customers. The carrying value of acquired customer databases at 31 March 2019 is £126.7m (FY18: £112.9m). If the retention rate or income per customer was individually higher or lower by 10% the impact to profit in the year would be £12.7m (FY18: £11.3m).

In respect of intangible assets for acquired access rights, the key sources of estimation uncertainty relate to the assumptions regarding the number of policy sales and associated penetration of the customer list along with the cost of acquisition, retention rate and costs associated with servicing those customers. The total value of acquired access rights at 31 March 2019 is £90.8m (FY18: £60.3m), therefore if the assumptions used in this valuation were individually higher or lower by 10% the impact to the profit in the year would be £9.1m (FY18: £6.0m).

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.

Policy cancellations

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, a liability is recognised to ensure that the related revenue is appropriately constrained at the point that the policy incepts.

The sources of estimation uncertainty in calculating refund liabilities in respect of policy cancellations are the expected mid-term cancellation percentage and the period of cover remaining on the policy at the point of cancellation. The Group uses historical experience to determine the appropriate assumptions to be used in this calculation. The total amount of revenue deferred at 31 March 2019 in respect of potential future cancellations is £17.7m (FY18: £23.8m). The most significant estimation uncertainty within this judgement is the mid-term cancellation percentage. If this assumption was individually higher or lower than the Group's historical experience by 10% the impact to profit in the year would be £1.8m (FY18: £2.4m).

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. Consequently the impairment review of Checkatrade in 2019 was performed using four years of plan cash flows approved by the Directors. The long-term growth rate applied to the Checkatrade analysis was consistent with all other CGUs.

The carrying value of goodwill is £407.9m (FY18: £386.6m). The carrying value of acquisition intangibles is £229.1m (FY18: £186.5m). Following the annual impairment review, no impairment charge has been recorded against goodwill or acquisition intangibles (FY18: £nil).

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.

Management do not believe that any reasonably possible changes to the key assumptions would produce an impairment in the forthcoming year.

Notes to financial statements

Year ended 31 March 2019

4. Segmental information and revenue from contracts with customers

Segment revenues and results

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, who is considered to be the Chief Executive, to allocate resources to the segments and to assess their performance. The operating segments are consistent with those set out in the Strategic Report. During 2019 the Group's 'Home Experts' businesses met the definition of an operating segment under IFRS 8 and are now presented separately from 'New Markets'. Comparative information in this note has been re-presented to illustrate the impact of this change. The segment contains the results of Checktrade, Habitissimo and Home Experts France. New Markets includes the Group's international development initiatives, including its Italian associate and its Japanese joint venture (see note 18).

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 Chief Executive 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.

	UK £m	North America £m	France £m	Spain £m	Home Experts £m	New Markets £m	Total £m
2019							
Revenue							
Net policy income	244.0	303.3	101.9	55.3	—	—	704.5
Repair income	108.9	15.7	0.4	81.1	—	—	206.1
Home Experts	—	—	—	—	40.4	—	40.4
HVAC	25.5	13.4	1.5	4.4	—	—	44.8
Other	13.3	1.0	0.8	—	—	—	15.1
Total revenue	391.7	333.4	104.6	140.8	40.4	—	1,010.9
Inter-segment	(7.3)	—	—	—	—	—	(7.3)
External revenue	384.4	333.4	104.6	140.8	40.4	—	1,003.6
Result							
Segment adjusted operating profit/(loss)	66.0	67.6	33.3	17.7	(7.4)	(2.4)	174.8
Exceptional items	4.6	—	—	—	—	—	4.6
Amortisation of acquisition intangibles	(2.2)	(12.9)	(6.5)	(0.2)	(5.0)	—	(26.8)
Operating profit/(loss)	68.4	54.7	26.8	17.5	(12.4)	(2.4)	152.6
Investment income							0.2
Finance costs							(13.3)
Profit before tax							139.5
Tax							(31.2)
Profit for the year							108.3

2018	UK £m	North America £m	France £m	Spain £m	Home Experts £m	New Markets £m	Total £m
Revenue							
Net policy income	221.6	262.4	98.6	55.6	—	—	638.2
Repair income	106.3	9.6	0.4	85.7	—	—	202.0
Home Experts	—	—	—	—	18.6	—	18.6
HVAC	21.1	10.1	1.0	—	—	—	32.2
Other	16.6	—	—	—	—	—	16.6
Total revenue	365.6	282.1	100.0	141.3	18.6	—	907.6
Inter-segment	(7.9)	—	—	—	—	—	(7.9)
External revenue	357.7	282.1	100.0	141.3	18.6	—	899.7
Result							
Segment adjusted operating profit/(loss)	61.1	48.6	31.5	16.6	(2.8)	(1.6)	153.4
Amortisation of acquisition intangibles	(1.8)	(8.1)	(6.4)	(0.1)	(2.0)	—	(18.4)
Operating profit/(loss)	59.3	40.5	25.1	16.5	(4.8)	(1.6)	135.0
Investment income							0.1
Finance costs							(11.8)
Profit before tax							123.3
Tax							(27.4)
Profit for the year							95.9

Segment information

	Assets		Liabilities		Capital additions		Depreciation, amortisation and impairment	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
UK	953.8	897.7	468.0	472.6	27.6	43.0	16.9	17.3
North America	436.6	352.6	441.3	361.5	64.2	73.2	23.8	16.7
France	225.4	219.9	152.1	155.0	9.8	3.5	10.0	8.9
Spain	113.3	140.0	78.6	104.1	8.7	18.2	16.6	17.0
Home Experts	77.5	94.3	31.1	36.5	4.7	1.6	6.6	2.7
New Markets	6.9	5.5	28.8	28.9	—	—	—	—
Inter-segment	(378.9)	(295.2)	(378.9)	(295.2)	—	—	—	—
Total	1,434.6	1,414.8	821.0	863.4	115.0	139.5	73.9	62.6

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

Notes to financial statements

Year ended 31 March 2019

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

Information about major customers

During the periods presented four underwriters were customers of the Group that individually accounted for over 10% of the Group's revenues:

	2019 %	2018 %
Customer 1 - UK	32.6	34.4
Customer 2 - North America	16.7	13.6
Customer 3 - North America	13.6	13.7
Customer 4 -France	9.0	10.1
Other customers individually representing below 10% of Group revenue	28.1	28.2
	100.0	100.0

Geographical information

The Group operates in three principal geographical areas: UK, Continental Europe and North America, as well as Latin America.

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

	Revenue from external customers		Non-current assets	
	2019 £m	2018 £m	2019 £m	2018 £m
UK	414.2	365.9	461.9	453.4
North America	333.4	282.1	232.9	153.3
Continental Europe	252.4	248.4	221.8	218.8
Latin America	3.6	3.3	—	—
	1,003.6	899.7	916.6	825.5

Information relating to Continental Europe in the table above includes the Group's businesses in France and Spain.

Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) on the Group's multi-year arrangements with underwriters to sell policies, is £49.3m, related to all ancillary obligations delivered after any given policy is sold. The obligations associated with the outstanding transaction price are expected to be fulfilled, and revenue fully recognised, within the next 12 months.

All other contracts with customers have an original expected duration of one year or less. No consideration from these contracts has been excluded from the transaction price. Applying the practical expedient of paragraph 121 of IFRS 15 information about remaining performance obligations on these contracts has not been disclosed.

Contract balances

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

	2019 £m
Current assets	
Amounts receivable for the provision of services	369.9
Accrued income	15.1
Current liabilities	
Deferred income	49.3

All contract balances are classified as current. Accrued income contract assets primarily relate to services performed for customers in our Home Experts businesses and customers in our Spanish home assistance membership operations in advance of payment being received, or falling due. Accrued income contract assets are transferred to trade receivables when the right to consideration becomes unconditional.

Deferred income contract liabilities principally relate to advance consideration received from customers, for which revenue is recognised as the associated performance obligation is satisfied. Significant deferred income contract liabilities are recorded across the Group in the Membership and Home Experts lines of business.

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

	Accrued Income £m	Deferred Income £m
At 31 March 2018	9.6	86.3
Opening impact of IFRS 15	2.3	(37.3)
At 1 April 2018	11.9	49.0
Transfers to receivables	(10.0)	–
Revenue recognised from the opening balance	–	(50.2)
Revenue deferred not yet earned	–	46.1
Revenue earned not yet due	13.4	–
Business combinations	–	3.2
Foreign exchange	(0.2)	1.2
At 31 March 2019	15.1	49.3

Revenue deferred not yet earned is presented net of amounts created and released within the same reporting period. Revenue recognised in 2019 in relation to performance obligations satisfied (or partially satisfied) in previous periods was immaterial.

Contract costs	£m
At 1 April 2018	–
Transferred from intangible assets on transition to IFRS 15*	38.5
Additions	4.3
Amortisation	(14.9)
Foreign exchange	(0.4)
At 31 March 2019	27.5

*On 1 April 2018 assets with a total net book value of £38.5m were transferred out of customer databases and reclassified as contract cost assets under IFRS 15 (see note 14).

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 2019

5. Profit for the year

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

	2019 £m	2018 £m
Included in operating costs:		
Staff remuneration	306.9	267.5
Cost of inventories recognised as an expense	29.8	25.3
Operating lease payments	12.9	12.7
Depreciation of property, plant and equipment	9.1	8.0
Amortisation of acquisition intangible assets	26.8	18.4
Amortisation of other intangible assets	23.1	36.2
Amortisation of contract costs	14.9	—
Loss on disposal of property, plant and equipment and software	0.6	2.1
Gain on re-measurement on disposal of associate	—	(0.9)
Amounts written off/(recovered) on trade receivables and contract assets	1.1	(0.2)

	2019 £000	2018 £000
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	72	71
The audit of the Company's subsidiaries pursuant to legislation	878	785
Total audit fees	950	856
Audit-related assurance services (half year review)	52	45
Other assurance services	—	9
Total non-audit fees	52	54
Total auditor's remuneration	1,002	910

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.

In FY18 other assurance services related to sundry services provided directly as a result of being the auditor to the Group.

6. Staff remuneration

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

	2019 number	2018 number
UK (including Head Office)	3,814	3,489
Continental Europe	1,522	1,472
North America	1,112	894
	6,448	5,855
	2019 £m	2018 £m
Their aggregate remuneration comprised:		
Wages and salaries	266.0	230.2
Social security costs	34.1	32.4
Other pension costs (note 32)	6.8	4.9
	306.9	267.5

The Company only staff numbers and remuneration amounts for HomeServe plc are disclosed in note 36 to the parent company financial statements.

7. Exceptional items

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

	2019 £m	2018 £m
Fair value movement on contingent consideration liabilities	10.1	—
Restructuring costs	(5.5)	—
Exceptional items included within Group operating profit before tax	4.6	—
Net taxation on exceptional items	(0.2)	—
Net exceptional items after tax	4.4	—

Fair value movement on contingent consideration liabilities

At 31 March 2019 the Group reassessed the fair value of outstanding consideration payments due to the previous owners of Help-Link Limited, conditional on the number of boiler installations performed from the point of acquisition until July 2020. At this point the Group determined that the likelihood of the conditions being met that would trigger either of the two outstanding payments (a gross undiscounted cash outflow totalling £10.5m) was now remote and therefore the fair value of the outstanding liabilities was Enil. At the point the fair value exercise was performed the balance held on the balance sheet of £10.1m, representing the original discounted value of the liabilities and any associated interest accreted to 31 March 2019, was released to the income statement in accordance with IFRS 3 and treated as exceptional due to its size and incidence.

Restructuring costs

Charges of £5.5m were incurred during FY19 to restructure the UK business along lines that strengthen it to best adapt to evolving customer needs. Marketing and other support headcount was reduced, as the business moves away from an over reliance on direct mail activity and prepares for the implementation of new systems. Costs related to these programmes have been treated as exceptional due to their size and incidence.

