

## Remuneration report

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985 (the 'Act') and has been approved by the Board and the Remuneration Committee. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. A resolution to approve the report will be proposed at the Annual General Meeting.

The Act requires the external auditors to report on certain parts of the report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with it. The report has therefore been divided into separate sections for audited and unaudited information.

### Unaudited information

#### Remuneration Committee

##### Role

The Remuneration Committee is responsible for determining and agreeing with the Board the pay, benefits and contractual arrangements for the Executive Directors of the Company (including the Chairman) and other members of the Executive Committee. It aims to develop and recommend remuneration strategies that drive performance and reward it appropriately. In determining its policy, the Committee has paid regard to the principles and provisions of good governance contained in the Combined Code published in July 2003 by the UK Financial Reporting Council as updated in June 2006 (the 'Code'). The Committee operates under the delegated authority of the Board and its terms of reference are available on request from the Company Secretary.

##### Membership

The Committee was chaired by Barry Gibson until 27 February 2009 when Ian Chippendale was appointed as Chairman, having been a member of the Committee throughout the year. Barry Gibson remains a member of the Committee. John Maxwell served on the Committee until 27 February 2009 when Mark Morris was appointed to replace him. All of the members are independent Non-Executive Directors.

##### Meetings

Attendance at Committee meetings held during the year and the number of meetings held is set out on page 47.

##### Advisers

During the year Hewitt New Bridge Street (HNBS), a firm of independent remuneration consultants, served as advisers to the Committee. The Company also instructed HNBS to advise it on a limited number of remuneration matters concerning individuals below the Executive Committee during the year. Other than in relation to advice on remuneration, HNBS has no other connections with the Company. The terms of engagement for HNBS are available on request from the Company Secretary.

The Committee has also received assistance from Brian Whitty, the Group's Chairman, Richard Harpin, the Chief Executive, the Company Secretary (Emma Thomas until July 2008 and then Anna Maughan) and until his departure in October 2008, Martin Sawkins, the Group HR Director, all of whom attended meetings of the Committee as required. None took part in discussions in respect of matters relating directly to their own remuneration.

#### Remuneration policy

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

- to provide a remuneration package that is sufficient, but no more than necessary, to attract, retain and motivate high calibre executives;
- to align rewards with the Group's performance;
- to reward good performance with remuneration that is in line with that payable by broadly comparable businesses i.e. high-growth companies of a similar size and those with similar operating characteristics; and
- to reward exceptional performance in such a way as to align the executives' interests with those of the Company's shareholders, delivering upper quartile rewards for upper quartile performance.

## Remuneration report

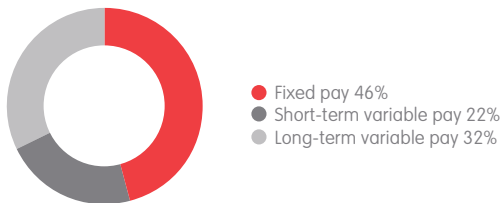
To that end, the Committee structures executive remuneration in two distinct parts: fixed remuneration of basic salary, pension and benefits and variable performance-related remuneration in the form of a cash bonus and long-term incentive arrangements. Remuneration for Executive Directors is structured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

The charts below demonstrate the balance between fixed and variable pay at 'on-target' and maximum performance levels, in the case of the long-term incentive arrangements assuming certain levels of share price growth. Maximum performance assumes the achievement of maximum bonus and full vesting of shares under the Company's long-term incentive arrangements.

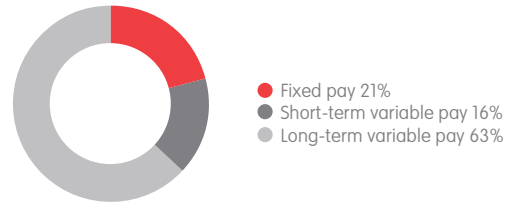
They demonstrate the significant weighting of the package towards variable (performance-related) pay. In particular, the majority of Executive Directors' total remuneration at the maximum performance level will derive from the Company's long-term incentive arrangements, which are strongly aligned to shareholder value creation.

The Committee has the discretion to take into account performance on environmental, social and governance matters when setting the remuneration of the Chairman and Executive Directors. However, the Committee has chosen not to take these into specific account in setting performance targets for 2009/10 in the belief that the structures in place neither encourage nor reward inappropriate behaviour in this regard and that relevant operational controls relating to such matters are in place.

