

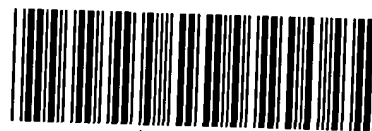
# **HomeServe Membership Limited**

**Annual report and financial statements for the year  
ended**

**31 March 2021**

**Company Registration No: 02770612**

SATURDAY



\*AA8GZA5U\*

A07

10/07/2021

#127

COMPANIES HOUSE

# Strategic report

---

The Directors present their strategic report for the year ended 31 March 2021.

## Principal Activity

HomeServe Membership Limited (the Company) is a wholly owned subsidiary of its ultimate parent company, HomeServe plc, and operates as part of its UK segment.

The Company's principal activity is that of retailing, through direct mail, contact centres and online, affinity branded domestic assistance insurance policies which are underwritten by a third party. The Company provides plumbing, drainage and gas cover together with a range of other emergency policies to customers of water and energy companies and other affinity partners. There have not been any significant changes in the Company's principal trading activity in the period under review.

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

## Financial Review

Revenue has decreased from £349,656,000 to £324,664,000 as a result of; a smaller policyholder base, a lower level of claims activity, intensified in the first half as pandemic restrictions limited the range of jobs that the directly employed network was permitted to complete, partially offset by an increase in the average revenue per policyholder. The reduced policyholder numbers and an increased mix of excess products resulted in operating costs decreasing from £254,653,000 to £238,684,000. Finance costs decreased from £1,503,000 to £1,280,000. These movements resulted in the adjusted profit before tax decreasing from £93,499,000 to £84,700,000.

The Company incurred exceptional impairment charges of £82,644,000 due to the full write down of the eServe CRM system and recognised £2,096,000 of exceptional provisions related to onerous contracts associated with the system. Following an extensive review of system capability and robustness and the ongoing operational needs of the business, the difficult decision was taken to revert the minority of customers on this platform back to the existing CRM. This resulted in an exceptional cost of £84,740,000. The loss after tax and exceptional costs in the year is £722,000 (profit of £71,438,000 in 2020).

During the year the Company helped to re-finance one of its subsidiaries, Help-Link UK Limited. The Company borrowed £19,000,000 from its immediate parent, HomeServe Assistance Limited, and then loaned £19,000,000 to Help-Link UK Limited to settle a long standing overdraft facility. These transactions were carried out on an arms-length basis with both amounts repayable on 18 March 2026 and both are interest bearing at 3 month LIBOR+3%.

The balance sheet on page 15 of the financial statements shows the Company's financial position at the year end. During the year, as a result of a dividend payment and the loss after tax, net assets decreased from £230,339,000 to £159,732,000. Cash and cash equivalents net of overdrafts have decreased from £20,450,000 to £213,000 during the year. An intercompany loan for £22,000,000 had reached maturity and was repaid and a dividend, in line with policy, was paid to the parent company for £70,000,000 (dividend payment of £50,000,000 in 2020).

## Principal Risks and Uncertainties

Risks and uncertainties that could have a material impact on the Company's future performance are:

- Market Disruption and policyholder retention;
- Commercial Partnerships;
- M&A strategy;
- IT & Cyber Security;
- Underwriting Capacity and Concentration;
- Regulation & Customer Focus;
- Recruitment & Talent;
- Constraints on Investments on IT systems hindering growth and efficiency;
- Digital & Innovation;
- Financial strategy and treasury risk.

# Strategic report

---

## Principal Risks and Uncertainties (continued)

These risks are discussed in detail in the Group's Annual Report which does not form part of this Report.

### Environment

The Company is committed to environmental sustainability. We recognise that the Company has a responsibility to act in a way that respects the environment and as such, all our employees are encouraged to incorporate an awareness of environmental issues into decision-making processes.

The Company operates in accordance with Group policies, which are described in the Group's Annual Report which does not form part of this Report.

### Employment Policies

It is the Company's policy that all persons should be considered for employment, training, career development and promotion on the basis of their abilities and attitudes, regardless of physical ability, age, gender, sexual orientation, religion or ethnic origin.

The Company applies employment policies that are fair and equitable for all employees and which ensure entry into and progression within the Company are determined solely by application of job criteria and personal ability and competency.

Full and fair consideration (having regard to the person's particular attitudes and abilities) is given to applications for employment and the career development of disabled persons. The Company's training and development policies make it clear that it will take all steps practicable to ensure that employees who become disabled during the time they are employed by the Company are able to continue to perform their duties.

We use a range of regular communication channels to keep employees briefed on the Company's strategic and financial progress and any ongoing initiatives that may affect them. This is a two way process and employees are actively encouraged to share ideas and opinions with senior management.

There is a Group wide employee share scheme – "One Plan" in which all employees are able to participate and to share in HomeServe's success.

### Financial Results

The Company's results are shown in the income statement on page 14. The loss for the year of £722,000 (2020: profit of £71,438,000) has been transferred to retained earnings.

### Key performance indicators

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

	2021	2020
Policyholders	1.6m	1.8m
Policies	4.4m	4.9m
Retention rate	78%	78%
Income per policyholder	£144	£140

- Policyholders – typically tracks our success in converting our addressable market into revenue-generating policyholders, by delivering great products and service.
- Policies - illustrates our ability to grow our product line through customer focus and innovation.
- Retention rate - reflects our ability to deliver fit-for-purpose products and great service to our policyholders.
- Income per policyholder - measures our ability to design and market increasingly valuable products, and sell them efficiently

# Strategic report

---

## Key performance indicators (continued)

UK policyholders were 1.6m (2020: 1.8m) with retention rate of 78% (2020: 78%). The UK business remains focused on serving its core policyholder base, for whom the HomeServe proposition of a reliable and easy way to deal with home repairs and emergencies remains as valued as ever. There continues to be less emphasis on attracting and retaining marginal policyholders through deep discounts. This approach, combined with lower policyholder acquisition year on year, drove a 3% rise in net income per policyholder with the retention rate remaining broadly in line with the prior year.

## Technology investment

The Company incurred exceptional impairment charges of £82,644,000 due to the full write down of the eServe CRM system and recognised £2,096,000 of exceptional provisions related to onerous contracts associated with the system. During the year capability issues came to light as more policies were introduced onto the system, meaning that the duration of the parallel run period alongside the legacy system would need to be extended.

Following an extensive review of system capability and robustness and the ongoing operational needs of the business, the difficult decision was taken to revert the minority of customers on this platform back to the existing CRM.

## Corporate Governance Report

As a Board, we 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.

Following the introduction of a new legislative requirement for large private companies to report on their corporate governance arrangements, the Board decided to adopt the Wates Corporate Governance Principles for Large Private Companies in 2020. The purpose of this report is to explain how the Principles have been applied in 2021.

## Purpose and leadership

As a wholly owned subsidiary, our strategy is driven by our parent company's purpose which is to make home repairs and improvements easy. We have a clearly defined strategy focused on an aspiration to be the UK's favourite people to help with your home and this has been clearly communicated throughout the organisation.

The Board monitors performance against the strategic objectives and plan and reviews the implementation of the strategy.

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

## Board composition

As at 31 March 2021, the Board comprised four Independent 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.

The Chairman, David Hynam, is responsible for the effective operation of the Board. Six meetings are held each year and the agenda is balanced between strategic discussions, business performance and control matters.

The Board reviews its effectiveness and the effectiveness of its Committees on a periodic basis. Reviews are facilitated externally by Lintstock Limited. The last review was conducted in January 2020 and was based on an online questionnaire which was completed by all Board members and a number of other regular attendees. The output was discussed by the Board in March 2020.

# Strategic report

---

## Board composition (continued)

The performance of the Board and its Committees was rated highly with positive comments made about the atmosphere in the boardroom and the relationships between Board members. Consideration was given to what the Board could improve on and it was agreed that it would be helpful to visit different operational sites and set aside more time for engagement with the workforce.

## Director responsibilities

The Board is responsible for the effective leadership and long-term success of the Company. Terms of reference are in place and the Board has also approved written terms of reference of the Committees to which it has delegated its authority in certain matters.

As the Company is regulated by the FCA, the accountabilities and responsibilities of each Director are set out in their Senior Management Statements of Responsibilities. In addition, the governance framework is set out in a Management Responsibilities Map.

The day to day running of the business is the responsibility of the Chief Executive Officer. An Executive Committee supports him in his duties.

## Opportunity and risk

The Board's primary responsibility is to promote the long-term success of the Company by creating and delivering sustainable shareholder value. One Board meeting each year is devoted to strategic discussions. The execution of the strategy is assessed at regular intervals during the year and aspects of the strategy are discussed at each Board meeting as required.

The Board has delegated oversight of risk to a Risk, Assurance & Compliance Committee which is chaired by an Independent Non-Executive Director, Diana Susan Miller. Terms of reference have been agreed for the Committee and where appropriate, the Committee refers matters to the Board for discussion. Minutes of the Committee meetings are circulated to the Board as a whole and the Chairman of the Committee provides an update on discussions to the Board.

The Compliance & Risk Director reports to the Board at each meeting and attends all meetings of the Board and the Risk, Assurance & Compliance Committee.