8. Investment income

	2019 £m	2018 £m
Interest on bank deposits	0.2	0.1

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Year ended 31 March 2019

9. Finance costs

	2019 £m	2018 £m
Interest on bank and other loans	11.5	9.7
Unwinding of discount on deferred and contingent consideration	0.6	0.8
Unwinding of discount on obligation under put option	1.0	0.9
Exchange movements	0.2	0.4
	13.3	11.8

10. Taxation

	2019 £m	2018 £m
Current tax		
Current year charge	31.8	30.9
Adjustments in respect of prior years	(1.9)	(0.1)
Total current tax charge	29.9	30.8
Deferred tax charge/(credit)	1.3	(3.4)
Total tax charge	31.2	27.4

UK corporation tax is calculated at 19% (FY18: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions, these being a blended (Federal/State) rate of 27% in the US (FY18: 38%) as a result of the US enacting new tax legislation in December 2017 effective from 1 January 2018, 33% in France (FY18: 33%) and 25% in Spain (FY18: 25%), which explains the 'Overseas tax rate differences' below.

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

	2019 £m	2018 £m
Profit before tax on continuing operations	139.5	123.3
Tax at the UK corporation tax rate of 19% (FY18: 19%)	26.5	23.4
Tax effect of items that are not taxable in determining taxable profit	(0.6)	(0.5)
Adjustments in respect of prior years – current tax	(1.9)	(0.1)
Overseas tax rate differences	7.2	4.6
Tax expense for the year	31.2	27.4

Given the UK parent nature of the Group, the majority of financing that the overseas businesses require is provided from the UK, and as such the UK has provided a number of intra-group loans to its overseas operations in order to fund their growth plans. In light of the different tax rates applicable in each of the markets in which the Group operates, as noted above, these loans result in a reduction in the Group's effective tax rate, which is included in 'Overseas tax rate differences' in the table above. As the proportion of the Group's profits earned overseas continues to grow, the effective tax rate of 22% (FY18: 22%) is expected to increase slightly in future years.

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 rules. In particular, the Commission has decided that the Group Financing Exemption is in breach of the EU's State Aid rules. How the UK Government plans to implement this EU decision, is currently uncertain. However, it is likely that certain of HomeServe's financing arrangements will be impacted by this decision. We have included the calculation of the potential liability within our analysis, and therefore believe any risk is fully provided for as part of our uncertain income tax estimation within current tax liabilities in the Group Balance Sheet.

A retirement benefit tax credit amounting to £0.1m (FY18: £0.4m charge) has been recognised directly in other comprehensive income. In addition to the amounts credited/(charged) to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	2019 £m	2018 £m
Current tax		
Excess tax deductions related to share-based payments on exercised options	2.7	2.8
Deferred tax		
Opening impact of IFRS 15 (see note 2)	0.5	—
Change in estimated excess tax deductions related to share-based payments	0.3	0.2
Total tax recognised directly in equity	3.5	3.0

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 ¹ £m	Total £m
At 1 April 2017	2.6	(0.1)	(0.2)	4.7	(35.0)	13.3	(0.7)	(15.4)
(Charge)/credit to Income	(3.3)	—	(0.3)	0.6	10.8	(4.4)	—	3.4
Credit to equity	—	—	—	0.2	—	—	—	0.2
Charge to Comprehensive Income	—	—	(0.4)	—	—	—	—	(0.4)
Acquisition of subsidiaries	(0.1)	—	—	—	(5.6)	—	—	(5.7)
Exchange movements	(0.4)	—	—	(0.1)	0.9	(1.2)	—	(0.8)
At 1 April 2018	(1.2)	(0.1)	(0.9)	5.4	(28.9)	7.7	(0.7)	(18.7)
Impact of IFRS 15 (equity credit)	0.5	—	—	—	—	—	—	0.5
Credit/(charge) to Income	(3.6)	0.1	(0.4)	0.1	4.0	(1.5)	—	(1.3)
Credit to equity	—	—	—	0.3	—	—	—	0.3
Credit/(charge) to Comprehensive Income	—	—	0.1	—	—	—	(0.2)	(0.1)
Acquisition of subsidiaries	—	—	—	—	(0.6)	—	—	(0.6)
Transfers	0.6	—	—	—	—	(0.6)	—	—
Exchange movements	0.4	—	—	0.2	(0.4)	0.6	0.1	0.9
At 31 March 2019	(3.3)	—	(1.2)	6.0	(25.9)	6.2	(0.8)	(19.0)

¹The available for sale reserve was renamed the investment revaluation reserve upon adoption of IFRS 9 on 1 April 2018.

The majority of unutilised losses are expected to be utilised within five years.

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

	UK £m	France £m	Spain £m	North America £m	2019 £m	2018 £m
Deferred tax assets	—	—	4.3	3.1	7.4	6.8
Deferred tax liabilities	(11.9)	(14.5)	—	—	(26.4)	(25.5)
Net deferred tax (liability)/asset	(11.9)	(14.5)	4.3	3.1	(19.0)	(18.7)

In the prior year, the Group made appropriate (charges)/credits to timing differences, share schemes, acquired intangible assets and unutilised losses to recognise the enacted tax reductions in the USA and France, whereby the blended (Federal/State) tax rate in the USA was reduced to 27% in FY19 (FY18: 38%) and in France the current rate of 33% (FY18: 33%) is set to reduce to 25% as of FY23. The overall deferred tax effect as a result of recognising the reducing tax rates in the USA and France in the current year is a credit of £nil (FY18: £1.7m). Deferred tax has not been recognised on £9.7m (FY18: £0.9m) of unused losses 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.

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Year ended 31 March 2019

11. Dividends

	2019 £m	2018 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2018 of 14.4p (2017: 11.2p) per share	47.8	35.0
Interim dividend for the year ended 31 March 2019 of 5.2p (2018: 4.7p) per share	17.2	15.4
	65.0	50.4

The proposed final dividend for the year ended 31 March 2019 is 16.2p per share amounting to £53.9m (FY18: 14.4p per share amounting to £47.8m). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The payment of this dividend will not have any tax consequences for the Group.

12. Earnings per share

	2019 pence	2018 pence
Basic	32.7	30.2
Diluted	32.3	29.7
Adjusted basic	37.5	33.6
Adjusted diluted	37.0	33.1

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

	2019 m	2018 m
Number of shares		
Weighted average number of shares		
Basic	331.7	318.9
Dilutive impact of share options	3.9	5.0
Diluted	335.6	323.9

	2019 £m	2018 £m
Earnings		
Profit for the year attributable to equity holders of the parent	108.5	96.3
Amortisation of acquisition intangibles	26.8	18.4
Exceptional items (note 7)	(4.6)	—
Tax impact arising on amortisation of acquisition intangibles and exceptional items	(6.4)	(5.7)
One-off impacts to tax arising on amortisation of acquisition intangibles due to tax reforms – USA and France	—	(1.7)
Adjusted profit for the year attributable to equity holders of the parent	124.3	107.3

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 period by the weighted average number of ordinary shares in issue during the period. Adjusted earnings per share is calculated excluding exceptional items, the amortisation of acquisition intangibles and the associated tax impacts. In FY18 adjustments were also made for the one-off impact of tax reforms in the USA and France.

The Group uses adjusted operating profit, adjusted operating margin, 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, the amortisation of acquisition intangibles and the associated tax effects. 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 2017	301.9
Recognised on acquisition of subsidiaries	87.3
Exchange movements	(2.6)
At 1 April 2018	386.6
Recognised on acquisition of subsidiaries	21.0
Adjustment related to prior year acquisition	(0.7)
Exchange movements	1.0
At 31 March 2019	407.9
Carrying amount	
At 31 March 2019	407.9
At 31 March 2018	386.6

In November 2018 the provisional fair values recorded for the FY18 acquisition of Energy Insurance Services Limited were finalised resulting in a decrease to goodwill of £0.7m at 31 March 2019.

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% (FY18: 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 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. Consequently the impairment review of Checktrade in 2019 was performed using four years of plan cash flows approved by the Directors. The long-term growth rate applied to the analysis was consistent with all other CGUs.

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	2019	2018
UK	UK	8.8%	8.5%
North America	North America	9.7%	9.9%
France	France	8.6%	9.3%
Spain	Spain	9.9%	9.9%
Home Experts	Checktrade	8.8%	8.5%
Home Experts	Habitissimo	9.9%	9.9%

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 IAS36.

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. The Group believes that there are no reasonably possible changes to the key assumptions in the next year which would result in the carrying amount of goodwill exceeding the recoverable amount. This view is based upon inherently judgemental assumptions, however, it takes account of the headroom in the value in use calculation versus the current carrying value.

Notes to financial statements

Year ended 31 March 2019

13. Goodwill (continued)

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

	2019 £m	2018 £m
UK	183.6	184.1
North America	48.5	36.2
France	88.6	82.7
Spain	17.6	13.8
Home Experts – Checktrade	58.6	58.6
Home Experts – Habitissimo	11.0	11.2
	407.9	386.6

During FY19 the goodwill associated with the FY18 acquisitions of Help-Link UK Ltd (FY19 & FY18: £23.4m) and Electrogaz (FY19 & FY18: £3.7m) were reallocated from the 'UK – HVAC' and 'France – HVAC' CGUs respectively to the 'UK' and 'France' CGUs respectively as each business became integrated as part of the wider operations of each geographic territory and their cash flows were no longer separately identifiable from the overall territory businesses.

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

14. Other intangible assets

Acquisition intangibles include acquired access rights, acquired customer databases and acquired brands. Other intangibles include trademarks, access rights, customer databases and software.

	Acquired access rights £m	Acquired customer databases £m	Acquired brands £m	Total acquisition intangibles £m	Trademarks & access rights £m	Customer databases ¹ £m	Software £m	Total intangibles £m
Cost								
At 1 April 2017	47.5	159.1	—	206.6	33.2	76.6	174.4	490.8
Additions	45.1	20.1	—	65.2	3.0	16.0	44.3	128.5
Acquisition of subsidiaries	—	17.0	13.9	30.9	—	—	0.9	31.8
Disposals	—	—	—	—	(0.9)	—	(4.4)	(5.3)
Exchange movements	(4.9)	(4.7)	—	(9.6)	(1.2)	1.5	(3.5)	(12.8)
At 1 April 2018	87.7	191.5	13.9	293.1	34.1	94.1	211.7	633.0
IFRS 15 reclassification	—	—	—	—	—	(85.0)	—	(85.0)
Additions	28.2	20.6	—	48.8	1.3	8.8	42.0	100.9
Acquisition of subsidiaries	12.4	2.6	—	15.0	—	—	—	15.0
Disposals	—	—	—	—	—	—	(1.1)	(1.1)
Transfers	(6.1)	6.4	—	0.3	0.6	—	(0.9)	—
Exchange movements	4.3	3.8	—	8.1	1.4	(0.3)	1.9	11.1
At 31 March 2019	126.5	224.9	13.9	365.3	37.4	17.6	253.6	673.9
Accumulated amortisation								
At 1 April 2017	23.5	69.1	—	92.6	24.6	31.8	53.2	202.2
Charge for the year	4.8	13.0	0.6	18.4	3.5	16.8	15.9	54.6
Disposals	—	—	—	—	(0.3)	—	(2.5)	(2.8)
Exchange movements	(0.9)	(3.5)	—	(4.4)	(0.8)	0.5	(1.1)	(5.8)
At 1 April 2018	27.4	78.6	0.6	106.6	27.0	49.1	65.5	248.2
IFRS 15 reclassification	—	—	—	—	—	(46.5)	—	(46.5)
Charge for the year	7.5	17.6	1.7	26.8	3.0	2.3	17.8	49.9
Disposals	—	—	—	—	—	—	(0.1)	(0.1)
Transfers	0.1	—	—	0.1	(0.1)	—	—	—
Exchange movements	0.7	2.0	—	2.7	0.5	(0.1)	0.7	3.8
At 31 March 2019	35.7	98.2	2.3	136.2	30.4	4.8	83.9	255.3
Carrying amount								
At 31 March 2019	90.8	126.7	11.6	229.1	7.0	12.8	169.7	418.6
At 31 March 2018	60.3	112.9	13.3	186.5	7.1	45.0	146.2	384.8

¹ On 1 April 2018 assets with a total net book value of £38.5m were transferred out of customer databases and reclassified as contract cost assets under IFRS 15 (see note 4).

Software includes £81.8m (FY18: £72.3m) in respect of the new Customer Relationship Management (CRM) system which will be rolled out in the UK business during FY20. The asset will be amortised over 10 years on a straight-line basis from the point at which it is available for use.