### On-target remuneration



### Maximum remuneration



### Key activities of the Remuneration Committee during the year

In line with its remit, the following key issues were discussed by the Committee during the year:

- Review of salary levels for the Executive Directors and other members of the Executive Committee;
- Agree the bonuses payable for the 2007/08 financial year;
- Determination of the targets for the 2008/09 annual bonus plan;
- Finalise the design of the 2008 LTIP and pre-consult with major institutional investors;
- Approve the 2008 Remuneration report and review of final outcome of Annual General Meeting voting for the report;
- Approval of the performance targets and individual and aggregate award sizes to be granted under the 2008 LTIP;
- Review of the performance targets and confirmation of the level of vesting of 2005 share option and deferred share bonus plan awards and approve vesting levels of other awards for 'good leavers' from the Company as appropriate;
- Review of and agreement to all Directors joining and leaving arrangements, covering all elements of their reward package;
- Review of the remuneration arrangements for the Executive Directors and other members of the Executive Committee for 2009; and
- Consider advisory bodies and institutional investors guidelines on executive compensation for 2009.

### **Summary of changes to the Board structure and individual roles and responsibilities**

In November, a reorganisation of the UK businesses was announced to shareholders. Under the new structure, our UK Membership business will manage claims and service delivery in addition to sales, marketing and administration for our policy customers. A smaller, more focused, Emergency Services division was to focus exclusively on fulfilling the needs of our insurer and commercial partners. As a result of this reorganisation there have been a number of changes to the individual roles and responsibilities of the Board Directors:

- Brian Whitty, the Chairman, has reduced his overall executive involvement, focusing on the more traditional chairman role but has assumed responsibility for Emergency Services following the departure of Ian Carlisle. He will continue to participate in the annual bonus plan but it is intended that he will no longer receive grants under the Company's long-term incentive plans.
- Richard Harpin, the Chief Executive, has now assumed some of the responsibilities previously undertaken by the Chairman including strategy and relations with shareholders and as such, the Committee increased his salary mid-way through the year to bring it in line with the market for a Chief Executive of a FTSE-250 company.
- Ian Carlisle, CEO of the Emergency Services division left the Company on 31 January 2009 and details of his termination arrangements are disclosed in the notes to the emoluments table on page 58.
- Jon Florsheim has assumed responsibility for the enlarged UK Membership business and his salary was also realigned to reflect his increased role and responsibilities.
- Barry Gibson was appointed senior independent Director following John Maxwell's retirement from the Board. Mark Morris was appointed to the Board as a Non-Executive Director.

## Remuneration report

### Summary of components of Executive Directors' remuneration

Type	Objective	Performance period	Policy
<b>Basic salary</b>	To reflect the particular skills and experience of an individual and to provide a competitive base salary compared with similar roles in similar companies	Annual (reviewed on 1 April)	Individual pay is determined by reference to the median pay for the top-half of the FTSE-250 or roles of a similar type. Consideration is also given to the pay and employment conditions elsewhere in the Company when determining base salary increases.
<b>Performance-related bonus</b>	To incentivise the delivery of Group and individual performance-related objectives	Annual (determined after the year-end)	The maximum potential quantum is determined by reference to the median for the top-half of the FTSE-250. Actual bonus payments are determined according to the Group's financial (80%) and individual (20%) performance.
<b>Pension</b>	To provide benefits comparable with similar roles in similar companies	N/A	Pension benefits are determined by reference to the median for the top-half of the FTSE-250. Only basic salary is pensionable.
<b>Other benefits</b>	To provide benefits comparable with similar roles in similar companies	N/A	Other benefits comprise a fully expensed car (or cash alternative), private health and (for Messrs Florsheim, Simpson-Dent and Whitty) permanent health insurance.
<b>Long-term incentives</b>	To drive long-term delivery of the Group's objectives, to align Directors' interests with those of the Company's shareholders and to encourage exceptional performance with the opportunity to receive upper quartile rewards	Three years	Awards under the 2008 LTIP to deliver rewards based on relative TSR performance (subject to satisfactory underlying financial performance).