There is an established process for managing risk in the business. Oversight of the process is provided by a Management Risk Committee which meets six times a year. The risk governance model is based on the 'three lines of defence' as follows:

### 1<sup>st</sup> line of defence

A risk management framework is in place which includes the agreed risk appetite, policies and procedures. There is a formal process for identifying, managing and reporting on the operational and financial risks faced by the business. Risks are reviewed in detail at the Management Risk Committee and, on an overall basis, by Risk, Assurance & Compliance Committee. Support is provided by the 2nd line of defence oversight functions.

### 2<sup>nd</sup> 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 Risk, Assurance & Compliance Committee on risk appetites, independent review of risk ratings and action plans and reports on risk management.

### 3<sup>rd</sup> line of defence

HomeServe plc (the ultimate holding company) has a dedicated internal audit function which covers all Group companies including the Company and a formal audit plan is in place to address the key risks and the operation and effectiveness of internal controls. The function reports to the Board through the Risk, Assurance & Compliance Committee.

# Strategic report

---

## Remuneration

As a wholly owned subsidiary of a listed company, the Company's remuneration structures for Executives are guided by the remuneration policy set by the HomeServe plc Remuneration Committee and approved by the shareholders of HomeServe plc. That policy is based on the following principles:

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

A Remuneration Committee has been established, with agreed terms of reference. The Committee approves the remuneration of Executives, taking into account information on pay and conditions elsewhere in the Company.

## Stakeholder relationships and engagement

The Company is a wholly owned subsidiary of HomeServe plc. Two of its Executive Directors regularly attend Board meetings and this allows the view of shareholders to be shared and considered.

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

Our people are one of our most important stakeholders and the People Director attends Board meetings to ensure that there is appropriate focus on this group. An employee engagement survey is completed annually and the results, along with action plans to address any issues are discussed at the Board.

As a customer facing business, our policyholders are another key stakeholder group. Customer insight is regularly presented to the Board and policyholder outcomes are at the centre of discussions at the Risk, Assurance & Compliance Committee.

## Section 172(1) statement

This statement aligns to the Section 172(1) statement requirements contained in Section 414CZA of the Companies Act 2006 ('the Act'). It focuses on how the Directors have had regard during the year to the matters set out in Section 172(1) (a) to (f) of the Act when performing their duties by incorporating information from other areas of the Annual Report to avoid unnecessary duplication.

In the performance of its duty to promote the success of the Company, the Board has regard to a number of matters, including considering the views of shareholders and the Company's other key stakeholders to ensure it fully understands the potential impacts of the decisions it makes for our stakeholders, the environment and the communities in which we operate.

The Company's key stakeholders and the way in which we interact and engage with them are shown on page 6. Whilst these relationships are generally managed on a day-to-day basis by the wider business, certain key decisions affecting our overall strategy or impacting our principal risks will be escalated for discussion at Executive and Board Level. Key matters such as our COVID-19 response were discussed in the year and the impact on, amongst others, employees, customers and shareholders.

The governance and processes that the Company operates to ensure that relevant matters are considered by the Board are set out in the Governance report.

The table below identifies where, in this Annual Report, information on the issues, factors and stakeholders the Board has considered in respect of Section 172(1). Further details on this subject are shown in the Group's Annual Report.

# Strategic report

The Board has had regard to the following matters:		
	More information	Page
Long-term results – the likely consequences of any decision in the long-term	<b>Strategic report</b>	
	Principal activity	1
	Principal risk and uncertainties	1-2
	Key performance indicators	2-3
	Purpose and leadership	3
	Opportunity and risk	4
	Going concern and future outlook	7
Our workforce – the interests of our people	<b>Strategic report</b>	
	Employment policies	2
	Purpose and leadership	3
	Stakeholder relationships and engagement	5
Our business relationships – the importance of developing the Company's business relationships with suppliers, customers and others	<b>Strategic report</b>	
	Purpose and leadership	3
	Stakeholder relationships and engagement	5
The community and our environment – the impact of the Company's operations on the community and the environment	<b>Strategic report</b>	
	Environment	1
Our reputation – our desire to maintain our reputation for high standards of business conduct	<b>Strategic report</b>	
	Purpose and leadership	3
	Board composition	3-4
	Opportunity and risk	4
Our shareholders – the need to act fairly as between members of the Company	<b>Strategic report</b>	
	Corporate Governance Report	3
	Purpose and leadership	3
	Director responsibilities	3

# Strategic report

---

## Going Concern and Future Outlook

The Directors have reviewed the Company's budget, forecast and cash flows for 2022 and beyond, and concluded that they are in line with their expectations with regards to the Company's strategy and future growth plans. In addition, the Directors have reviewed the Company'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 impact of Covid-19 has created a high degree of uncertainty for many businesses but the resilience of the Company's business model during times of previous economic crisis, its strong balance sheet and its healthy funding position provide a level of confidence for the future. The Company acted quickly and effectively enabling it to continue operating and respond to customers' home emergencies throughout the height of the COVID-19 pandemic in 2021. Key trading metrics remained strong over this period with, for example, retention rates remaining consistent with the prior year.

The Directors have concluded that they have a reasonable expectation that the Company 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.

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

By order of the board



John Kitzie  
Chief Executive Officer  
8 July 2021



Nicholas Kasmir  
Chief Financial Officer  
8 July 2021



# Directors' Report

---

The Directors have pleasure in submitting their Annual Report and audited financial statements for the year ended 31 March 2021.

An indication of likely future developments in the business of the Company alongside discussion of going concern, principal risks and uncertainties and employment policies are included in the Strategic Report.

Information about the directors' regard to the need to foster the company's business relationships with stakeholders is presented in the Strategic Report.

Information about the use of financial instruments by the Company is given in note 29 to the financial statements.

## Directors

The Directors who held office up to the date of signing, unless as stated, were as follows:

Diana Susan Miller  
John Kitzie (appointed 16 September 2020)  
David Hynam  
Richard Shepherd  
Stephen Horley  
Anne Torry  
Nicholas Kasmir  
Michael Gregory Reed (resigned 16 September 2020)  
Paul Nourse (resigned 31 July 2020)

None of the Directors had a material interest in any trading contract to which the Company was a party during the financial year.

## Dividends

During the year the Company paid a dividend of £70,000,000 (2020: £50,000,000). At the date of issue, no further dividend was proposed or declared by the Directors.

## Political Contributions

No political contributions were made in the current or prior year.

## 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.

## Streamlined energy and carbon reporting

Disclosures in respect of streamlined energy and carbon reporting (SECR) are available in the Group Annual Report which can be found on [www.homeserve.com](http://www.homeserve.com).

## Post balance sheet events

There have been no post balance sheet events identified since the year end.

# Directors' Report

---

## Auditor

Each of the persons who is a Director at the date of approval of this Annual Report 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/she ought to have taken as a Director in order to make himself/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 section 418(2) of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be re-appointed for another term and appropriate arrangements have been put in place for them to be deemed re-appointed as auditor in the absence of an AGM.

By order of the board



John Kitzie  
Chief Executive Officer  
8 July 2021



Nicholas Kasmir  
Chief Financial Officer  
8 July 2021

# Directors' Responsibilities Statement

---

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent Auditor's Report

---

Independent auditor's report to the members of HomeServe Membership Limited

Report on the audit of the financial statements

## Opinion

In our opinion the financial statements of HomeServe Membership Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

## 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such

# Independent Auditor's Report

---

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 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 company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating license under FCA regulation.

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

As a result of performing the above, we identified the greatest potential for fraud to be in relation to the calculation of revenue deferral provisions, and our specific procedures performed to address it are described below:

- Understood and evaluated the design and implementation of key controls within the revenue deferral process;
- Challenged the key inputs and assumptions used in the revenue deferral calculations;
- For cost per claim we compared budgeted costs to previous actual behaviour and investigated any unexpected differences;
- For claims profiles we substantively tested policy information and agreed underwriter rates to 3rd party information;
- We tested the integrity of the source reports used in order to ensure that they are complete and accurate; and
- We challenged the appropriateness of key judgements in light of COVID-19.

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

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

# Independent Auditor's Report

---

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Peter Birch FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Leeds, UK  
8 July 2021

# Income Statement

For The Year Ended 31 March 2021

	Notes	2021 £'000	2020 £'000
<b>Continuing operations</b>			
Revenue	4	324,664	349,656
Operating costs		(238,684)	(254,653)
<b>Operating profit</b>	6	<b>85,980</b>	<b>95,003</b>
Finance costs	9	(1,280)	(1,504)
<b>Adjusted profit before tax</b>		<b>84,700</b>	<b>93,499</b>
<b>Exceptional items</b>	8		
Restructuring costs		(213)	-
Impairment of intangible assets and associated costs		(84,740)	-
Impairment of amount due from subsidiary		-	(4,121)
<b>(Loss)/profit before tax</b>		<b>(253)</b>	<b>89,378</b>
Tax	10	(469)	(17,940)
<b>(Loss)/profit for the year attributable to the equity holders of the company</b>		<b>(722)</b>	<b>71,438</b>

A statement of comprehensive income is not presented, as there are no movements in other comprehensive income for the year (2020: £nil).

The notes on pages 18 to 52 are an integral part of these financial statements.