On 26 October 2018 and 18 December 2017 HomeServe US Repair Management Corporation acquired certain intangible assets of the home assistance policy business of Dominion Products and Services, Inc. ("DPS"), a wholly owned subsidiary of Dominion Energy, Inc. At 31 March 2019 acquired access rights included £54.4m and acquired customer databases included £45.3m in respect of the marketing agreement and policy book acquired as part of this transaction. These assets are being amortised over periods ranging from 9 to 13 years, on a straight-line basis.

At the balance sheet date, there are no contractual commitments for the purchase of intangible assets (FY18: £nil).

Notes to financial statements

Year ended 31 March 2019

15. Property, plant and equipment

	Land & buildings £m	Furniture, fixtures & equipment £m	Computer equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 April 2017	32.9	9.8	22.0	5.7	70.4
Additions	2.7	2.2	5.7	0.4	11.0
Disposals	(0.3)	(0.2)	(0.2)	—	(0.7)
Acquisition of subsidiaries	0.2	0.5	0.1	—	0.8
Exchange movements	(0.1)	(0.2)	(0.8)	(0.6)	(1.7)
At 1 April 2018	35.4	12.1	26.8	5.5	79.8
Additions	2.1	1.6	4.9	1.2	9.8
Disposals	(0.1)	(0.2)	(0.3)	(0.5)	(1.1)
Acquisition of subsidiaries	0.3	—	—	1.9	2.2
Exchange movements	0.1	0.2	0.6	0.4	1.3
At 31 March 2019	37.8	13.7	32.0	8.5	92.0
Accumulated depreciation					
At 1 April 2017	12.1	6.3	11.8	3.2	33.4
Charge for the year	1.7	1.7	3.7	0.9	8.0
Disposals	—	(0.2)	(0.3)	—	(0.5)
Exchange movements	(0.1)	—	(0.5)	(0.4)	(1.0)
At 1 April 2018	13.7	7.8	14.7	3.7	39.9
Charge for the year	1.7	1.6	5.0	0.8	9.1
Disposals	—	(0.2)	(0.1)	(0.3)	(0.6)
Exchange movements	0.1	0.1	0.4	0.2	0.8
At 31 March 2019	15.5	9.3	20.0	4.4	49.2
Carrying amount					
At 31 March 2019	22.3	4.4	12.0	4.1	42.8
At 31 March 2018	21.7	4.3	12.1	1.8	39.9

The carrying amount of the Group's property, plant and equipment includes an amount of £1.7m (FY18: £1.8m) in respect of assets held under finance leases.

At the balance sheet date, there are no contractual commitments for the purchase of property, plant and equipment (FY18: £nil).

16. Business combinations

The Group has incurred a net cash outflow in respect of business combinations of £37.5m in the year (FY18: £54.2m).

There were two material acquisitions in the year ended 31 March 2019.

- On 7 March 2019 HomeServe HVAC LLC, a Group company, acquired 100% of the issued share capital and obtained control of Cropp-Metcalf Air Conditioning and Heating Company Inc. ('Cropp')
- On 29 March 2019 HomeServe Energy Services Holding HVAC, a Group company, acquired 100% of the issued share capital and obtained control of Societe V.B. Gaz ('V.B. Gaz').

Additionally there were four immaterial acquisitions in the year ended 31 March 2019.

- On 29 June 2018, HomeServe USA Energy Services LLC, a Group company, acquired 100% of the issued share capital and obtained control of Gregg Mechanical Corp ('Gregg Mechanical')
- On 26 July 2018, HomeServe Spain, S.L.U, a Group company, acquired 100% of the issued share capital and obtained control of Oscagas Hogar, S.L.U ('Oscagas')
- On 1 October 2018, HomeServe Energy Services Holding HVAC, a Group company, acquired a group of assets constituting a business under IFRS 3 from Etablissements Descamps SAS ('Descamps')
- On 29 November 2018, HomeServe HVAC LLC, a Group company, acquired 100% of the issued share capital and obtained control of Geisel Heating, Air Conditioning & Plumbing, Inc. ('Geisel').

All acquisitions made during FY19 enhance the scale and scope of the Group's HVAC installation capabilities and increase the opportunity for future growth related to new HVAC system installations.

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

At fair value	Cropp £m	V.B. Gaz £m	Other £m	Total £m
Property, plant and equipment	1.6	0.4	0.2	2.2
Cash and cash equivalents	1.8	0.3	0.4	2.5
Inventories	0.9	0.1	0.9	1.9
Trade and other receivables	0.6	0.3	1.4	2.3
Trade and other payables	(3.4)	(0.3)	(1.9)	(5.6)
Bank and other loans	—	(0.1)	—	(0.1)
Deferred income	(2.5)	(0.7)	—	(3.2)
Intangible assets identified on acquisition	11.7	2.3	1.0	15.0
Deferred tax on acquisition intangibles	—	(0.6)	—	(0.6)
Net assets acquired	10.7	1.7	2.0	14.4
Goodwill	8.8	6.9	5.3	21.0
Total	19.5	8.6	7.3	35.4
Satisfied by:				
Cash	14.7	8.6	6.3	29.6
Contingent consideration at fair value	—	—	0.1	0.1
Deferred consideration	4.8	—	0.9	5.7
	19.5	8.6	7.3	35.4
Net cash outflow arising on acquisition				
Cash consideration	14.7	8.6	6.3	29.6
Cash and cash equivalent balances acquired	(1.8)	(0.3)	(0.4)	(2.5)
	12.9	8.3	5.9	27.1

The goodwill arising on the excess of consideration over the fair value of the assets and liabilities acquired represents the expectation of synergy benefits and efficiencies. None of the goodwill is expected to be deducted for tax purposes. The gross contracted amounts due are equal to the fair value amounts stated above for trade and other receivables.

The provisional fair values for Oscagas and Gregg Mechanical disclosed as part of the Group's interim results as at 30 September 2018 have been updated, resulting in a decrease to goodwill of £0.2m at 31 March 2019.

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16. Business combinations (continued)

The post-acquisition revenue, operating profit and acquisition-related costs (included in operating costs) from these acquisitions in the year ended 31 March 2019 were as follows:

	Cropp £m	V.B. Gaz £m	Other £m	Total £m
Revenue	2.1	—	8.0	10.1
Operating profit/(loss)	—	—	(0.1)	(0.1)
Acquisition-related costs	0.6	0.1	0.2	0.9

If all of the acquisitions had been completed on the first day of the financial year, Group revenues for the period would have been £1,050.3m and Group profit before taxation would have been £141.9m.

In addition to the net cash outflow on the acquisitions of £27.1m, deferred and contingent consideration payments related to business combinations in year totalled £10.4m (FY18: £3.9m).

17. Other investments

Equity investments carried at fair value through other comprehensive income	£m
At 1 April 2017	8.5
Exchange movements	0.2
At 1 April 2018*	8.7
Fair value gain on FVTOCI investment	0.7
Exchange movements	(0.2)
At 31 March 2019	9.2

* Upon adoption of IFRS 9 the Group made the irrevocable election to measure its existing investment currently held in a manufacturer of smart thermostat connected home technology as fair value through other comprehensive income as the investment is a non-trading equity instrument acquired for strategic purposes rather than capital gain. The Group's transition to IFRS 9 is discussed in note 2.

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 48 to the Company's separate financial statements. During the year ended 31 March 2019 the Group made the following additional investments:

On 14 January 2019 HomeServe USA Corp invested £3.9m (USD \$5.0m) to acquire a 20% equity stake in Centriq Technology, Inc. ('Centriq'). HomeServe will work closely together with Centriq to deliver a cutting-edge digital home product and system catalogue with maintenance and repair service solutions to customers. HomeServe will license Centriq's existing mobile application and release a HomeServe branded version in FY20.

On 14 February 2019 HomeServe International Limited signed an agreement with Mitsubishi Corporation ('MC') to establish a joint venture entity, HomeServe Japan Corporation ('HJC'). HJC is owned 50% by HomeServe International Limited and 50% by MC. On 22 March 2019 HomeServe International Limited made an initial capital contribution of £1.5m (¥200.0m) for 20,000 shares in HJC matching the capital contributions made on 15 March 2019 and 22 March 2019 by MC totalling ¥200.0m for another 20,000 shares (all issued shares ranking pari passu). HJC will build a business to provide home emergency and repair services in electrics, plumbing, gas, heating, ventilation and air conditioning. The business will be based on a Membership model, and will also offer on-demand services to residential customers.

The following amounts relate to the combined results of the Group's associate interests in Assistenza Casa Srl and Centriq as well as its joint venture interest in HJC:

Summary Financial Information	2019 £m	2018 £m
(Loss)/profit after tax	(0.9)	2.1
Total comprehensive (expense)/income	(0.9)	2.1
Amounts recognisable	(0.3)	1.0

The proportion of the Group's ownership interest in equity accounted investments is equal to their carrying amounts in the consolidated balance sheet.

On 28 March 2018 HomeServe International Limited received a €0.5m (£0.4m) dividend payment from its associate. The receipt was accounted for as a reduction in the carrying value of the Group's investment in Assistenza Casa Srl.

19. Inventories

	2019 £m	2018 £m
Consumables	7.0	4.3

20. Trade and other receivables

	2019 £m	2018 £m
Amounts receivable for the provision of services	369.9	354.6
Other receivables	27.0	143.5
Accrued income	15.1	9.6
Prepayments	12.6	8.0
	424.6	515.7

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 and 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 10% 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 £17.6m (FY18: £14.5m) 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.

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Year ended 31 March 2019

20. Trade and other receivables (continued)

Credit risk (continued)

Ageing of balances past due but not impaired:

	2019 £m	2018 £m
1 - 30 days	9.6	9.8
31 - 60 days	3.5	2.7
61 - 90 days	2.1	1.2
91 days +	2.4	0.8
Balance at 31 March past due but not impaired	17.6	14.5
Current	352.3	340.1
At 31 March	369.9	354.6

Movement in expected credit losses:

	2019 £m	2018 £m
At 1 April	1.5	1.9
Impairment losses recognised	1.8	0.4
Reclassification to refund liabilities	(1.0)	(0.4)
Amounts recovered during the year	(0.7)	(0.6)
Acquisition of subsidiaries	—	0.3
Exchange movements	—	(0.1)
At 31 March	1.6	1.5

Of the provision total £nil relates to accrued income.

Ageing of impaired balances:

	2019 £m	2018 £m
1 - 30 days	—	—
31 - 60 days	—	—
61 - 90 days	0.1	0.2
91 days +	0.5	0.4
Current/not yet due	1.0	0.9
At 31 March	1.6	1.5

Other receivables

2019

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 2019 and no charge was reported in the income statement. No other receivable balances were considered past due but not impaired.

2018

The Group serves as an intermediary, whereby it is responsible for the collection of cash on behalf of third parties. Other receivables mainly represent those amounts to be collected from policyholders and are to be remitted to third parties for obligations such as the cost of underwriting and Insurance Premium Tax. The concentration of credit risk is limited due to individual receivables being small and spread across a diverse policyholder base. In addition, overall balance sheet exposure is mitigated as defaults on these receivables can, in the most part, be offset against the corresponding payable included in 'Other payables'.

21. Cash and cash equivalents

	2019 £m	2018 £m
Cash and cash equivalents	72.6	57.8

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 £11.8m (FY18: £11.1m) 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

	2019 £m	2018 £m
Trade payables and accruals	148.8	114.6
Contingent consideration	—	15.9
Deferred consideration	5.9	5.2
Deferred income	49.3	86.3
Refund liabilities	17.7	—
Taxes and social security, excluding current tax	14.5	13.2
Amounts related to policyholders to be remitted to underwriters	76.8	207.8
Other payables	69.3	65.5
	382.3	508.5

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

Contingent and deferred consideration relates to future amounts payable on business combinations and asset purchases.

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.

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 from policyholders and not yet transmitted.

23. Other financial liabilities

	2019 £m	2018 £m
Contingent consideration	—	4.7
Deferred consideration	8.9	4.9
Obligation under put option	11.0	10.3
Trade and other payables	3.4	3.5
	23.3	23.4

Contingent and deferred consideration relates to future amounts payable on business combinations and asset purchases.

Notes to financial statements

Year ended 31 March 2019

23. Other financial liabilities (continued)

Through a call option the Group has the means to acquire the remaining 30% of the shares in Habitissimo S.L. which can be exercised in either 2020 or 2021. In addition, the non-controlling shareholders have a put option requiring the Group to acquire the remaining 30% of their shareholding. There is no market value defined in the shareholder agreement, but a floor of €6.4m, based on the historic price of the remaining 30% at the time of acquisition of the Group's current investment, and a cap of €30m. The fair market value of the company will be mutually agreed by HomeServe and the founders at the point at which the options become exercisable.

The potential cash payment relating to the put option issued by the Group over the equity of subsidiary companies has been accounted for as a financial liability. This was initially recognised at the present value of the gross obligation of £9.3m with the corresponding charge being recognised in retained earnings. The option is 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.

24. Provisions

There were no provisions recorded at 31 March 2018. Movements in provisions during the year ended 31 March 2019 are disclosed below:

	Restructuring costs £m	Other £m	Total £m
At 1 April 2018	—	—	—
Created	4.9	1.8	6.7
Utilised	(1.0)	—	(1.0)
At 31 March 2019	3.9	1.8	5.7

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 twelve months.

Restructuring costs

Please refer to discussion of exceptional items in note 7.

Other

Other provisions principally relate to non-exceptional redundancy costs and property reversions. Provision is made for rent and other property related costs for the period that a sublet or assignment of the lease is not possible. It is not deemed likely that the properties in question will be assigned or sublet such that best estimates of reverse lease premiums payable on assignment, or rental income streams on subletting would be required.

25. Borrowings

Bank and other loans

	2019 £m	2018 £m
Sterling denominated	27.2	26.7
Euro denominated	10.8	11.3
US dollar denominated	1.7	—
Due within one year	39.7	38.0
US dollar denominated	116.4	48.7
Euro denominated	10.9	21.8
Sterling denominated	209.1	186.2
Due after one year	336.4	256.7
Total bank and other loans	376.1	294.7

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:

	2019			2018		
	£ %	€ %	\$ %	£ %	€ %	\$ %
Fixed	3.1	—	4.9	2.9	—	—
Floating	1.6	0.9	3.3	1.4	0.9	2.4

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 25 October 2018 the Group completed a financing transaction in the United States Private Placement market with issued notes amounting to \$125.0m and £80.0m as detailed below:

Title	Principal	Maturity	Coupon
7yr GBP Senior Notes	£33.0m	13 December 2025	3.34%
7yr USD Senior Notes	\$29.0m	13 December 2025	4.83%
10yr GBP Senior Notes	£23.0m	13 December 2028	3.50%
10yr USD Senior Notes	\$49.0m	13 December 2028	4.92%
12yr GBP Senior Notes	£24.0m	13 December 2030	3.61%
12yr USD Senior Notes	\$47.0m	13 December 2030	5.02%

Counterparties provided funding for each Sterling and US Dollar note series on 13 December 2018. This provided the Group with £174.2m using the exchange rate of the deal price fixing of 0.7538 GBP: 1 USD on 20 September 2018. Ongoing foreign exchange risk on the US dollar denominated notes is naturally hedged against movements in US dollar denominated monetary assets on the balance sheet date.

The counterparties of the GBP loan notes issued in the year have taken out foreign exchange swap instruments to manage their market risk exposure to fluctuations in GBP:USD exchange rates. In the event that the Group defaults, or chooses to repay the loan notes prior to their maturity, it would be responsible for the gain or loss arising. Early repayment and default events are both currently considered by the Group to be remote and consequently the fair value of the Group's exposure is considered to be Enil.

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 2018 the first one year option was exercised to extend the facility to 1 August 2023. The financial covenants associated with the facility are 'net debt to EBITDA of less than 3.0 times' (FY18 RCF: 3.0 times) and 'interest cover greater than 4.0 times EBITDA' (FY18 RCF: 4.0 times). Interest is charged at floating rates at margins of between 1.05% and 1.15% (FY18 RCF: 1.15% and 1.25%) above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk. At 31 March 2019, the Group had available £357.8m (FY18 RCF: £273.6m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
- The Group has £110m of US Private Placements (FY18: £110m) consisting of a £60m placement taken out on 6 March 2017 at a fixed interest rate of 2.59% and a £50m placement taken out on 7 October 2015 at a fixed interest rate of 3.44%. Both facilities have a term of seven years and the financial covenants associated with both are the same as the £400m revolving credit facility.
- The Group maintains additional funding through a €25.0m/£21.5m (FY18: €37.5m/£32.8m) amortising term loan which was taken out on 13 September 2016 and has a term of 4 years. The financial covenants associated with this facility are the same as the £400m revolving credit facility and interest is charged at floating rates at margins of 0.9% above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk.
- The Group renewed a £25m (FY18: £25m) short-term loan on 31 January 2019 which has a term of six months. The financial covenants associated with this facility are the same as the £400m revolving credit facility with the exception of net debt to EBITDA of less than 2.0 times (FY18: 2.0 times). Interest is charged at floating rates at margins of 0.58% 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 \$1.9m/£1.5m (FY18: \$2.3m/£1.6m) was drawn at 31 March 2019. The weighted average interest rate was 1.5% (FY18: 1.5%).

The Group has complied with all covenant requirements in the current and prior year. Information about liquidity risk is presented in note 26.

Notes to financial statements

Year ended 31 March 2019

25. Borrowings (continued)

Obligations under finance leases

	2019 £m	2018 £m
Amounts payable under finance leases:		
Amounts due for settlement within 12 months	0.5	0.5
Amounts due for settlement after 12 months: in the second to fifth years inclusive	0.7	0.4
Present value of lease obligations	1.2	0.9
Minimum lease payments		
Within 12 months	0.5	0.5
In the second to fifth years inclusive	0.7	0.4
	1.2	0.9

Certain motor vehicles are held under finance leases. The average lease term is 4.5 years (FY18: 6 years). For the year ended 31 March 2019, the average effective borrowing rate was 3.8% (FY18: 2.5%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in US dollars. The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

Reconciliation of movements in liabilities arising from financing

	Current liabilities		Non-current liabilities		Total £m
	Finance leases £m	Bank and other loans £m	Finance leases £m	Bank and other loans £m	
At 1 April 2017	0.6	35.9	1.0	270.1	307.6
Proceeds from new loans and borrowings	—	—	—	221.0	221.0
Repayment of borrowings	—	(10.7)	—	(215.8)	(226.5)
Payment of finance leases	(0.6)	—	—	—	(0.6)
Interest paid	—	(0.2)	—	(7.3)	(7.5)
Costs associated with new bank and other loans raised	—	(0.1)	—	(3.0)	(3.1)
Total changes from cash flows	(0.6)	(11.0)	—	(5.1)	(16.7)
Other changes					
Foreign exchange	—	0.4	(0.1)	(5.3)	(5.0)
Interest expense	—	2.0	—	7.7	9.7
Transfers to/(from)	0.5	10.7	(0.5)	(10.7)	—
At 1 April 2018	0.5	38.0	0.4	256.7	295.6
Proceeds from new loans and borrowings	—	—	—	174.2	174.2
Repayment of borrowings	—	(11.1)	—	(87.8)	(98.9)
Payment of finance leases	(0.6)	—	—	—	(0.6)
Interest paid	—	(2.1)	—	(6.4)	(8.5)
Costs associated with new bank and other loans raised	—	—	—	(1.6)	(1.6)
Total changes from cash flows	(0.6)	(13.2)	—	78.4	64.6
Other changes					
Foreign exchange	—	(0.2)	0.1	4.8	4.7
Interest expense	—	4.3	—	7.2	11.5
Additions	—	—	0.8	0.1	0.9
Transfers to/(from)	0.6	10.8	(0.6)	(10.8)	—
At 31 March 2019	0.5	39.7	0.7	336.4	377.3

Notes to financial statements

Year ended 31 March 2019

26. Financial instruments

Classification

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

Financial instruments subsequently measured at fair value

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

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

The Group has no financial instruments with fair values that are determined by reference to Level 1 and there were no transfers of assets or liabilities between levels during the period. There are no non-recurring fair value measurements. The Group held the following Level 2 and 3 financial instruments at fair value:

	2019 £m	2018* £m
Level 2		
Assets classified as fair value through other comprehensive income		
Other investments (note 17)	9.2	8.7
Level 3		
Contingent consideration at fair value through profit and loss		
Current liabilities	—	(15.9)
Non-current liabilities	—	(4.7)

* Upon adoption of IFRS 9 certain financial assets of the Group were reclassified from available for sale, under IAS 39, to fair value through other comprehensive income. The Group's transition to IFRS 9 is discussed in note 2.

The fair value of other investments has been determined by analysing the future outlook of the investee as well as reviewing valuations associated with recent comparable market transactions. The fair value of contingent consideration liabilities has been determined using forecasts of future performance of acquisitions discounted to present value. The movement in other investments versus the prior year primarily relates to the fair value uplift recorded on the Group's investment in a smart thermostat manufacturer (see note 17).

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

	2019 £m	2018 £m
Opening balance	20.6	4.7
Additions	0.1	19.7
Payments	(10.7)	(1.9)
Unwinding of discount rate through the income statement	0.2	0.7
Exceptional fair value re-measurement gain (note 7)	(10.1)	—
Extinguishment	(0.1)	(2.7)
Foreign exchange	—	0.1
	—	20.6

If discount rates on contingent consideration were higher/lower than the Group's historical experience by 10%, the carrying amount would decrease/increase by £nil (FY18: £0.1m). The undiscounted range of outcomes associated with the contingent consideration payments, conditional on the number of boiler installations Help-Link complete during the period of contingency, is from £nil to £10.5m.

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 27, 28 and the Group Statement of Changes in Equity.

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

	2019 £m	2018 £m
Attributable to equity holders of the parent	613.4	551.0
Cash and cash equivalents	72.6	57.8
Bank and other loans	376.1	294.7

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 10% 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).

	2019	2018
Increase in cost of borrowing	10%	10%
Reduction in profit before tax (£m)	0.1	0.3

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.

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Year ended 31 March 2019

26. Financial instruments (continued)

The maturity profile of the Group's financial liabilities based on contractual maturities, with the exception of finance lease liabilities which are disclosed in note 25, 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 consideration £m	Obligation under put option £m	Total £m
2019						
Under 2 months	2.1	81.0	42.1	5.0	—	130.2
Between 2 and 12 months	46.2	67.8	93.4	1.7	—	209.1
Between 1 and 2 years	23.0	1.6	1.0	1.6	12.1	39.3
Between 2 and 5 years	126.2	—	—	4.5	—	130.7
After 5 years	276.2	0.8	—	6.0	—	283.0
Total	473.7	151.2	136.5	18.8	12.1	792.3

	Bank and other loans £m	Trade payables £m	Other payables £m	Deferred and contingent consideration £m	Obligation under put option £m	Total £m
2018						
Under 2 months	2.1	73.3	96.3	4.2	—	175.9
Between 2 and 12 months	40.8	41.3	177.0	17.5	—	276.6
Between 1 and 2 years	17.4	1.5	1.9	5.8	—	26.6
Between 2 and 5 years	204.6	—	0.1	2.4	12.3	219.4
After 5 years	62.9	—	—	3.9	—	66.8
Total	327.8	116.1	275.3	33.8	12.3	765.3

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.

Forward contracts

On 21 November 2017 the Company entered into two forward contracts to purchase a combined total of US\$73m on 11 December 2017. This transaction was executed to mitigate a specific US dollar currency translation risk identified by the Board in relation to the FY18 acquisition of tranche one of the DPS policy book.

Upon purchase, the forward contracts were placed in a cash flow hedge relationship to hedge a highly probable future outflow of US dollars. Upon maturity, at 11 December 2017, the effective portion of fair value movement on the derivative (a debit of £0.5m) was reclassified from the hedging reserve against the hedged item at its initial recognition on 18 December 2017. Ineffectiveness recorded within finance costs in the FY18 income statement was £nil.