# Balance Sheet

As At 31 March 2021

	Notes	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Goodwill	12	37,486	37,486
Other intangible assets	13	36,951	129,452
Right of use assets	25	10,971	14,047
Property, plant and equipment	14	22,699	24,378
Investments	15	14,998	14,039
Deferred tax asset	18	7,177	-
Amounts receivable from other group undertakings	28	19,000	-
		<b>149,282</b>	<b>219,401</b>
<b>Current Assets</b>			
Inventories	16	1,733	1,763
Trade and other receivables	17	141,630	148,801
Current tax asset		689	-
Cash and cash equivalents		12,365	20,502
		<b>156,416</b>	<b>171,014</b>
<b>Total assets</b>		<b>305,699</b>	<b>390,415</b>
<b>Current Liabilities</b>			
Trade and other payables	19	(103,253)	(137,001)
Current tax liabilities		-	(711)
Lease liabilities	29	(3,425)	(4,952)
Bank loans and overdrafts		(12,152)	(52)
		<b>(118,830)</b>	<b>(142,664)</b>
<b>Net current assets</b>		<b>37,586</b>	<b>28,350</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	18	-	(7,956)
Deferred and contingent liabilities	15	(143)	-
Intercompany loans	28	(19,000)	-
Lease liabilities	29	(7,993)	(9,456)
		<b>(27,136)</b>	<b>(17,412)</b>
<b>Total liabilities</b>		<b>(145,967)</b>	<b>(160,075)</b>
<b>Net assets</b>		<b>159,732</b>	<b>230,339</b>
<b>Equity</b>			
Share capital	21	109	109
Share premium account	22	6,355	6,355
Capital redemption reserve	23	12	12
Retained earnings		153,256	223,863
<b>Total equity</b>		<b>159,732</b>	<b>230,339</b>

The financial statements of HomeServe Membership Limited, registered number 02770612, were approved by the board of Directors and authorised for issue on 8 July 2021. They were signed on its behalf by:



John Kitzie  
Chief Executive Officer  
8 July 2021



# Statement of Changes in Equity

For The Year Ended 31 March 2021

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
Balance at 1 April 2020		109	6,355	12	223,863	230,339
Loss for the year and comprehensive income		-	-	-	(722)	(722)
Tax on exercised share options		-	-	-	373	373
Dividends paid in the year	11	-	-	-	(70,000)	(70,000)
Deferred tax on share options	18	-	-	-	(259)	(259)
<b>Balance at 31 March 2021</b>		<b>109</b>	<b>6,355</b>	<b>12</b>	<b>153,256</b>	<b>159,732</b>

Year ended 31 March 2020

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
Balance at 1 April 2019		109	6,355	12	201,976	208,452
Profit for the year and comprehensive income		-	-	-	71,438	71,438
Tax on exercised share options		-	-	-	739	739
Dividends paid in the year	11	-	-	-	(50,000)	(50,000)
Deferred tax on share options	18	-	-	-	(290)	(290)
<b>Balance at 31 March 2020</b>		<b>109</b>	<b>6,355</b>	<b>12</b>	<b>223,863</b>	<b>230,339</b>

# Cash Flow Statement

For The Year Ended 31 March 2021

	Notes	2021 £000	2020 £000
<b>Net cash from operating activities</b>	<b>24</b>	<b>91,625</b>	<b>87,317</b>
<b>Investing activities</b>			
Proceeds on disposal of intangible assets		1,105	-
Purchases of intangible assets		(12,016)	(17,288)
Purchase of property, plant and equipment		(2,225)	(1,203)
Cash paid on acquisitions	<b>15</b>	(567)	-
<b>Net cash used in investing activities</b>		<b>(13,703)</b>	<b>(18,491)</b>
<b>Financing activities</b>			
Repayment of lease principal		(4,879)	(5,127)
Repayment of long term borrowings	<b>28</b>	(22,000)	-
Interest paid		(1,280)	(1,503)
Dividends paid	<b>11</b>	(70,000)	(50,000)
<b>Net cash used in financing activities</b>		<b>(98,159)</b>	<b>(56,631)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(20,237)</b>	<b>12,195</b>
<b>Cash and cash equivalents/(bank overdraft) at beginning of year</b>		<b>20,450</b>	<b>8,255</b>
<b>Cash and cash equivalents net of bank overdrafts at the end of the year</b>		<b>213</b>	<b>20,450</b>

The cash and cash equivalents net of bank overdrafts at the end of the year of £213,000 (2020: £20,450,000) are part of the Group revolving credit arrangement where any overdraft is secured on the cash balance of the other Group companies each month.

# Notes to the financial statements

Year ended 31 March 2021

## 1. General information

HomeServe Membership Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act. The address of the registered office is given in note 28.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

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. The financial statements have been prepared on the historical cost basis. When applicable, certain financial instruments will be measured at fair value at the end of each reporting period as explained in note 29.

### Adoption of new or revised standards and accounting policies

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

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 16	COVID-19 Related Rent Concessions
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

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

### Changes in accounting policies

The Company has historically valued inventory on a first-in, first-out (FIFO) basis net of any provisions. The policy of the Parent Company, and therefore Group of Companies, has recently adopted a change in policy to value stock on a weighted average cost ("WAC") basis. The nature of the inventory within the Group makes a WAC basis the most relevant inventory valuation approach. Given the value of inventory on 31 March 2021, the change in accounting policy is not material to the Company and therefore comparatives have not been restated.

### Standards in issue but not yet effective

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

IFRS 17	Insurance Contracts
Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 1	Classification of liabilities as Current or Non-Current
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before intended use
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements to IFRS	Standards 2018-2020 Cycle

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

# Notes to the financial statements

---

Year ended 31 March 2021

## 2. Significant accounting policies (continued)

### Going concern

The Directors have reviewed the Company's budget, forecast and cash flows for 2022 and beyond, and concluded that they are in line with their expectations with regards to the Company's strategy and future growth plans. In addition, the Directors have reviewed the Company'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 impact of Covid-19 has created a high degree of uncertainty for many businesses but the resilience of the Company's business model during times of previous economic crisis, its strong balance sheet and its healthy funding position provide a level of confidence for the future. The Company acted quickly and effectively enabling it to continue operating and respond to customers' home emergencies throughout the height of the COVID-19 pandemic in 2021. Key trading metrics remained strong over this period with, for example, retention rates remaining consistent with the prior year.

The Directors have concluded that they have a reasonable expectation that the Company 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.

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

The principal accounting policies adopted are set out below:

### 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 acquired.

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 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 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 Company 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 Company 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 less the net of the identifiable assets acquired and the liabilities assumed at the acquisition date.

Goodwill is not amortised but is reviewed for impairment annually or more frequently if there is an indication that it may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

# Notes to the financial statements

---

Year ended 31 March 2021

## 2. Significant accounting policies (continued)

Goodwill arising on acquisitions before the date of transition to IFRS 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 are 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 Company'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 Company 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 Company has collected the premium due on behalf of the third party underwriter from the policy holder.

### Revenue Recognition

The Company 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 Company 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 Company expects to be entitled and has present enforceable rights 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 Company allocates this to the identified performance obligations in proportion to their relative standalone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

Where available, observable prices of goods or services are utilised, when those goods or services are sold separately, to similar customers in similar circumstances. Where stand-alone selling price is not directly observable the Company applies judgment to determine an appropriate estimated standalone selling price, typically using an expected cost plus margin, adjusted market assessment or residual approach.

# Notes to the financial statements

---

Year ended 31 March 2021

## 2. Significant accounting policies (continued)

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

- i) whether allocating the variable amount entirely to part of the contract depicts the amount of consideration the Company expects to be entitled in exchange for transferring the promised goods or services to the customer; or
- ii) the terms of the variable payment relate specifically to satisfaction of an individual performance obligation.

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

### Revenue by category

The Company disaggregates revenue from contracts with policyholders between Net Policy Income and Repair Income as management believes this best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors. The following table outlines the principal activities from which the Company derives revenue and how it is recognised:

# Notes to the financial statements

Year ended 31 March 2021

## 2. Significant accounting policies (continued)

<b>Revenue stream</b>	<b>Nature and timing of satisfaction of performance obligations</b>	<b>Significant payment terms</b>
<b>Net Policy Income – Intermediary commissions</b>	<ul style="list-style-type: none"> <li>Includes commissions received for the obligation to sell policies, handle claims and provide administration services for underwriters. The Company satisfies its obligation to sell policies over time, recognising revenue as each policyholder is contracted on behalf of the underwriter.</li> </ul> <p>The transaction prices of the Company's arrangements with underwriters are entirely variable and measured based on the commission due to the Company 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 of 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 expected profile of anticipated 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 Company'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 Company provides to the underwriter, stated net of sales related taxes.</p>	<ul style="list-style-type: none"> <li>HomeServe receives its commission from its customer, the underwriter, in line with the payment terms of the underlying individual policyholder which are typically either billed and paid upfront or over the term of the contract.</li> </ul>
<b>Repair Income</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Billed and paid upon completion of the job</li> </ul>
<b>Royalty Income</b>	<ul style="list-style-type: none"> <li>Includes royalty fees received from HomeServe France SAS, HomeServe Spain SLU and HomeServe USA.</li> </ul>	<ul style="list-style-type: none"> <li>Billed and paid one month in arrears</li> </ul>

# Notes to the financial statements

---

Year ended 31 March 2021

## 2. Significant accounting policies (continued)

### Contract related assets and liabilities

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

- Trade receivables (see financial instruments accounting policies below)
- Accrued and deferred income

### Accrued and deferred income

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

### Operating profit

Operating profit is stated after charging all operating costs, but before investment income, and taxation.