27. Share capital

	2019 £m	2018 £m
Issued and fully paid 332,490,377 ordinary shares of 2 9/13p each (FY18: 329,776,766)	9.0	8.9

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 period from 1 April 2018 to 31 March 2019 the Company issued 2,713,611 shares with a nominal value of 2 9/13p creating share capital of £0.1m and share premium of £8.9m.

On 19 October 2017, the Company placed 15,243,903 new ordinary shares at a price of 820 pence per share, raising gross proceeds of approximately £125.0m. The Placing Shares issued represented, in aggregate, approximately 4.9 per cent of HomeServe's issued ordinary share capital prior to the Placing. Transaction costs associated with the Placing of £3.4m were accounted for as a deduction from equity.

During the period from 1 April 2017 to 31 March 2018 the Company issued a further 3,843,315 shares with a nominal value of 2 9/13p creating share capital of £0.1m and share premium of £4.9m. Of this total, 1,193,317 shares, issued at 838 pence per share represented £10.0m of the fair value of the consideration for the acquisition of Sherrington Mews Limited on 17 November 2017.

28. 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 (FY18: 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 gain on revaluation of the Group's fair value through other comprehensive income investment 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	Hedging reserve £m	Total other reserves £m
At 1 April 2017	1.2	71.0	—	72.2
Increase in merger reserve	—	10.0	—	10.0
Other comprehensive income – fair value loss on cash flow hedge	—	—	(0.5)	(0.5)
Basis adjustments on hedged items	—	—	0.5	0.5
At 1 April 2018 and 31 March 2019	1.2	81.0	—	82.2

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

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 Checktrade. 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 Checktrade (taking the Group's overall holding to 100%) and therefore qualify for merger relief.

The hedging reserve records movements for effective cash flow hedges measured at fair value.

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Year ended 31 March 2019

29. Non-controlling interests

Summarised financial information in respect of the non-controlling interest in Habitissimo S.L. is set out below. The proportion of ownership interests held by non-controlling interests is 30%. The summarised financial information below represents amounts before intra-group eliminations.

	2019 £m	2018 £m
Current assets	1.4	0.8
Non-current assets	4.8	3.5
Current liabilities	(5.7)	(3.1)
Non-current liabilities	—	—
Equity attributable to owners of the Company	0.5	1.2
Non-controlling interests	0.2	0.4

30. Notes to the cash flow statement

	2019 £m	2018 £m
Operating profit	152.6	135.0
Adjustments for:		
Depreciation of property, plant and equipment	9.1	8.0
Amortisation of acquisition intangible assets	26.8	18.4
Amortisation of other intangible assets	23.1	36.2
Amortisation of contract costs	14.9	—
Share-based payments expense	9.8	9.1
Share of results of equity accounted investees	0.3	(1.0)
Loss on disposal of property, plant and equipment and software	0.6	2.1
Gain on re-measurement of associate on acquisition of control	—	(0.9)
Impact of exceptional items	(4.6)	—
Decrease in other financial liabilities	—	(0.3)
Operating cash flows before movements in working capital	232.6	206.6
Increase in inventories	(0.7)	(1.4)
Decrease/(increase) in receivables	104.0	(60.7)
(Decrease)/increase in payables and provisions	(133.7)	19.7
Net movement in working capital	(30.4)	(42.4)
Cash generated by operations	202.2	164.2
Income taxes paid	(31.7)	(27.2)
Interest paid	(8.5)	(7.5)
Net cash inflow from operating activities	162.0	129.5

31. Share-based payments

During the year ended 31 March 2019, the Group had three (FY18: 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. 75% of each performance and matching award is subject to an Earnings Per Share performance condition and the remaining 25% is subject to comparative Total Shareholder Return performance. In 2016, certain members of the Executive Committee received an additional performance award which was subject to a more stretching Earnings Per Share performance condition.

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

The SAYE scheme was open to all UK employees and provides for an exercise price equal to the closing quoted market price on the day before the date of grant, less a discretionary discount. The options can be exercised during a six month period following the completion of either a three or five year savings period. There were no awards made in the year (FY18: nil) as the scheme is now closed.

iii) One Plan

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

	LTIP	SAYE	One Plan
2019			
Number			
Outstanding at 1 April 2018	5,713,831	729,194	75,117
Granted	1,215,709	—	45,487
Forfeited	(87,557)	(30,659)	(10,800)
Exercised	(2,019,255)	(671,197)	(4,048)
Outstanding at 31 March 2019	4,822,728	27,338	105,756
Exercisable at 31 March 2019	4,995	27,338	—
Weighted average exercise price (£)			
Outstanding at 1 April 2018	—	3.18	—
Granted	—	—	—
Forfeited	—	3.27	—
Exercised	—	3.17	—
Outstanding at 31 March 2019	—	3.35	—
Exercisable at 31 March 2019	—	3.35	—
Range of exercise price of options outstanding at 31 March 2019			
£1.00 to £1.99	—	—	—
£2.00 to £2.99	—	—	—
£3.00 to £3.99	—	27,338	—
Weighted average remaining contractual life	2	1	2
Weighted average fair value of options granted in 2019	£9.12	—	£9.24

Notes to financial statements

Year ended 31 March 2019

31. Share-based payments (continued)

	LTIP	SAYE	One Plan
2018			
Number			
Outstanding at 1 April 2017	6,190,933	1,481,214	33,811
Granted	1,600,485	—	52,298
Forfeited	(104,100)	(81,285)	(9,544)
Exercised	(1,973,487)	(670,735)	(1,448)
Outstanding at 31 March 2018	5,713,831	729,194	75,117
Exercisable at 31 March 2018	19,454	76,220	—
Weighted average exercise price (£)			
Outstanding at 1 April 2017	—	2.88	—
Granted	—	—	—
Forfeited	—	3.12	—
Exercised	—	2.53	—
Outstanding at 31 March 2018	—	3.18	—
Exercisable at 31 March 2018	—	2.57	—
Range of exercise price of options outstanding at 31 March 2018			
£1.00 to £1.99	—	50,310	—
£2.00 to £2.99	—	73,159	—
£3.00 to £3.99	—	605,725	—
Weighted average remaining contractual life	2	1	2
Weighted average fair value of options granted in 2018	£6.30	—	£7.56

The weighted average share price at the date of exercise for share options exercised during the year was £9.13 (FY18: £7.38).

The estimated fair values are calculated by applying a Black-Scholes option pricing model for SAYE and One Plan and Monte Carlo 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	22.3% - 27.2%
Option life	Per scheme rules
Expected dividends	Based on historic dividend yield
Risk free interest rate	0.1% - 1.0%

Levels of early exercises and lapses are estimated using historical averages. Volatility is calculated by looking at the historical share price movements prior to the date of grant over a period of time commensurate with the remaining term for each award.

In FY19 the Group recognised an IFRS 2 charge of £9.8m (FY18: £9.1m) related to equity-settled share-based payment transactions.

32. 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 £6.7m (FY18: £4.7m) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes. At 31 March 2019, contributions of £0.8m (FY18: £0.2m) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit scheme

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.

GMP equalisation

On 26 October 2018 a High Court case in the UK confirmed that Guaranteed Minimum Pensions (GMP) need to be equalised between male and female pension scheme members. The Court did not specify the method to use to equalise GMP but did set out a number of possible approaches. Prior to this date the Group had excluded GMP equalisation from the valuation of scheme liabilities, but in the year an allowance has been made resulting in a past service cost of £0.1m.

The results of the actuarial valuation as at 31 March 2017 were updated to the accounting date by a qualified independent actuary in accordance with IAS 19. Remeasurements are recognised immediately through other comprehensive income.

	2019	Valuation at 2018
Key assumptions used:		
Discount rate at 31 March	2.4%	2.7%
Consumer price inflation	2.5%	2.4%
Retail price inflation	3.5%	3.4%
Expected rate of salary increases	2.5%	2.4%
Future pension increases	2.5%	2.4%
Life expectancy of female aged 60 at balance sheet date	28.9yrs	29.5yrs
Life expectancy of male aged 60 at balance sheet date	27.5yrs	28.2yrs

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.

As an indication, all other things being equal:

- a reasonably possible increase in the discount rate of 0.5% would lead to a reduction in the value placed on the obligations of the Section of approximately £2.7m
- a reasonably possible increase in the inflation assumption rate of 0.5% would lead to an increase in the value placed on the obligations of the Section of approximately £2.9m
- an increase of life expectancy of one year would lead to an increase in the value placed on the obligations of the Section of approximately £1.0m.

Notes to financial statements

Year ended 31 March 2019

32. Retirement benefit schemes (continued)

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

	2019 £m	2018 £m
Current service cost	0.2	0.2
Past service cost	0.1	—
Interest income	(0.2)	—
Recognised in operating costs	0.1	0.2

The actual return on scheme assets was a gain of £0.8m (FY18: gain of £0.3m). The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement scheme is as follows:

	2019 £m	2018 £m
Present value of defined benefit obligations	(31.1)	(33.3)
Fair value of scheme assets	37.5	38.0
Surplus in scheme recognised in the balance sheet in non-current assets	6.4	4.7

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 defined benefit obligations were as follows:

	2019 £m	2018 £m
At 1 April	33.3	35.2
Employer's part of the current service cost	0.2	0.2
Interest cost	0.8	0.9
Actuarial (gains) / losses due to:		
Changes in financial assumptions	2.2	(1.2)
Changes in demographic assumptions	(0.8)	(0.9)
Experience adjustments on benefit obligations	(0.2)	0.3
Benefits paid	(4.5)	(1.2)
Past service cost	0.1	—
At 31 March	31.1	33.3

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

	2019 £m	2018 £m
At 1 April	38.0	35.9
Interest on Section assets	1.0	0.9
Actual return less interest on Section assets	0.8	0.3
Contributions from the employer	2.2	2.1
Benefits paid	(4.5)	(1.2)
At 31 March	37.5	38.0

The amount recognised outside the income statement in the statement of comprehensive income for FY19 is a loss of £0.4m (FY18: gain of £2.1m). The cumulative amount recognised outside the income statement at 31 March 2019 is a loss of £5.6m (FY18: loss of £5.2m).

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

	2019 £m	2018 £m
Equity instruments	15.2	14.6
Diversified growth fund	4.4	3.4
Liability driven investment funds	17.7	15.5
Other	0.2	4.5
	37.5	38.0

The majority of the assets are held within instruments with quoted market prices in an active market.

The estimated amounts of contributions expected to be paid to the scheme during the forthcoming financial year is £2.2m (FY19: actual £2.2m) plus any Pension Protection Fund levy payable.

33. Operating lease commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £m	2018 £m
Within 12 months	12.6	12.0
In the second to fifth years inclusive	33.4	20.5
After five years	10.0	5.3
	56.0	37.8

Operating lease payments principally represent rentals payable by the Group for certain of its land and buildings, motor vehicles and office equipment. The leases have varying terms and some have renewal options.

Notes to financial statements

Year ended 31 March 2019

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. There is no ultimate controlling party of HomeServe plc. Note 48 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 48).

Transactions with equity accounted investees

	2019 £m	2018 £m
Sales to associates	0.3	0.5

Aside from the capital contribution discussed in note 18 there have been no significant transactions with the Group's equity accounted joint venture entity, HomeServe Japan Corporation.

Other related party transactions

Group companies purchased services of £0.2m (FY18: £0.3m) from Harpin Limited, £0.1m (FY18: Nil) from Pilot Services (GB) Limited and £0.2m (FY18: £0.2m) from Sirio Limited (formerly Flairjet Limited), none of which are members of the Group. These companies are related parties because they are controlled by or connected to Richard Harpin, Chief Executive of the Group and Director of the parent company of the Group. Amounts outstanding to all of these companies on 31 March 2019 amounted to £0.1m (FY18: £0.2m).

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 expected credit losses in respect of the amounts owed by related parties.

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 IAS24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration report.

	2019 £m	2018 £m
Short-term employee benefits	5.2	6.2
Post-employment benefits	0.3	0.4
Share-based payments expense	6.6	7.2
Termination benefits	0.2	—
	12.3	13.8

Except as noted above, there were no other transactions with Directors requiring disclosure. Termination benefits are expected to be paid in FY20.

Company statement of comprehensive income

Year ended 31 March 2019

	Notes	2019 £m	2018 £m
Profit for the year		76.0	49.1
Items that will not be reclassified subsequently to profit and loss:			
Actuarial (loss)/gain on defined benefit pension scheme	32	(0.4)	2.1
Deferred tax credit/(charge) relating to actuarial re-measurements	42	0.1	(0.4)
Total other comprehensive (expense)/income		(0.3)	1.7
Total comprehensive income for the year		75.7	50.8

Company balance sheet

31 March 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Other intangible assets	37	3.6	4.3
Property, plant and equipment	38	0.2	0.1
Investment in subsidiaries	39	194.6	194.6
Deferred tax assets	42	1.0	0.4
Retirement benefit assets	32	6.4	4.7
		205.8	204.1
Current assets			
Trade and other receivables	40	480.3	417.7
Cash and cash equivalents	40	117.4	75.6
		597.7	493.3
Total assets		803.5	697.4
Current liabilities			
Trade and other payables	41	(12.9)	(11.6)
Current tax liabilities		(4.3)	(4.0)
Bank and other loans	43	(39.7)	(37.6)
		(56.9)	(53.2)
Net current assets		540.8	440.1
Non-current liabilities			
Bank and other loans	43	(334.9)	(255.2)
		(334.9)	(255.2)
Total liabilities		(391.8)	(308.4)
Net assets		411.7	389.0
Equity			
Share capital	27	9.0	8.9
Share premium account	28	180.7	171.8
Merger reserve	28	81.0	81.0
Share incentive reserve	45	21.2	20.0
Capital redemption reserve	28	1.2	1.2
Retained earnings		118.6	106.1
Total equity		411.7	389.0

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 £76.0m (FY18: £49.1m).

The financial statements of HomeServe plc were approved by the Board of Directors and authorised for issue on 21 May 2019. They were signed on its behalf by:

David Bower

Chief Financial Officer

21 May 2019

Registered in England No. 2648297

Company statement of changes in equity

Year ended 31 March 2019

	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 2018	8.9	171.8	81.0	20.0	1.2	106.1	389.0
Profit for the year	—	—	—	—	—	76.0	76.0
Other comprehensive expense	—	—	—	—	—	(0.3)	(0.3)
Total comprehensive income	—	—	—	—	—	75.7	75.7
Dividends paid (note 11)	—	—	—	—	—	(65.0)	(65.0)
Issue of share capital	0.1	8.9	—	—	—	—	9.0
Share-based payments	—	—	—	8.8	—	—	8.8
Share options exercised	—	—	—	(7.6)	—	0.8	(6.8)
Tax on exercised share options	—	—	—	—	—	0.9	0.9
Deferred tax on share options	—	—	—	—	—	0.1	0.1
Balance at 31 March 2019	9.0	180.7	81.0	21.2	1.2	118.6	411.7

Year ended 31 March 2018

	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 2017	8.4	45.7	71.0	16.2	1.2	103.8	246.3
Profit for the year	—	—	—	—	—	49.1	49.1
Other comprehensive expense	—	—	—	—	—	1.7	1.7
Total comprehensive income	—	—	—	—	—	50.8	50.8
Dividends paid (note 11)	—	—	—	—	—	(50.4)	(50.4)
Issue of share capital	0.5	126.1	10.0	—	—	—	136.6
Share-based payments	—	—	—	8.1	—	—	8.1
Share options exercised	—	—	—	(4.3)	—	1.0	(3.3)
Tax on exercised share options	—	—	—	—	—	0.9	0.9
Balance at 31 March 2018	8.9	171.8	81.0	20.0	1.2	106.1	389.0

Company cash flow statement

Year ended 31 March 2019

	Notes	2019 £m	2018 £m
Net cash outflow from operating activities	46	(55.9)	(57.5)
Investing activities			
Interest received		1.9	—
Dividends received from subsidiary undertakings		85.0	75.0
Purchases of intangible assets		(0.1)	(2.2)
Purchases of tangible assets		(0.2)	—
Net cash from investing activities		86.6	72.8
Financing activities			
Dividends paid		(65.0)	(50.4)
Proceeds on issue of share capital		2.2	124.1
Costs associated with issue of share capital		—	(0.8)
New bank and other loans raised		174.2	221.0
Costs associated with new bank and other loans raised		(1.6)	(3.1)
Reduction in bank and other loans		(98.6)	(226.1)
Net cash generated by financing activities		11.2	64.7
Net movement in cash and cash equivalents		41.9	80.0
Cash and cash equivalents at beginning of year		75.6	(4.4)
Effect of foreign currency exchange rate changes		(0.1)	—
Cash and cash equivalents at end of year	40	117.4	75.6

Notes to financial statements

Year ended 31 March 2019

Company only

The following notes 35 to 48 relate to the Company only position and performance for the year ended 31 March 2019.

35. 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 £76.0m (FY18: £49.1m).

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 (IFRSs) adopted by the European Union.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except that investments in subsidiaries are stated at cost less impairment. None of the critical accounting judgements and key sources of estimation uncertainty disclosed in note 3 apply to the Company.

There are no critical accounting judgements or key sources of estimation uncertainty.

36. Other information

Staff remuneration

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

	2019 number	2018 number
UK (all administrative roles)	75	87

	2019 £m	2018 £m
Their aggregate remuneration comprised:		
Wages and salaries	11.0	10.6
Social security costs	1.3	1.4
Other pension costs (note 32)	0.2	0.4
	12.5	12.4

Audit fees

	2019 £000	2018 £000
Fees payable to the Company's auditor for the audit of the Company's financial statements	72	71
Total audit fees	72	71

Notes to financial statements

Year ended 31 March 2019

37. Other intangible assets

	Trademarks & access rights £m	Software £m	Total intangibles £m
Cost			
At 1 April 2017	1.8	5.4	7.2
Additions	—	1.9	1.9
At 1 April 2018	1.8	7.3	9.1
Additions	—	0.1	0.1
Transfer	0.7	(0.7)	—
At 31 March 2019	2.5	6.7	9.2
Accumulated amortisation			
At 1 April 2017	0.7	1.7	2.4
Charge for the year	0.1	2.3	2.4
At 1 April 2018	0.8	4.0	4.8
Charge for the year	—	0.8	0.8
At 31 March 2019	0.8	4.8	5.6
Carrying amount			
At 31 March 2019	1.7	1.9	3.6
At 31 March 2018	1.0	3.3	4.3

38. Property, plant and equipment

	Leasehold improvements £m	Computer equipment £m	Total tangible assets £m
Cost			
At 1 April 2017 and 1 April 2018	0.3	0.2	0.5
Additions	—	0.2	0.2
At 31 March 2019	0.3	0.4	0.7
Accumulated depreciation			
At 1 April 2017	0.1	0.1	0.2
Charge for the year	0.1	0.1	0.2
At 1 April 2018	0.2	0.2	0.4
Charge for the year	—	0.1	0.1
At 31 March 2019	0.2	0.3	0.5
Carrying amount			
At 31 March 2019	0.1	0.1	0.2
At 31 March 2018	0.1	—	0.1

39. Subsidiaries

Details of the Company's subsidiaries at 31 March 2019, including the name, address, country of incorporation and proportion of ownership interest is given in note 48.

	£m
Cost and net book value	
At 1 April 2017, 1 April 2018 and 31 March 2019	194.6

40. Financial assets

Trade and other receivables

	2019 £m	2018 £m
Amounts receivable from Group companies (note 48)	479.1	417.0
Other receivables	0.9	0.5
Prepayments and accrued income	0.3	0.2
	480.3	417.7

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:

	2019 £m	2018 £m
Current	479.1	417.0
At 31 March	479.1	417.0

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 balances and cash equivalents

Cash balances and cash equivalents of £117.4m (FY18: £75.6m) 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.

41. Financial liabilities

Trade and other payables

	2019 £m	2018 £m
Trade payables and accruals	10.9	9.7
Amounts payable to Group companies	0.1	—
Taxes and social security, excluding corporation tax	1.9	1.9
	12.9	11.6

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 17 days (FY18: 11 days).

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

Notes to financial statements

Year ended 31 March 2019

42. 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 2017	(0.2)	1.5	(0.5)	0.8
(Charge)/credit to income	(0.3)	0.4	(0.1)	—
Charge to comprehensive income	(0.4)	—	—	(0.4)
At 1 April 2018	(0.9)	1.9	(0.6)	0.4
(Charge)/credit to income	(0.4)	—	0.8	0.4
Credit to equity	—	0.1	—	0.1
Credit to comprehensive income	0.1	—	—	0.1
At 31 March 2019	(1.2)	2.0	0.2	1.0

43. Bank and other loans

	2019 £m	2018 £m
Bank overdraft	—	—
Bank loans	39.7	37.6
Due within one year	39.7	37.6
Bank and other loans	334.9	255.2
Due after one year	334.9	255.2
Total bank and other loans	374.6	292.8

Bank loans due in less than one year of £39.7m (FY18: £37.6m) include the short-term loan and £10.8m of the €25.0m amortising loan. 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 revolving credit facility, the US Private Placements and the remainder of the €25.0m amortising loan. The principal features of these loans are set out in note 25.

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

Reconciliation of movements in liabilities arising from financing

	Current liabilities Bank and other loans £m	Non-current liabilities Bank and other loans £m	Total £m
At 1 April 2017	40.1	268.2	308.3
Proceeds from new loans and borrowings	—	221.0	221.0
Repayment of borrowings	(10.7)	(215.4)	(226.1)
Repayment of overdraft	(4.4)	—	(4.4)
Interest paid	(0.2)	(6.8)	(7.0)
Costs associated with new bank and other loans raised	(0.1)	(3.0)	(3.1)
Total changes from cash flows	(15.4)	(4.2)	(19.6)
Other changes			
Foreign exchange	0.2	(5.3)	(5.1)
Interest expense	2.0	7.2	9.2
Transfers to/(from)	10.7	(10.7)	—
At 1 April 2018	37.6	255.2	292.8
Proceeds from new loans and borrowings	—	174.2	174.2
Repayment of borrowings	(10.7)	(87.9)	(98.6)
Interest paid	(2.1)	(6.1)	(8.2)
Costs associated with new bank and other loans raised	—	(1.6)	(1.6)
Total changes from cash flows	(12.8)	78.6	65.8
Other changes			
Foreign exchange	(0.2)	5.0	4.8
Interest expense	4.3	6.9	11.2
Transfers to/(from)	10.8	(10.8)	—
At 31 March 2019	39.7	334.9	374.6

44. Financial instruments

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

Financial assets	2019 £m	2018 £m
Amortised cost	597.4	493.1

Financial liabilities	2019 £m	2018 £m
Other financial liabilities at amortised cost	385.6	302.5

Principal financial instruments

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

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

Notes to financial statements

Year ended 31 March 2019

44. Financial instruments (continued)

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 43, cash and cash equivalents disclosed in note 40 and equity comprising issued capital, reserves and retained earnings as disclosed in this note and notes 27, 28 and the Company Statement of Changes in Equity.

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

	2019 £m	2018 £m
Shareholders' funds	411.7	389.0
Cash and cash equivalents	117.4	75.6
Bank and other loans	374.6	292.8

Financial risk management objectives

The Company's principal financial instruments comprise bank and other loans, overdrafts 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.

	2019 £m	Assets	2018 £m	Liabilities	2018 £m
Euro	—		—	(28.2)	(33.1)
US dollar	186.3		122.1	(116.5)	(48.4)

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.

	2019	2018
Increase in £:\$ exchange rate:	10%	10%
Effect on profit after tax (£m)	(5.1)	(5.4)
Effect on equity (£m)	(5.1)	(5.4)
Increase in £:€ exchange rate:	10%	10%
Effect on profit after tax (£m)	2.1	2.4
Effect on equity (£m)	2.1	2.4

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.

	Bank and other loans £m	Trade, other and group payables £m	Total £m
2019			
Under 2 months	1.8	3.5	5.3
Between 2 and 12 months	46.1	7.5	53.6
Between 1 and 2 years	22.7	—	22.7
Between 2 and 5 years	125.4	—	125.4
Over 5 years	276.0	—	276.0
Total	472.0	11.0	483.0

	Bank and other loans £m	Trade, other and group payables £m	Total £m
2018			
Under 2 months	2.1	2.1	4.2
Between 2 and 12 months	40.2	7.6	47.8
Between 1 and 2 years	17.2	—	17.2
Between 2 and 5 years	204.0	—	204.0
Over 5 years	62.6	—	62.6
Total	326.1	9.7	335.8

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 change of 10% increase 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).