### 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. Items which may be considered exceptional include, but are not limited to, disposals of businesses or significant assets, business restructurings, significant onerous contracts, asset write-downs/impairments and liability write-backs.

### Retirement benefit costs

The pension is accounted for in HomeServe plc, the ultimate parent company. The Group accounting policy and associated Group note on pensions is only disclosed in the financial statements of the Company in accordance to accounting standards.

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. Remeasurement recorded in the statement of comprehensive income is not recycled.

Past service cost is recognised immediately to the extent that the benefits are already vested, and is otherwise amortised on a straight-line basis over the average period until the benefits become vested. 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 adjusted for unrecognised past service cost, and 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.



# Notes to the financial statements

---

Year ended 31 March 2021

## 2. Significant accounting policies (continued)

### Taxation

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

Any tax currently payable is based on taxable profit for the year. The Company'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.

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 directly to equity, in which case the deferred tax is also dealt with in 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.

### 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	5 – 50 years
Furniture, fixtures and equipment	3 – 7 years
Computer equipment	3 – 5 years
Motor vehicles	3 years (with 25% residual value)

### Leasing

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

#### *Lease liabilities*

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

# Notes to the financial statements

---

Year ended 31 March 2021

## 2. Significant accounting policies (continued)

### *Right-of-use assets*

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

### *Variable rents*

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

### **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 Company 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 Company 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 customer policies that exist at the date of acquisition and are acquired by the Company: as part of a business combination; or where the former owners previously operated a business and the Company 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 life. Acquired customer databases are amortised on a straight-line basis over their estimated useful lives, which are in the range of 3 - 15 years.

#### *Other intangible assets*

Access rights arise from the contractual agreements with Affinity Partners which provide the contractual framework within which the Company 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 Company. 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 customer policies that have been created by our Affinity Partners through their own sales and marketing activity and subsequently purchased by the Company. Such customer databases are recorded at their fair value based on the amount paid to the Affinity Partner. These customer databases 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 2 - 10 years.

# Notes to the financial statements

---

Year ended 31 March 2021

## 2. Significant accounting policies (continued)

### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company 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 Company estimates the recoverable amount of the cash generating unit 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 cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit 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 cash-generating unit 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 cash-generating unit 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 materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is measured on a weighted average 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.

### Investments in subsidiaries

Investments in subsidiary undertakings are shown at cost less provision for impairment.

### Bank Cash/Overdraft and cash equivalents

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

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

### Trade payables

Trade payables are not interest-bearing and are stated at amortised cost.

### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that 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. When some or all of the economic benefits

# Notes to the financial statements

---

Year ended 31 March 2021

## 2. Significant accounting policies (continued)

required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Financial instruments

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

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

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

### Trade receivables

Trade receivables do not carry any interest and are stated at amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts, as the business model of the Company is to collect contractual cash flows and the debt meets the SPPI criterion. They are recognised when the Company'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 liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

### Share-based payments

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

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

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Where sensitivity analyses have been prepared below, management have determined that 15% 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.

# Notes to the financial statements

Year ended 31 March 2021

## 3. Critical accounting judgements and key sources of estimation uncertainty (continued)

### Critical accounting judgements

There are no critical accounting judgements to disclose.

### Key sources of estimation uncertainty

#### Claims fulfilment obligations

Regarding revenue recognition, a proportion of revenue is deferred to cover the Company's future obligations in respect of fulfilling 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 fulfilling a claim. The Company uses historical experience of claim volumes and forecast activity levels to estimate these assumptions. The total amount of revenue deferred at 31 March 2021 in respect of the Company's future claim fulfilment obligations is £19.3m (2020: £17.5m). If either of these assumptions were individually higher or lower than the Company's historical experience by 15% the impact to the profit in the year would be £2.9m (2020: £2.6m).

#### Policy Cancellations

Policies may be cancelled by the policyholder part way through the contractual term, which will affect the economic benefits that flow to the Company. Consequently, in accordance with IFRS 15, a refund liability is recognised to ensure that the related revenue is appropriately constrained at the point that the policy inception in order to ensure that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once the uncertainty associated with the possibility of cancellation is resolved. The total amount of revenue deferred at 31 March 2021 in respect of potential future cancellations is £7.8m (2020: £8.6m). The Company uses historical experience to ensure revenue is appropriately constrained analysing expected mid-term cancellation percentages and the period of cover remaining on the policy at the point of cancellation. The most significant estimation uncertainty within this judgement is the mid-term cancellation percentage (or, inversely, the rate at which policyholders are retained).

In the most recent five-year period the Company retention rate has not deteriorated from its current level, 78%, by more than 2 ppts, making it highly probable that a significant reversal of cumulative revenue will not occur. Consequently the reasonably probable' sensitivity analysis has focused on the upside' scenario only. Were cancellation rates to be 15% lower than the Company's historical experience the impacts to profit in the year would be £1.2m (2020: £1.3m).

#### Retirement benefit obligations

The Company participates in a defined benefit scheme, the Water Companies Pension Scheme, which is closed to new members. This is a sectionalised scheme and the Company participates in the HomeServe plc Section of the Scheme. Although the HomeServe plc Section is in a net £8.3m (FY20: £10.3m) surplus position, the position is subject to actuarial risks including, but not limited to: longevity risk, interest risk and inflationary risk. Sensitivities covering life expectancy, discount rates and inflation are included in note 27.

## 4. Revenue

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

	2021	2020
	£000	£000
Net Policy Income	235,029	251,630
Repair income	81,981	91,204
	317,010	342,834
Royalty income	7,654	6,822
	324,664	349,656

# Notes to the financial statements

Year ended 31 March 2021

## 4. Revenue (continued)

### Information about major customers

During the periods presented an underwriter was the main customer of the Company which accounted for over 90% of the Company's revenues:

	2021 %	2020 %
Customer 1	94.4	93.5
Other customers individually representing below 10% of the Company's revenue	5.6	6.5
	100	100

### Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) on the Company's multi-year arrangements with underwriters to sell policies, is £21.0m (2020: £18.9m), 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 Company's contract balances is as follows:

	2021 £'000	2020 £'000
Accrued income	1,822	1,535
Deferred income	21,011	18,946

All contract balances are classified as current. Accrued income contract assets primarily relate to services performed for customers 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.

# Notes to the financial statements

Year ended 31 March 2021

## 4. Revenue (continued)

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

	Accrued Income £000	Deferred Income £000
At 1 April 2019	1,633	21,237
Transfers to receivables	(1,633)	-
Revenue recognised from the opening balance	-	(21,237)
Revenue deferred not yet earned	-	18,946
Additions to accrued revenue	1,535	-
At 31 March 2020	1,535	18,946
Transfers to receivables	(1,535)	-
Revenue recognised from the opening balance	-	(18,946)
Revenue deferred not yet earned	-	21,011
Revenue earned not yet due	1,822	-
At 31 March 2021	1,822	21,011

Revenue recognised in 2021 and 2020 in relation to performance obligations satisfied (or partially satisfied) in previous periods was immaterial.

## 5. Business and geographical segments

The Company operates in one business segment and operates solely within the United Kingdom. However, revenue of £699,000 is earned on the Rangemaster policy book and this is underwritten by Fortegra who are domiciled in Malta.

## 6. Loss/Profit for the year

Loss/profit for the year has been arrived at after charging:

	Notes	2021 £000	2020 £000
<b>Included in operating costs:</b>			
Inventories recognised as expenses		5,871	7,809
Depreciation of property, plant and equipment	14	3,599	4,593
Depreciation of right of use assets	25	4,956	5,322
Amortisation of software licences	13	17,618	14,366
Amortisation of other intangibles	13	3,151	3,792
Expenses relating to leases of low value assets, excluding short term leases of low value assets		373	-
Expenses relating to variable lease payments not included in the measurement of lease liabilities		233	327
Expenses relating to short term lease payments not included in the measurement of lease liabilities		71	457
Staff costs	7	85,810	98,883
Loss on disposal of intangible assets		553	333
Loss on disposal of computer equipment		304	-
<hr/>			
		2021	2020
An analysis of auditor's remuneration is provided below:		£000	£000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements		190	179
<b>Total audit fees</b>		<b>190</b>	<b>179</b>

# Notes to the financial statements

Year ended 31 March 2021

## 6. Loss/Profit for the year (continued)

There were no fees payable to the Company's auditor for non-audit services in the year (2020: £nil).

## 7. Staff costs

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

	2021 Number	2020 Number
Average number of employees	2,246	2,601
Split:		
Sales and Marketing	476	555
Administration	373	369
Direct operations	1,397	1,677
	£000	£000
Their aggregate remuneration comprised:		
Wages and salaries	74,273	85,380
Social security costs	8,308	10,244
Other pension costs	3,229	3,264
	85,810	98,888

## 8. Exceptional items

### Impairment of intangible assets

The Company incurred exceptional impairment charges of £82,644,000 due to the full write down of the 'eServe' CRM system and recognised £2,096,000 of exceptional provisions related to onerous contracts associated with the eServe system. During the second half of the year additional capability issues came to light as more policies were introduced onto the system, meaning that the duration of the parallel run period alongside the legacy system would need to be extended. Following an extensive review of system capability and robustness and the ongoing operational needs of the business, the difficult decision was taken to revert the minority of customers on this platform back to the existing Ensura CRM system. This change results in an impairment charge being recognised for the asset's full carrying amount. Impairment and associated charges related to eServe have been classified as exceptional in the income statement due to their size, nature and incidence.