	2019	2018
Increase in the cost of borrowing	10%	10%
Reduction in profit before tax (£m)	0.1	0.3

Notes to financial statements

Year ended 31 March 2019

45. Share incentive reserve

	£m
At 1 April 2017	16.2
Share-based payment charges in the year	8.1
Share options exercised in year	(4.3)
At 1 April 2018	20.0
Share-based payment charges in the year	8.8
Share options exercised in year	(7.6)
At 31 March 2019	21.2

46. Notes to the cash flow statement

	2019 £m	2018 £m
Operating loss	(20.3)	(21.5)
Adjustments for:		
Amortisation of intangible assets	0.8	2.4
Depreciation of property, plant and equipment	0.1	0.2
Amounts received from subsidiary undertakings for share incentive schemes and other items	6.1	16.1
Share-based payment expense	3.6	3.0
Operating cash flows before movements in working capital	(9.7)	0.2
Increase in receivables	(39.7)	(53.8)
Decrease in payables	(1.8)	(2.1)
Movements in working capital	(41.5)	(55.9)
Cash used in operations	(51.2)	(55.7)
Income taxes received	3.5	5.2
Interest paid	(8.2)	(7.0)
Net cash outflow from operating activities	(55.9)	(57.5)

47. Share-based payments

During the year ended 31 March 2019, the Company had three (FY18: three) share-based payment arrangements, which are described in note 31.

	LTIP	SAYE	One Plan
2019			
Number			
Outstanding at 1 April 2018	2,117,178	24,249	5,390
Granted	515,865	—	2,619
Transfer	4,810	—	(207)
Forfeited	—	(418)	(237)
Exercised	(846,990)	(23,831)	(224)
Outstanding at 31 March 2019	1,790,863	—	7,341
Exercisable at 31 March 2019	—	—	—
Weighted average exercise price (£)			
Outstanding at 1 April 2018	—	£3.24	—
Transfer	—	—	—
Forfeited	—	£3.35	—
Exercised	—	£3.24	—
Outstanding at 31 March 2019	—	—	—
Exercisable at 31 March 2019	—	—	—
Range of exercise price of options outstanding at 31 March 2019			
£2.00 to £2.99	—	—	—
£3.00 to £3.99	—	—	—
Weighted average remaining contractual life	2	—	2
Weighted average fair value of options granted in 2019	£9.12	—	£9.24

Notes to financial statements

Year ended 31 March 2019

47. Share-based payments (continued)

	LTIP	SAYE	One Plan
2018			
Number			
Outstanding at 1 April 2017	2,473,627	76,368	2,302
Granted	549,657	—	3,572
Transfer	5,846	—	170
Forfeited	(34,295)	(2,686)	(93)
Exercised	(877,657)	(49,433)	(561)
Outstanding at 31 March 2018	2,117,178	24,249	5,390
Exercisable at 31 March 2018	—	3,461	—
Weighted average exercise price (£)			
Outstanding at 1 April 2017	—	£2.82	—
Transfer	—	—	—
Forfeited	—	£3.35	—
Exercised	—	£2.58	—
Outstanding at 31 March 2018	—	£3.24	—
Exercisable at 31 March 2018	—	£2.60	—
Range of exercise price of options outstanding at 31 March 2018			
£2.00 to £2.99	—	3,461	—
£3.00 to £3.99	—	20,788	—
Weighted average remaining contractual life	2	1	2
Weighted average fair value of options granted in 2018	£6.70	—	£7.56

The weighted average share price at the date of exercise for share options exercised during the year was £9.01 (FY18: £7.46).

The estimated fair values are calculated by applying a Black-Scholes option pricing model for One Plan and SAYE and Monte Carlo simulations for the LTIP. The assumptions used in the models are set out in note 31.

In FY19 the Company recognised an IFRS 2 charge of £3.6m (FY18: £3.0m) related to equity-settled share-based payment transactions.

48. Related party transactions

The Company has no immediate parent company or ultimate controlling party.

The Company purchased services of £0.2m (FY18: £0.3m) from Harpin Limited, £0.1 (FY18:£nil) from Pilot Services (GB) Limited and £0.2m (FY18:£0.2m) from Sirio Limited (formerly known as Flairjet Limited), none of which are members of the Group. These companies are related parties because they are controlled by or connected to Richard Harpin, Chief Executive of the Group and Director of the parent company of the Group. Amounts outstanding to all of these companies on 31 March 2019 amounted to £0.1m (FY18:£0.2m).

The Company also provided goods of £nil (FY18: £nil), provided services of £6.2m (FY18: £5.6m), lent monies to of £43.7m (FY18: £54.5m) and borrowed monies from of £nil (FY18: £nil) with subsidiary companies of the Group. Amounts due to subsidiary companies total £0.1m (FY18: £nil). Amounts owed by subsidiary companies total £479.1m (FY18: £417.0m) which principally relate to loans receivable. The Company provided services of £0.3m (FY18: £0.3m) to associates during the year. There were no other transactions with associates or amounts outstanding in either year.

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, 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.

	2019 £m	2018 £m
Short-term employee benefits	3.6	3.7
Post-employment benefits	0.3	0.3
Share-based payments expense	3.6	3.7
Termination benefits	0.1	—
	7.6	7.7

Except as noted above there were no other transactions with Directors requiring disclosure. Termination benefits are expected to be paid in FY20.

Notes to financial statements

Year ended 31 March 2019

48. 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 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 (formerly PXB Invest SAS)	Trading	France	100	9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7
HomeServe USA Holdings Corp	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe Beteiligungs GmbH	Trading	Germany	100	Rheinstr. 30-32, 65185, Wiesbaden
Sherrington Mews Limited	Trading	England	100	5-6 Sherrington Mews, Ellis Square, Selsey, W. Sussex, PO20 0FJ
UK & Ireland				
HomeServe Membership Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Servowarm Limited (No. 560810) ⁴	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	5-6 Sherrington Mews, Ellis Square, Selsey, W. Sussex, PO20 0FJ
Checkatrade National Limited (No. 7512642) ¹	Dormant	England	100	5-6 Sherrington Mews, Ellis Square, Selsey, W. Sussex, PO20 0FJ
Checkatrade.com Limited (No. 7450143) ¹	Dormant	England	100	5-6 Sherrington Mews, Ellis Square, Selsey, W. Sussex, PO20 0FJ
Checkaprofessional.com Limited	Trading	England	100	5-6 Sherrington Mews, Ellis Square, Selsey, W. Sussex, PO20 0FJ
Checkagroup Holdings Limited (No. 7325074) ¹	Dormant	England	100	5-6 Sherrington Mews, Ellis Square, Selsey, W. Sussex, PO20 0FJ
Checkatrade Limited (No. 7440889) ¹	Dormant	England	100	5-6 Sherrington Mews, Ellis Square, Selsey, W. Sussex, PO20 0FJ
Checkatrade Installers Limited (No. 9964195) ¹	Dormant	England	100	5-6 Sherrington Mews, Ellis Square, Selsey, W. Sussex, PO20 0FJ
247999 Limited (No. 7183505) ¹	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Home Energy Services Limited (No. 8419975) ⁴	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	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 Europe Limited	Non-Trading	Ireland	100	25-28 Adelaide Road, Dublin 2

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
HomeServe America Limited	Non-Trading	Ireland	100	25-28 Adelaide Road, Dublin 2
HomeServe Gas Limited (No. 2248585) ¹	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Home Service (GB) Limited (No. 3546370) ¹	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Fastfix Plumbing and Heating Limited (No. 3120932) ¹	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Care Solutions Limited (No. 3228902) ¹	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Warranties Limited (No. 3156861) ¹	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Multimaster Limited (No. 3670180) ¹	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Labs Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
Help-Link UK Limited	Trading	England	100	3310 Century Way, Thorpe Park, Colton, Leeds, LS15 8ZB
Energy Insurance Services Limited	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
Deltatherm (SARL)	Trading	France	100	17, rue Bavastro, 06300, Nice
Electro Gaz Service SA	Trading	France	100	17, rue Bavastro, 06300, Nice
Electro Maintenance Chauffage (SARL)	Trading	France	100	17, rue Bavastro, 06300, Nice
Ad Services Gaz SAS	Trading	France	100	2040 Chemin de Saint-Bernard Lotissement Fogliani, 06220, Vallaruis
HomeServe On Demand SAS	Trading	France	100	9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7
HomeServe Home Experts SAS	Trading	France	100	9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7
Societe V.B. Gaz ⁵	Trading	France	100	1 rue George Sand, 94000 Creteil
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 Spain SLU 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	70	c/ Rita Levi, Edificio Blue - Parc Bit CP 07121, Palma de Mallorca, Balears
Bit Advanced Marketing S.L. ²	Trading	Spain	70	Passeig Mallorca 17C, 07011 Palma de Mallorca
Oscagas Hogar SLU ⁵	Trading	Spain	100	Rafael Alberti N ^o 8, Zaragoza CP 50018
Assistenza Casa Srl ³	Trading	Italy	49	Via Giovanni Battista Cassinis, 7, 20139 Milano

Notes to financial statements

Year ended 31 March 2019

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
North America				
HomeServe USA Corp	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp	Trading	USA	100	1232 Premier Drive, Chattanooga, TN 37421
HomeServe USA Repair Management (Florida)	Trading	USA	100	1232 Premier Drive, Chattanooga, TN 37421
Leakguard Inc.	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
Leakguard Repair Services Inc.	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp (Iowa)	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp (California)	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp (Virginia)	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp (Wisconsin)	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Energy Services LLC	Trading	USA	100	500 Bi-County Blvd, Farmingdale, NY 11735
HomeServe USA Energy Services (New England) LLC	Trading	USA	100	5 Constitution Way, Woburn, MA 01801
LI PH Enterprises LLC	Trading	USA	49	1307 Manatuck Blvd, Bay Shore, NY 11706
NYC PH Enterprises LLC	Trading	USA	49	4295 Arthur Kill Rd, Staten Island, NY 10309
SJESP Plumbing Services LLC	Trading	USA	90	420 N. 2nd Road, Unit 1, Hammonton NJ 08037
USP Holding 1 LLC	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
USP Holdings 2 LLC	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Utility Service Partners Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Utility Service Partners Private Label, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
USP Water Heater Rentals LLC	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Utility Service Partners Private Label of Virginia, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of America, Inc. - Delaware.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of America, Inc. - California.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of Canada Holdings, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of Pennsylvania, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of Kentucky, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of Ohio, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of West Virginia, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of Canada Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
HomeServe HVAC LLC	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
Gregg Mechanical Corp. ⁵	Trading	USA	100	198 Pulaski Avenue, Staten Island, New York 10303
Geisel Heating and Air Conditioning Inc. ⁵	Trading	USA	100	633 Broad Street, Elyria, Ohio 44035
Cropp-Metcalf Air Conditioning and Heating Company ⁵	Trading	USA	100	8421 Hilltop Road, Fairfax, VA 22031
Centriq Technology Inc. ⁶	Trading	USA	20	180 Sutter St, San Francisco, CA 94104, USA

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
Asia				
HomeServe Japan Corporation ⁶	Trading	Japan	50	Marunouchi Nijubashi Building, 3-2-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005
Australia				
Home Service Direct Pty Limited	Non-Trading	Australia	100	50 Queen Street, Melbourne, VIC 3000

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 statutory reporting requirements in Spain.

³ These companies have a 31 December year end due to the statutory reporting requirements in Italy.

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 2019. Please refer to note 16 for full details.

⁶ The Group obtained equity accounted investments in these companies during 2019. Please refer to note 18 for full details.