### Restructuring costs

There were charges of £213,000 incurred during the year relating to redundancy and other associated exit costs in respect of changes to the organisational structure of the business. These costs have been treated as exceptional due to their nature.

### Impairment of amount due from subsidiary

In 2020 there was £4,121,000 of exceptional costs incurred following an impairment of a net balance due from a subsidiary, HomeServe Heating Services Limited (HHS). The Company wrote off the net balance as HHS is no longer trading and had insufficient assets to settle the net debt due. There has been no change in 2021.



# Notes to the financial statements

Year ended 31 March 2021

## 9. Finance cost

	2021	2020
	£000	£000
Interest on bank and intercompany loans	862	1,058
Interest on lease liabilities	418	446
	<b>1,280</b>	<b>1,504</b>

## 10. Tax

	Notes	2021	2020
		£000	£000
Current tax		16,509	18,098
Adjustments in respect of prior years – current tax		(649)	(1,229)
Deferred tax	18	(15,391)	1,071
		<b>469</b>	<b>17,940</b>

UK corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year.

The UK Government in its 2021 Budget announced that the main UK corporate rate would be maintained at 19% until 31 March 2023, before being increased to 25% from 1 April 2023. This proposal was substantively enacted on 24 May 2021 when the Company's deferred taxes (see note 18) were re-measured accordingly. However, based on the Company's current deferred tax position this tax rate increase has not given rise to a material effect.

The £15.4m deferred tax credit in FY21 relates, in the main, to the exceptional write down of intangible assets (see Note 8), whereby the Company does not get an immediate current tax deduction but will continue to claim capital allowance deductions in future tax years and, as a consequence, has recognised a deferred tax asset (see Note 18).

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

	2021	2020
	£000	£000
(Loss)/Profit before tax	(253)	89,378
Tax at the UK corporation rate of 19% (2020: 19%)	(48)	16,982
Tax effect of expenses that are not deductible in determining taxable profit	1,166	2,187
Adjustments in respect of prior years – current tax	(649)	(1,229)
Tax expense for the year	<b>469</b>	<b>17,940</b>

# Notes to the financial statements

Year ended 31 March 2021

## 11. Dividends

	2021	2020
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Dividend for the year ended 31 March 2021 of £640.43 (2020: £457.46) per share	70,000	50,000

## 12. Goodwill

	£000
<b>Cost</b>	
At 1 April 2019	37,486
At 1 April 2020	37,486
At 31 March 2021	37,486
<b>Accumulated impairment losses</b>	
At 31 March 2021	-
<b>Carrying amount</b>	
At 31 March 2021	37,486
At 31 March 2020	37,486

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit (CGU) that is expected to benefit from that business combination. CGUs are defined as geographical territories as they represent the smallest identifiable group of assets that generate cash inflows. The Company, which is considered a single CGU, tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGU is determined from a value in use calculation. None of the Goodwill is expected to be deducted for tax purposes.

The key assumptions for the value in use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the period. Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money. The growth rates are based on detailed business plans. Changes in selling prices and direct costs are based on expectations of future changes in the market.

The Company 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 flow using estimated, long-term growth rates. The pre-tax rates used to discount the forecast pre-tax cash flows are 10.4% (2020: 9.8%).

The Company has conducted a sensitivity analysis on the impairment test of the CGU's carrying value, which also reflects the different risk profile of the CGU. The Company 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.

The UK CGU does not contain any intangible assets, with the exception of goodwill, with indefinite useful economic lives. The long-term growth rate is 2% (2020: 2%).

# Notes to the financial statements

Year ended 31 March 2021

## 13. Other intangible assets

Acquisition intangibles represent non-monetary assets arising on business combinations, and also include acquired access rights and acquired customer databases.

	Acquired customer databases	Acquired access rights	Total acquired intangibles	Software	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
<b>At 31 March 2019</b>	24,021	22,562	46,583	163,813	210,396
Additions	-	-	-	13,855	13,855
Disposals	-	-	-	(2)	(2)
Write-offs	(184)	-	(184)	-	(184)
<b>At 31 March 2020</b>	23,837	22,562	46,399	177,665	224,064
Additions	1	250	251	12,318	12,569
Disposals	-	-	0	(2,435)	(2,435)
Write-offs	(130)	-	(130)	-	(130)
<b>At 31 March 2021</b>	23,708	22,812	46,520	187,548	234,068
<b>Accumulated amortisation</b>					
<b>At 31 March 2019</b>	7,136	20,955	28,091	48,365	76,457
Charge for the year	2,914	877	3,792	14,366	18,158
Disposals	-	-	-	(2)	(2)
<b>At 31 March 2020</b>	10,050	21,833	31,883	62,729	94,612
Charge for the year	2,773	377	3,150	17,618	20,768
Disposals	(53)	-	(53)	(854)	(907)
Impairment (note 8)	-	-	-	82,644	82,644
<b>At 31 March 2021</b>	12,770	22,210	34,980	162,137	197,117
<b>Carrying amount</b>					
<b>At 31 March 2020</b>	13,787	729	14,516	114,936	129,452
<b>At 31 March 2021</b>	10,938	602	11,540	25,411	36,951

As at 31 March 2021 there were £82.6m of intangible assets that are considered to be fully impaired following the decision to withdraw support for on-going development of a Customer Relationship Management (CRM) system.

Acquired customer databases includes a carried value of £4.0m (2020: £4.7m) in respect of the purchase of the npower's contracts business performed during FY17 which still has 5.7 years of remaining amortisation. It also includes £3.4m (2020: £4.6m) related to the acquisition of AA during FY18 which still has 3 years of remaining amortisation.

Assets with a net book value of £1,658,000 were disposed of or written down with £1,105,000 proceeds having been received resulting in a loss on disposal of £553,000.

# Notes to the financial statements

Year ended 31 March 2021

## 14. Property, plant and equipment

	Land and buildings £000	Furniture, fixtures and equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>					
At 31 March 2019	30,031	8,525	20,091	923	59,570
Additions	158	532	512	-	1,203
Disposal	(133)	(27)	(109)	-	(269)
<b>At 31 March 2020</b>	<b>30,056</b>	<b>9,030</b>	<b>20,495</b>	<b>923</b>	<b>60,504</b>
Additions	291	60	1,874	-	2,225
Disposal	-	-	(1,136)	-	(1,136)
<b>At 31 March 2021</b>	<b>30,347</b>	<b>9,090</b>	<b>21,233</b>	<b>923</b>	<b>61,593</b>
<b>Accumulated depreciation</b>					
At 31 March 2019	11,058	6,534	13,250	812	31,654
Charge for the year	962	709	2,834	88	4,593
Disposal	(60)	(14)	(46)	0	(120)
<b>At 31 March 2020</b>	<b>11,960</b>	<b>7,229</b>	<b>16,038</b>	<b>900</b>	<b>36,127</b>
Charge for the year	933	638	2,009	19	3,599
Disposal	-	-	(832)	-	(832)
<b>At 31 March 2021</b>	<b>12,893</b>	<b>7,867</b>	<b>17,215</b>	<b>919</b>	<b>38,894</b>
<b>Carrying amount</b>					
<b>At 31 March 2021</b>	<b>17,454</b>	<b>1,223</b>	<b>4,017</b>	<b>5</b>	<b>22,699</b>
<b>At 31 March 2020</b>	<b>18,097</b>	<b>1,801</b>	<b>4,456</b>	<b>24</b>	<b>24,378</b>

At the balance sheet date, there are no contractual commitments for the purchase of property, plant and equipment (2020: £nil).

Assets with a net book value of £304,000 were disposed of with nil proceeds resulting in a loss on disposal.

## 15. Investments

The Company is exempt from preparing group Financial Statements by virtue of Section 400 of the Companies Act 2006, as it is a subsidiary of a UK parent (note 28). The Financial Statements present information about the Company as an individual company and not about its group.

All interests in subsidiaries are in ordinary share capital, with their registered address at Cable Drive, Walsall, WS2 7BN. Details of the Company's subsidiaries at 31 March 2021 are as follows:

# Notes to the financial statements

Year ended 31 March 2021

## 15. Investments (continued)

Name of direct subsidiary	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest %	Proportion of control held %
HomeServe at Home Limited (No. 4186398)	Dormant	England	100	100
Home Energy Services Limited	Non-Trading	England	100	100
HomeServe Heating Services Limited	Non-Trading	England	100	100
247999 Limited (No. 7183505)	Dormant	England	100	100
Energy Insurance Services Limited	Trading	England	100	100
Help-Link UK Limited	Trading	England	100	100
Aqua Plumbing & Heating Services Ltd	Trading	England	100	100

The movement in Investments is as follows:

	£000
<b>Cost</b>	
At 1 April 2019	14,039
At 1 April 2020	14,039
Additions	959
<b>At 31 March 2021</b>	<b>14,998</b>
<b>Provision for impairment</b>	
<b>At 1 April 2020 and 31 March 2021</b>	
<b>Net Book Value</b>	
<b>At 31 March 2021</b>	<b>14,998</b>
<b>At 31 March 2020</b>	<b>14,039</b>

On 31 December 2020 the Company acquired 100% of the issued share capital and obtained control of Aqua Plumbing & Heating Services Ltd (Aqua). Aqua is a heating and boiler installations business based in Hampshire. The consideration was in line with the carrying value and was in the form of a cash payment of £567,000, a deferred consideration of £100,000 and a contingent consideration of £292,000 for 100% of the share capital.

## 16. Inventories

On 1 April 2020 the Company changed how it valued the cost of inventory. Previously cost of inventory was valued using first-in first-out (FIFO) but in order to align the Company with the Group, inventory cost is now valued using the weighted average cost methodology. The value of inventory at 31 March 2020 has not been restated as the impact of the change is deemed to be immaterial.

	2021	2020
	£000	£000
Consumables	1,733	1,763

# Notes to the financial statements

Year ended 31 March 2021

## 17. Financial assets

### Trade and other receivables

	Notes	2021 £000	2020 £000
Amounts receivable for the provision of services		131,698	138,338
Amounts owed by other Group undertakings	28	3,853	4,429
Other debtors		12	1,296
Prepayments and accrued income		6,067	4,737
		<b>141,630</b>	<b>148,801</b>

The balance of the financial items classified as amortised cost in 2021 is £137m (2020: £149m) and is measured at amortised cost.

No interest is charged on the receivables.

The Company has provided fully for those receivable balances that it does not expect to recover. This assessment has been undertaken by reviewing the status of all significant balances that are past due and involves assessing both the reason for non-payment and the credit worthiness of the counterparty.

Included in the Company's trade receivable balance are debtors with a carrying amount of £186,000 (2020: £208,000) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances.

Ageing of past due net of expected credit losses:

	2021 £000	2020 £000
1 – 30 days	156	47
31 – 60 days	9	-
61 – 90 days	21	161
Balance at 31 March past due	186	208
Current	131,512	138,130
Balance at 31 March	<b>131,698</b>	<b>138,338</b>

Movement in expected credit losses:

	2021 £000	2020 £000
At 1 April	59	8
Amounts recovered during the year	(64)	(14)
Impairment provision recognised	79	65
Impairment provision utilised	(38)	-
Balance at 31 March	<b>36</b>	<b>59</b>

# Notes to the financial statements

Year ended 31 March 2021

## 17. Financial assets (continued)

### Trade and other receivables

Where the Company contracts directly with the consumer of its services, the counterparty to the financial asset in question is the primary driver of the Company's credit exposure. Where the Company acts as an insurance intermediary, the counterparty to the financial asset in question (the underwriter) is not the primary driver of the Company'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 Company'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. 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 15% higher than expected.

Trade receivables and accrued income are subject to impairment using the expected credit loss model. The Company 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 Company'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.

Ageing of impaired trade receivables:

	2021	2020
	£000	£000
1 – 30 days	-	-
31 – 60 days	-	-
61 – 90 days	-	-
91 days +	36	59
	36	59

In the current and prior year, the age of amounts receivable from Group companies is current. As disclosed in note 28, no provisions are necessary in respect of amounts owed by related parties, as none of these balances are considered doubtful.

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

### Other debtors

Other receivables principally comprise deposits, tax balances due to the Company and other non-trading items. No expected credit loss allowance was recognised at 31 March 2021 or 31 March 2020 and no charge was reported in the income statement. No other receivable balances were considered past due but not impaired.

# Notes to the financial statements

Year ended 31 March 2021

## 18. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior year. No deferred tax is recognised on asset acquisitions.

	Accelerated tax depreciation £000	Elected goodwill deductions £000	Share schemes £000	Acquired intangible assets £000	Total £000
At 1 April 2019	(6,588)	-	1,392	(1,398)	(6,594)
Charge to income	(876)	-	(195)	-	(1,071)
Charge to equity	-	-	(290)	-	(290)
At 31 March 2020	(7,464)	-	906	(1,398)	(7,956)
(Charge)/Credit to income	15,719	-	(327)	-	15,392
Charge to equity	-	-	(259)	-	(259)
At 31 March 2021	8,255	-	320	(1,398)	7,177

## 19. Current liabilities – Trade and other payables

	Notes	2021 £000	2020 £000
Trade creditors and accruals		37,750	44,257
Amounts owed to other Group undertakings	28	6,800	28,608
Deferred income		21,011	18,946
Refund liability		7,803	8,574
Taxes and social security, excluding current tax		2,780	3,014
Deferred and contingent consideration		250	-
Provisions	20	2,531	566
Other creditors		24,327	33,036
		103,253	137,001

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 70 days (2020: 81 days).

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

Refund liabilities represent provision 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 Company. A provision is made to ensure that the related revenue is not recognised at the point that the policy incepts.

The Directors consider that the carrying amount of trade creditors, accruals, deferred consideration and other creditors meeting the definition of financial instruments approximates to their fair values.



# Notes to the financial statements

Year ended 31 March 2021

## 20. Provisions

Movements in provisions during the year ended 31 March 2021 are disclosed below:

	Restructuring costs £'000	Other £'000	Total Provisions £'000
At 1 April 2019	3,344	-	3,344
Created	769	335	1,103
Utilised	(3,882)	-	(3,882)
<b>At 1 April 2020</b>	<b>231</b>	<b>335</b>	<b>566</b>
Created	824	4,713	5,537
Utilised	(937)	(1,787)	(2,724)
Released	(118)	(730)	(848)
<b>At 31 March 2021</b>	<b>-</b>	<b>2,531</b>	<b>2,531</b>

Where material, provisions are discounted based on an approximation for the time value of money. The amount and timing of the cash outflows are subject to variation. Provisions are mostly expected to be utilised over the next twelve months, with some residual onerous lease provision remaining at the end of 2022.

### Restructuring costs

These are mostly related to redundancies and other associated charges incurred in respect of changes to the organisation design of the UK business. The provision created in the year ended 31 March 2020 and the provision created in this financial year was utilised or released during the course of the year.

### Other

£2,096,000 relates to onerous contracts identified with the full impairment of the eServe intangible asset (note 8).

Provisions created of £2,517,000 related to the costs associated with a customer re-contact exercise which was completed during the year, with a utilisation of £1,787,000 and a subsequent release of £730,000.

£434,000 relates to de-fleet costs for certain lease vehicles. The amounts are based on expected costs to return the vehicles to a condition as contractually agreed with the lessor. The provision is expected to be utilised over the next three years.

## 21. Share capital

	2021 £000	2020 £000
Authorised, Issued and fully paid:		
109,300 ordinary shares of £1 each	109	109

The Company has one class of ordinary shares, which carries no right to fixed income.

Share capital represents consideration received for the nominal value of £1 per share on all issued and fully paid shares.

# Notes to the financial statements

Year ended 31 March 2021

## 22. Share premium account

	£000
At 31 March 2020 and 31 March 2021	6,355

The share premium account represents consideration received for authorised and issued shares in excess of the nominal value of £1 per share.

## 23. Capital redemption reserve

	£000
At 31 March 2020 and 31 March 2021	12

The capital redemption reserve arose on the redemption of 12,000 £1 redeemable preference shares on 1 July 2002.

## 24. Notes to the cash flow statement

	2021 £000	2020 £000
Operating profit	85,980	95,002
Adjustments for:		
Loss on disposal of property, plant and equipment	303	333
Loss on disposal of right of use assets	10	166
Loss on disposal of intangible assets	553	-
Depreciation of property, plant and equipment	3,599	4,593
Amortisation of intangible assets	20,769	18,158
Depreciation of right of use assets	4,956	5,322
Share-based payments expense	381	1,176
Impairment loss	82,644	-
Impact of exceptional items	(84,953)	(4,121)
<b>Operating cash flows before movements in working capital</b>	<b>114,242</b>	<b>120,029</b>
Decrease in receivables	7,171	6,755
Decrease in inventories	30	277
Decrease in payables	(12,930)	(20,233)
<b>Cash generated by operations</b>	<b>108,512</b>	<b>107,428</b>
Income taxes paid	(16,887)	(20,111)
<b>Net cash from continuing operating activities</b>	<b>91,625</b>	<b>87,317</b>

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short term bank deposits with an original maturity of three months or less.

	£000
Cash and cash equivalents as per the balance sheet	12,365
Bank loans and overdrafts as per the balance sheet	(12,152)
<b>Cash and cash equivalents net of bank overdrafts as at the end of the year</b>	<b>213</b>

# Notes to the financial statements

Year ended 31 March 2021

## 24. Notes to the cash flow statement (continued)

Of the total cash and cash equivalents balance held £134,000 (2020: £1,373,000) is not available for use by the Company due to the restrictions stipulated within the Company's contractual relationships with underwriters.

Reconciliation of movements in liabilities arising from financing	Bank and other loans
At 1 April 2019	
Loan Value	22,000
Interest expensed	1,058
Interest paid	(1,058)
At 31 March 2020	22,000
Loan Repaid	(22,000)
Interest expensed	863
Interest paid	(863)
Proceeds from new loans and borrowings	(19,000)
As 31 March 2021	(19,000)

## 25. Leasing

The following disclosures for the year ended 31 March 2021 are presented in accordance with IFRS 16.