Five year summary

Continuing operations

Unaudited	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
External revenue					
UK	384.4	357.7	319.3	286.0	279.6
North America	333.4	282.1	227.8	152.6	125.3
France	104.6	100.0	91.1	77.4	74.9
Spain	140.8	141.3	130.2	97.5	90.9
Home Experts	40.4	18.6	—	—	—
New Markets	—	—	16.6	19.7	13.5
External sales	1,003.6	899.7	785.0	633.2	584.2
Profit/(loss)					
UK	66.0	61.1	63.2	58.0	56.4
North America	67.6	48.6	21.2	12.1	6.4
France	33.3	31.5	27.1	23.2	23.4
Spain	17.7	16.6	13.3	9.9	7.5
Home Experts	(7.4)	(2.8)	—	—	—
New Markets	(2.4)	(1.6)	(6.0)	(5.9)	(5.9)
	174.8	153.4	118.8	97.3	87.8
Amortisation of acquisition intangibles	(26.8)	(18.4)	(14.1)	(10.4)	(10.4)
Exceptional items	4.6	—	—	—	1.7
Operating profit	152.6	135.0	104.7	86.9	79.1
Net interest	(13.1)	(11.7)	(6.4)	(4.3)	(2.4)
Profit before tax	139.5	123.3	98.3	82.6	76.7

Glossary

HomeServe uses a number of alternative performance measures (APMs) to assess the performance of the Group and its individual segments. APMs used in this report address profitability, leverage and liquidity and together with operational KPIs give an indication of the current health and future prospects of the Group.

Definitions of APMs and the rationale for their usage are included below with a reconciliation, where applicable, back to the equivalent statutory measure.

Profitability

The Group uses adjusted operating profit, adjusted EBITDA, adjusted profit before tax and adjusted earnings per share as its primary profit performance measures. These are non-IFRS measures which exclude the impact of the amortisation of acquisition intangible assets. Acquisition intangible assets are calculated using the estimated and discounted incremental future cash flows resulting from the affinity relationship or future policy renewals as appropriate, which will include the impact of the past actions of the former owners. These past actions will include historic marketing and business development activity, including but not limited to, the staff and operational costs of the business. In addition the specific construct of the policy terms and conditions and the current and expected future profitability to be derived from the acquired business or asset is also a factor in determining the valuation of acquisition intangible assets.

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, by 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.

Glossary

Reconciliations of statutory to adjusted profit measures

Total group

Emillion	2019	2018
Operating profit (statutory)	152.6	135.0
Exceptional restructuring costs	5.5	—
Exceptional fair value movement on contingent consideration	(10.1)	—
Amortisation of acquisition intangibles	26.8	18.4
Adjusted operating profit	174.8	153.4
Operating profit (statutory)	152.6	135.0
Exceptional restructuring costs	5.5	—
Exceptional fair value movement on contingent consideration	(10.1)	—
Depreciation	9.1	8.0
Amortisation of acquisition intangibles	26.8	18.4
Amortisation of other intangibles	23.1	36.2
Amortisation of contract costs	14.9	—
Adjusted EBITDA	221.9	197.6
Profit before tax (statutory)	139.5	123.3
Exceptional restructuring costs	5.5	—
Exceptional fair value movement on contingent consideration	(10.1)	—
Amortisation of acquisition intangibles	26.8	18.4
Adjusted profit before tax	161.7	141.7
Pence per share		
Earnings per share (statutory)	32.7	30.2
Exceptional restructuring costs (net of tax)	1.3	—
Exceptional fair value movement on contingent consideration (net of tax)	(2.6)	—
Amortisation of acquisition intangibles (net of tax)	6.1	3.9
One-off deferred tax impact of US & French tax reform	—	(0.5)
Adjusted earnings per share	37.5	33.6

Segmental

2019 £million	UK	North America	France	Spain	Home Experts	New Markets
Revenue	391.7	333.4	104.6	140.8	40.4	—
Statutory operating profit/(loss)	68.4	54.7	26.8	17.5	(12.4)	(2.4)
Operating margin %	17%	16%	26%	12%	—	—
Adjusting items						
Exceptional restructuring costs	5.5	—	—	—	—	—
Exceptional fair value movement on contingent consideration	(10.1)	—	—	—	—	—
Amortisation of acquisition intangibles	2.2	12.9	6.5	0.2	5.0	—
Total adjusting items	(2.4)	12.9	6.5	0.2	5.0	—
Effect on operating margin %	—	4%	6%	1%	—	—
Adjusted operating profit/(loss)	66.0	67.6	33.3	17.7	(7.4)	(2.4)
Adjusted operating margin %	17%	20%	32%	13%	—	—

2018 £million	UK	North America	France	Spain	Home Experts	New Markets
Revenue	365.6	282.1	100.0	141.3	18.6	—
Statutory operating profit/(loss)	59.3	40.5	25.1	16.5	(4.8)	(1.6)
Operating margin %	16%	14%	25%	12%	—	—
Adjusting items*						
Amortisation of acquisition intangibles	1.8	8.1	6.4	0.1	2.0	—
Effect on operating margin %	1%	3%	7%	—	—	—
Adjusted operating profit/(loss)	61.1	48.6	31.5	16.6	(2.8)	(1.6)
Adjusted operating margin %	17%	17%	32%	12%	—	—

*There were no exceptional items recorded in the prior year.

Glossary

Segmental (continued)

2019 Local currency million	UK £	North America \$	France €	Spain €	Home Experts £	New Markets £
Revenue	391.7	436.2	118.7	159.7	40.4	—
Statutory operating profit/(loss)	68.4	71.3	30.4	19.6	(12.4)	(2.4)
Operating margin %	17%	16%	26%	12%	—	—
Adjusting items						
Exceptional restructuring costs	5.5	—	—	—	—	—
Exceptional fair value movement on contingent consideration	(10.1)	—	—	—	—	—
Amortisation of acquisition intangibles	2.2	16.8	7.4	0.2	5.0	—
Total adjusting items	(2.4)	16.8	7.4	0.2	5.0	—
Effect on operating margin %	—	4%	6%	—	—	—
Adjusted operating profit/(loss)	66.0	88.1	37.8	19.8	(7.4)	(2.4)
Adjusted operating margin %	17%	20%	32%	12%	—	—

2018 Local currency million	UK £	North America \$	France €	Spain €	Home Experts £	New Markets £
Revenue	365.6	375.2	113.2	160.1	18.6	—
Statutory operating profit/(loss)	59.3	53.6	28.5	18.8	(4.8)	(1.6)
Operating margin %	16%	14%	25%	12%	—	—
Adjusting items*						
Amortisation of acquisition intangibles	1.8	10.8	7.2	0.1	2.0	—
Effect on operating margin %	1%	3%	7%	—	—	—
Adjusted operating profit/(loss)	61.1	64.4	35.7	18.9	(2.8)	(1.6)
Adjusted operating margin %	17%	17%	32%	12%	—	—

*There were no exceptional items recorded in the prior year.

Leverage

In FY19 the Group targeted net debt in the range of 1.0 to 2.0x EBITDA measured at the year end and will continue to do so in FY20.

The range reflects HomeServe's relatively low risk appetite. Due to the seasonality of the business and depending on M&A opportunities, HomeServe is able to operate outside 1.0 to 2.0x for periods of time but with a highly cash generative business model HomeServe will seek to return to its target range. The leverage ratio is also important as it factors into the Group's banking covenants and the rolling 12 month rate at the half year influences the forward interest rates payable on the Group's Revolving Credit Facility.

Certain of the Group's segmental bonus measures relate to net cash. Net cash is defined and calculated in the same way as net debt but returns a positive closing balance.

Note 25 provides a full reconciliation of the movements in liabilities arising from borrowings and finance leases. The closing balances at 31 March were as follows:

	2019 £m	2018 £m
Current liabilities from borrowing and finance leases		
Finance leases	0.5	0.5
Banks and other loans	39.7	38.0
	40.2	38.5
Non-current liabilities from borrowings and finance leases		
Finance leases	0.7	0.4
Bank and other loans	336.4	256.7
	337.1	257.1
Total liabilities from borrowings and finance leases	377.3	295.6
Cash and cash equivalents	(72.6)	(57.8)
Net debt	304.7	237.8
Adjusted EBITDA	221.9	197.6
Leverage	1.4x	1.2x

Glossary

Liquidity

Cash conversion % is defined as cash generated by operations divided by adjusted operating profit. The measure demonstrates the cash generative nature of the ordinary trading operations of HomeServe's business model and the ability to produce positive cashflows that can be invested for future growth initiatives or in capital projects to maintain customer service initiatives, digital enhancements or efficiencies that benefit the long-term health of the business.

Free cash flow is stated after capital expenditure, tax and interest obligations and is an indication of the strength of the business to generate funds to meet its liabilities and repay borrowings. It also shows the funds that might be made available to pursue M&A activities and to pay dividends.

	2019 £m	2018 £m
Adjusted operating profit	174.8	153.4
Exceptional restructuring costs	(5.5)	–
Exceptional fair value movement on contingent consideration	10.1	–
Amortisation of acquisition intangibles	(26.8)	(18.4)
Operating profit	152.6	135.0
Impact of exceptional items	(4.6)	–
Depreciation and amortisation	73.9	62.6
Non-cash items	10.7	9.0
Increase in working capital	(30.4)	(42.4)
Cash generated by operations	202.2	164.2
Net interest and borrowing costs	(9.9)	(10.5)
Taxation	(31.7)	(27.2)
Capital expenditure	(66.9)	(71.1)
Repayment of finance leases	(0.6)	(0.6)
Free cash flow	93.1	54.8

£million	2019	2018
Adjusted operating profit	174.8	153.4
Cash generated by operations	202.2	164.2
Cash conversion	116%	107%

KPIs

The Group uses a number of operational key performance indicators that provide insight into past performance and are an indicator of the future prospects of the Group as a whole and its individual segments.

Affinity partner households tracks the growth in addressable market delivered through existing and new partnerships with utilities and municipals.

Customers tracks success in converting addressable market into revenue-generating customers, by delivering great products and service.

Retention rate reflects ability to deliver fit-for-purpose product and great service to customers.

Policies illustrates ability to grow the product line through customer focus and innovation.

Income per customer measures ability to design and market increasingly valuable products, and sell them efficiently. Due to currency differences, this measure is tracked at a geographic level.

Income per customer is calculated as the last 12 months' net policy income divided by customers.

Trades are customers in the Home Experts business. Growing the network of vetted and reviewed trades will enable HomeServe to meet consumer needs and grow its business.

Adjusted profit before tax is the key profit measure by which business growth, efficiency and sustainability are monitored.

Net debt to EBITDA is the key cash ratio, which is used to monitor usage of financial resources within agreed risk parameters.

Customers

2019 is the first year the Group has presented its results under IFRS15 Revenue from contracts with customers. IFRS15 defines a customer as 'a party that has contracted with an entity to obtain goods or services'. In the Membership businesses where the Group acts as an intermediary selling contracts and insurance policies to end consumers, the 'IFRS 15 customer' is considered to be the underwriter with which the Group has contracted to sell policies.

This is different, however, from how the Group markets and communicates the value of its products and services to end consumers. Here, the businesses strategy and communications (both internally and externally) refer to the end consumer as the customer. As a result, for the purposes of describing the strategy and operational performance of the business, the Strategic Report and the Group's KPIs refer to the end consumer as the customer of the Group, rather than the underwriter. However, for the purposes of preparing the financial statements, the accounting transactions are recorded in accordance with IFRS 15 where the customer is the underwriter.

For all other sources of revenue, it is the party that has contracted with the Group to obtain goods and services that is classified as the customer. The following table summarises this position:

Revenue Stream	IFRS 15 'contracted' customer	Customer as referred to in the Strategic report
Policy Income – insurance intermediary commissions	Underwriters	End user of the service
Policy Income – repairs	Underwriters or other B2B contracted parties	
Policy Income – home assistance	End user of the service	
Home Experts		
HVAC		
Other		

Shareholder information

Financial calendar

2019

19 July	Annual General Meeting
2 August	Final dividend for the year ended 31 March 2019
19 November	Interim results for the six months ending 30 September 2020

2020

January	Interim dividend for the year ending 31 March 2020
May	Preliminary results for the year ending 31 March 2020
June	2020 Annual Report and Accounts available

Shareholder helpline

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

Tel: 0370 707 1053

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

Website: www-uk.computershare.com/investor

Website

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

HomeServe plc

Registered Office:
Cable Drive, Walsall, WS2 7BN
Registered in England No. 2648297
Tel: 01922 426262

[homeserveplc.com](https://www.homeserveplc.com)