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

### Right of use assets

	Properties £000	Motor vehicles £000	IT & other £000	Total £000
<b>Cost</b>				
Additions on transition	6,300	7,098	56	13,454
Additions	-	6,081	-	6,081
Disposals	-	(479)	-	(479)
At 31 March 2020	6,300	12,700	56	19,056
Additions	-	1,963	-	1,963
Disposals	-	(843)	-	(843)
At 31 March 2021	6,300	13,820	56	20,176
<b>Accumulated depreciation</b>				
Depreciation on transition	-	-	-	-
Charge for the year	739	4,554	29	5,322
Disposals	-	(312)	-	(312)
At 31 March 2020	739	4,241	29	5,009
Charge for the year	671	4,259	27	4,957
Disposals	-	(760)	-	(760)
At 31 March 2021	1,410	7,740	56	9,206
<b>Carrying amount</b>				
At 31 March 2021	4,890	6,081	-	10,971
At 31 March 2020	5,561	8,459	27	14,047

# Notes to the financial statements

---

Year ended 31 March 2021

## 25. Leasing (continued)

Amounts recognised in the income statement are disclosed in notes 6 and 9 respectively. A maturity analysis of the contractual undiscounted cash flows associated with lease liabilities is provided in note 29. The total cash outflow for leases for the year ended 31 March 2021 was £5.3m, representing £4.9m of principal repayments and £0.4m of interest charges on outstanding lease liabilities.

Additionally, as at the balance sheet date, leases with a contract commitment of £0.6m have been ordered but not yet delivered.

In addition to the amount expended in respect of 'right of use' assets, there were further expenses for other leases not held on the balance sheet.

Operating lease payments principally represent rentals payable by the Company for certain buildings, motor vehicles and office equipment. The leases have varying terms and some have renewal options.

## 26. Share based payments

During the year ended 31 March 2021, the Company participated in two (2020: three) share-based payment arrangements through its ultimate parent company, HomeServe plc, which are described below:

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

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

From July 2020, 50% of each performance award is subject to a Cumulative Profits Measure performance condition and the remaining 50% is subject to comparative Total Shareholder Return performance.

### ii) Save As You Earn Scheme ('SAYE')

The SAYE was open to all UK employees and provided for an exercise price equal to the closing quoted market price on the day before the date of grant, less a discretionary discount. The options can be exercised during a six month period following the completion of either a three or five year savings period. There were no awards made in the year (FY20: nil) as the scheme is now closed.

### iii) One Plan

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

# Notes to the financial statements

Year ended 31 March 2021

## 26. Share based payments (continued)

	LTIP	ONE PLAN
<b>2021</b>		
<b>Number</b>		
Outstanding at 1 April 2020	576,753	67,978
Granted	88,213	33,054
Lapsed	-	-
Transferred	(8,460)	(1,513)
Forfeited	(7,624)	(8,953)
Exercised	(301,186)	(22,169)
Outstanding at 31 March 2021	347,696	68,397
Exercisable at 31 March 2021	3,094	-
<b>Weighted average exercise price (£)</b>		
£0.01 to £0.99	-	-
£1.00 to £1.99	-	-
£2.00 to £2.99	-	-
£3.00 to £3.99	-	-
Weighted average remaining contractual life	2	2
Weighted average fair value of options awarded in 2021	£11.13	£11.82

**Weighted average share price at exercise date** **£12.91**

# Notes to the financial statements

Year ended 31 March 2021

## 26. Share based payments (continued)

	LTIP	SAYE	ONE PLAN
<b>2020</b>			
<b>Number</b>			
Outstanding at 1 April 2019	1,032,719	27,338	70,930
Granted	129,286	-	27,462
Lapsed	(1,418)	-	-
Transferred	7,714	-	(1,545)
Forfeited	(74,663)	(1,879)	(11,474)
Exercised	(516,885)	(25,459)	(17,395)
Outstanding at 31 March 2020	576,753	-	67,978
Exercisable at 31 March 2020	4,103	-	-
<b>Weighted average exercise price (£)</b>			
Outstanding at 1 April 2019	-	£3.35	-
Granted	-	-	-
Lapsed	-	-	-
Transferred	-	-	-
Forfeited	-	£3.35	-
Exercised	-	£3.35	-
Outstanding at 31 March 2020	-	£0.00	-
Exercisable at 31 March 2020	-	£0.00	-
<b>Range of weighted average exercise price of options outstanding at 31 March</b>			
£0.01 to £0.99	-	-	-
£1.00 to £1.99	-	-	-
£2.00 to £2.99	-	-	-
£3.00 to £3.99	-	-	-
Weighted average remaining contractual life	2	-	2
Weighted average fair value of options awarded in 2020	£10.58	n/a	£11.99

### Weighted average share price at exercise date

£11.83

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

Input	Assumption
Share price	Price at date of grant
Exercise price	Per scheme rules
Expected volatility	22% – 35%
Option life	Per scheme rules
Expected dividends	Based on historic dividend yield
Risk free interest rate	0.0% – 1.0%

Levels of early exercises and lapses are estimated using historical averages. Volatility is calculated by looking at the historical share price movements prior to the date of grant over a period of time commensurate with the remaining term for each award.

The Company recognised total expenses of £381,000 (2020: £1,192,000) related to equity-settled share-based payment transactions.

# Notes to the financial statements

Year ended 31 March 2021

## 27. Retirement benefit schemes

### Defined contribution schemes

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the scheme within two years of joining and they choose to take a refund, the contributions paid by the Company are forfeited by the employee.

The total cost charged to the income statement of £3,229,000 (2020: £3,264,000) represents contributions payable to the schemes by the Company at rates specified in the rules of the schemes. At 31 March 2021, contributions of £561,000 (2020: £577,000) due in respect of the current reporting period had not been paid over to the schemes.

### Defined benefit scheme

The Company participates in a defined benefit scheme, the Water Companies Pension Scheme, which is closed to new members and accounted for in HomeServe plc. This is a sectionalised scheme and the Company participates in the HomeServe plc Section of the Scheme. The Section is administered by a Trustee and is independent of the Company's finances. Contributions are paid to the Section in accordance with the recommendations of an independent actuary. Each member's pension at retirement is related to their pensionable service and pensionable salary, and the weighted average duration of the expected benefit payments from the Section is around 19 years (FY20: 18 years).

### GMP equalisation

On 26 October 2018 a High Court case in the UK confirmed that Guaranteed Minimum Pensions (GMP) need to be equalised between male and female pension scheme members. The Court did not specify the method to use to equalise GMP but did set out a number of possible approaches. Prior to this date the Group had excluded GMP equalisation from the valuation of scheme liabilities. In FY19 an allowance was made resulting in a past service cost of £0.1m being recorded. On 20 November 2020 the High Court concluded that pension schemes should pay uplifts in respect of members who had transferred benefits out in the past (back to 17 May 1990), where those benefits were not equalised in line with the 2018 judgement. An estimate of the potential costs of these uplifts has been recorded in the income statement totalling £15,000.

The results of the actuarial valuation as at 31 March 2020 were updated to the accounting date by a qualified independent actuary in accordance with IAS 19. Re-measurements are recognised immediately through other comprehensive income.

	Valuation at	
	2021	2020
Key assumptions used:		
Discount rate at 31 March	2.1%	2.5%
Consumer price inflation	3.0%	1.9%
Retail price inflation	3.5%	2.9%
Expected rate of salary increases	3.0%	1.9%
Future pension increases	3.0%	1.9%
Life expectancy of female aged 60 at balance sheet date	29.2yrs	29.0yrs
Life expectancy of male aged 60 at balance sheet date	27.5yrs	27.6yrs

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

# Notes to the financial statements

Year ended 31 March 2021

## 27. Retirement benefit schemes (continued)

The following table illustrates the sensitivity of the WCPS defined benefit obligation to some of the significant assumptions as at 31 March 2021, all other things being equal:

	£m
Price inflation -1%	(5.6)
Price inflation +1%	7.3
Discount rate -1%	8.0
Discount rate +1%	(6.1)
Life expectancy -1 year	(1.2)
Life expectancy +1 year	1.2

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

	2021 £'000	2020 £'000
Current service cost	85	121
Section expenses	49	32
Interest income	(288)	(181)
Past service cost	15	-
	(139)	(28)

Defined benefit transactions are held at PLC level. As stated in Note 2, no balance sheet items are held in HomeServe Membership Limited.

The actual return on scheme assets was a gain of £4,018,000 (2020: loss of £2,579,000).

The amount included in the Group's balance sheet arising from the Group's obligations in respect of its defined benefit retirement scheme is as follows:

	2021 £'000	2020 £'000
Present value of defined benefit obligations	(35,651)	(27,075)
Fair value of scheme assets	43,963	37,366
Surplus in scheme	8,312	10,291

The net asset recognised in the Group 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.



# Notes to the financial statements

Year ended 31 March 2021

## 27. Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations in the current year were as follows:	2021 £'000	2020 £'000
At 1 April	27,075	31,086
Employer's part of the current service cost	85	121
Interest cost	669	737
Contributions from scheme members	25	30
Actuarial losses/(gains) due to:		
- Changes in financial assumptions loss/(gain)	8,547	(3,725)
- Changes in demographic assumptions	87	-
- Experience adjustments on benefit obligations	(208)	(545)
Benefits paid	(644)	(629)
Past service cost	15	-
At 31 March	35,651	27,075

Movements in the fair value of scheme assets in the current year were as follows:	2021 £'000	2020 £'000
At 1 April	37,366	37,450
Interest on Section assets	957	918
Actual return less interest on Section assets	4,018	(2,579)
Contributions from the employer	2,290	2,208
Contributions from scheme members	25	30
Benefits paid	(693)	(661)
At 31 March	43,963	37,366

The amount recognised outside the income statement in the statement of comprehensive income for 2021 is a loss of £4,408,000 (2020: gain of £1,691,000). The cumulative amount recognised outside the income statement at 31 March 2021 is a loss of £8.4m (2020: loss of £4.0m).

	Fair Value of Assets	
The analysis of the scheme assets at the balance sheet date was as follows:	2021 £'000	2020 £'000
Equity instruments	17,727	13,015
Diversified growth funds	4,838	4,009
Liability driven investment funds	12,746	20,332
Absolute return bonds	8,544	-
Other	108	10
	43,963	37,366

The majority of the Section 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 £2,300,000 (2021: actual £2,290,000) plus any Pension Protection Fund levy payable.

# Notes to the financial statements

Year ended 31 March 2021

## 28. Related party transactions

### Ultimate Parent Company

The immediate parent company is HomeServe Assistance Limited. The ultimate parent and controlling party is HomeServe plc registered in England and Wales. The only group in which the results of HomeServe Membership Limited are consolidated is that headed by HomeServe plc, as per Section 400 of the Companies Act 2006, see note 15. The consolidated financial statements of the Group and the financial statements of the Company are available to the public and may be obtained from Cable Drive, Walsall, WS2 7BN, which is the registered office of both the Company and the ultimate parent Company.

### Trading transactions

During the year, the Company entered into the following transactions with other Group Companies:

The Company paid a dividend of £70,000,000 (2020: £50,000,000) to HomeServe Assistance Limited.

The Company incurred management recharges of £2,502,000 from HomeServe plc (2020: £2,157,000).

The Company repaid a loan for £22,000,000 to Homeserve Enterprises Limited.

The Company borrowed £19,000,000 from HomeServe Assistance Limited and in turn loaned £19,000,000 to Help-Link UK Limited to support a re-financing exercise and settlement of a long term overdraft facility.

The Company incurred gas materials and servicing recharges of £1,937,000 from Help-Link UK Limited (2020: £1,829,000).

The Company paid £381,000 (2020: £1,192,000) to HomeServe plc in relation to share schemes pertaining to HomeServe plc shares issued to HomeServe Membership Limited employees.

The Company received royalty fee and other income of £7,654,000 from HomeServe France SAS, HomeServe Spain SLU and Home Service USA Corporation (2020: £6,821,000).

### Related Party Balances

Company	Amounts owed by related parties		Amounts owed to related parties	
	2021 £000	2020 £000	2021 £000	2020 £000
Home Energy Services Limited	1,140	1,140	5,754	5,754
HomeServe plc	88	251	550	337
HomeService USA Corp	659	679	179	-
HomeServe Labs Limited	178	571	-	-
HomeServe France	304	328	-	-
HomeServe Spain	44	16	-	-
Help-Link Limited	1,071	1,134	317	518
Energy Insurance Services Limited	288	290	-	-
Checkatrade Limited	-	20	-	-
HomeServe Enterprises Limited	-	-	-	22,000
HomeServe Now	81	-	-	-
<b>Current liabilities / assets</b>	<b>3,853</b>	<b>4,429</b>	<b>6,800</b>	<b>28,609</b>
HomeServe Assistance Limited	-	-	19,000	-
Help-Link Limited	19,000	-	-	-
<b>Non-current liabilities / assets</b>	<b>19,000</b>	<b>-</b>	<b>19,000</b>	<b>-</b>

# Notes to the financial statements

Year ended 31 March 2021

## 28. Related party transactions (continued)

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. No interest is charged on amounts owed to or owed by related parties with the exception of the monthly interest applied on the £19,000,000 intercompany loan payable to Homeserve Assistance Limited and the £19,000,000 intercompany loan receivable from Help-link Limited. The loan bearing a 3 month LIBOR+3% interest rate was signed on 18 March 2021 and is repayable in 5 years from the date of signature.

### Directors' transactions

There were no transactions with Directors requiring disclosure in either the current or prior year.

### 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:

	2021	2020
	£000	£000
Short-term employee benefits	1,641	1,774
Post-employment benefits	56	63
Termination payment	660	-
Share-based payment	58	669
	2,415	2,506

During the year five (2020: five) Directors received post-employment benefits related to the defined contribution pension-scheme.

The highest paid Director received emoluments of £789,000 (2020: £635,000). Pension allowance to individual money purchase schemes on behalf of this Director amounted to nil (2020: Pension contributions of nil and Pension allowance of £30,000).

During the year three (2020: four) Directors exercised share options. The highest paid Director exercised share options relating to the ordinary shares of HomeServe plc, the ultimate parent Company of £555,000 (2020: £622,000).

## 29. Financial instruments

### Principal financial instruments

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

Type of financial instrument	IFRS 9 classification	Carrying amount at 31 March 2021 (£'000)
<b>Current financial assets</b>		
Cash and cash equivalents	Amortised cost	213
Trade and other receivables	Amortised cost	141,630
Intercompany loan	Amortised cost	19,000
<b>Current financial liabilities</b>		
Trade and other payables	Amortised cost	102,960
Intercompany loan	Amortised cost	19,000

# Notes to the financial statements

Year ended 31 March 2021

## 29. Financial instruments (continued)

All financial instruments are stated at amortised cost.

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 derived from quoted 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; and
- 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 Company has no financial instruments with fair values that are determined by reference to Level 1 or Level 2 and there were no transfers of assets or liabilities between levels during the period. There are no non-recurring fair value measurements.

The Company holds one Level 3 financial instrument at fair value. This represents contingent consideration on the acquisition of Aqua Plumbing and Heating Services during the year and is valued at £292,000 and interest of £1,000.

For all financial instruments held at amortised cost, the carrying value is considered to be equivalent to the fair value.

### Capital risk management

The Company manages its capital to ensure that it is able to continue as 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 2, cash and cash equivalents in the Cash Flow Statement and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 21, 22, 23, and the Company Statement of Changes in Equity.

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

	2021 £000	2020 £000
Shareholders' funds	159,732	230,339
Cash and cash equivalents	12,365	20,450
Bank loans and overdrafts	(12,152)	-
Intercompany loans	19,000	22,000

The company is subject to externally imposed capital requirements from the Financial Conduct Authority. The company manages the risk through the close monitoring of performance and distributable capital within the company impacted by the regulations. The company has complied with all such arrangements throughout the current and preceding year.

### Financial risk management objectives

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

The main risks arising from the Company's financial instruments are credit risk and liquidity risk.

# Notes to the financial statements

Year ended 31 March 2021

## 29. Financial instruments (continued)

The maturity profile of the Company's financial liabilities is provided in the following table:

	Loans	Bank loans and overdrafts	Trade payables	Deferred and contingent consideration	Other creditors	Lease liabilities	Total
	£000	£000	£000	£000	£000	£000	£000
<b>2021</b>							
Under 2 months	-	12,152	36,584	-	22,990	662	72,388
Between 2 to 6 months	-	-	3,644	-	1,337	1,486	6,467
Between 6 and 12 months	-	-	3,517	250	-	1,653	5,420
Between 1 and 2 years	-	-	23	150	-	2,997	3,170
Between 2 and 5 years	19,000	-	69	-	-	3,629	22,698
Greater than 5 years	-	-	713	-	-	1,819	2,532
<b>Total</b>	<b>19,000</b>	<b>12,152</b>	<b>44,550</b>	<b>400</b>	<b>24,327</b>	<b>12,246</b>	<b>112,675</b>

	Loans	Bank loans and overdrafts	Trade payables	Deferred and contingent consideration	Other creditors	Lease liabilities	Total
	£000	£000	£000	£000	£000	£000	£000
<b>2020</b>							
Under 2 months	-	-	41,642	-	19,412	766	61,820
Between 2 to 6 months	-	-	4,172	-	13,624	1,910	19,706
Between 6 and 12 months	22,000	-	5,051	-	-	2,276	29,327
Between 1 and 2 years	-	-	-	-	-	3,143	3,143
Between 2 and 5 years	-	-	-	-	-	3,847	3,847
Greater than 5 years	-	-	-	-	-	2,466	2,466
<b>Total</b>	<b>22,000</b>	<b>-</b>	<b>50,865</b>	<b>-</b>	<b>33,036</b>	<b>14,407</b>	<b>120,308</b>

In the current and prior year, the age of amounts payable to Group companies is under 2 months with the exception of the intercompany loan which is payable between 1 and 5 years.

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

### Credit risk

The Company trades only with creditworthy third parties and fellow subsidiary undertakings. It is the Company's policy that customers who wish to trade on credit terms are reviewed for financial stability.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents the Company's exposure to credit risk arises from default of the Counterparty.

The Company manages the risk associated with cash and cash equivalents through depositing funds only with reputable and credit worthy banking institutions.

The Company has a maximum exposure equal to the carrying amount of the Trade Receivables discussed in note 17.

# Notes to the financial statements

---

Year ended 31 March 2021

## 29. Financial instruments (continued)

### 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, which is a member of the HomeServe plc banking arrangement, manages liquidity risk by HomeServe plc maintaining adequate reserves and banking facilities and the Company continuously monitoring forecasts and actual cash flows.