## Remuneration for Executive Directors

The main components of the remuneration package for Executive Directors are:

### Basic salary

Basic salary for each Executive Director is determined by the Remuneration Committee taking into account the roles, responsibilities, performance and experience of the individual. This is normally reviewed annually with any increase usually being effective from 1 April (unless responsibilities change). Salary levels are determined taking into account market data on salary levels for similar positions at comparable companies and pay and employment conditions of employees elsewhere in the Company.

Following a review undertaken by HNBS in March 2008, the Committee determined that the most appropriate comparator group against which to benchmark Executive Directors' basic salaries is the top-half of the FTSE-250 Index (reflecting the increased size and profile of the Company), taking into account the roles, responsibilities and experience of each Director. Salary increases of 3% were awarded to Messrs Whitty, Harpin, Carlisle and Florsheim and 16.7% to Jonathan Simpson-Dent. The higher increase to Jonathan Simpson-Dent reflected his relatively recent appointment to the role. These increases were effective from 1 April 2008. These increases compared to a budgeted increase of 3% across the workforce as a whole.

Base salary levels were reviewed again in March 2009 and the Committee determined that the top-half of the FTSE-250 remained the most appropriate comparator group against which to benchmark salaries (at the time of the review the Company was ranked 179 in the FTSE). Reflecting the desire to control fixed costs across the business, no pay increases were implemented as at 1 April 2009 for either the Board or the members of the Executive Committee. The budgeted increase for the general workforce was 2%.

During the year, the responsibilities of Richard Harpin, Group Chief Executive and Jon Florsheim, Chief Executive of UK Membership were reviewed following a restructure of the UK Membership business. The basic salary of both of these individuals was increased to £500,000 with effect from 1 October 2008.

### Annual bonus

The annual bonus is designed to drive and reward excellent short-term operating performance of the Company and encourage real year-on-year growth in profitability. The maximum annual bonus for 2009/10 will be maintained at 100% of basic salary (with the exception of Jon Florsheim whose maximum bonus potential is unchanged at 150% of salary).

During the year, Executive Directors were able to earn up to 80% of bonus potential for Group financial performance measured by profit before tax amortisation and exceptional items and cash flow. The remaining 20% of bonus potential was based on measurable personal targets, relating to the part of the business or the function for which the Director is responsible. This weighting differed for Jon Florsheim who was able to earn a higher proportion of his bonus potential based on targets specifically related to the performance of UK Membership.

The weighting between business and personal objectives will remain 80% financial: 20% personal for 2009/10 except for Jon Florsheim who will continue to be able to earn a higher proportion of his bonus potential depending on the performance of UK Membership. Provided their personal objectives are met in full, the normal 'on-target' bonus payable to Executive Directors in any year is expected to be in the region of 60% of their basic salary (90% for Jon Florsheim).

Executive Directors' bonuses are paid entirely in cash, though under the Long Term Incentive Plan adopted in 2008, Directors have the opportunity to invest part of their net bonus in shares. If they choose to do this, they may be awarded a matching award which is subject to a comparative Total Shareholder Return (TSR) performance condition.

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### Long-term incentives

The Committee's policy for the provision of long-term incentives to Executive Directors is to grant awards of performance shares (performance awards) and to provide them with the opportunity to voluntarily invest their annual bonus into a matching share arrangement (matching awards) under the Long Term Incentive Plan adopted in 2008 (the '2008 LTIP').

The maximum individual award limit under the 2008 LTIP is 200% of basic salary for performance awards and for matching awards of up to two shares for each share invested, based on a maximum investment of the net of tax equivalent of 75% of the maximum bonus potential.

Consistent with the grant policy applied in 2008, the Committee intends to limit the size of performance share awards in 2009 to the Executive Directors to 150% of salary. Matching awards up to the maximum ratio of two shares for each invested share will continue to be granted. It should be noted that, under the plan rules, the executives may invest up to the lower of their actual bonus earned in the preceding financial year and 75% of their maximum bonus potential. In the event that actual bonuses are lower than 25% of salary, executives may invest up to 25% of salary in shares from their own money.

The Committee may set different targets for each new award but it is intended that performance and matching share awards granted in 2009 will be linked to the achievement of stretching TSR targets, with 25% of the awards vesting for TSR equal to the FTSE-250 Index, increasing in a straight line to 100% vesting where TSR performance exceeds the Index by an average of 15 percentage points per annum. In determining the number of awards that will vest in any year, the Committee will also take into account the underlying financial performance of the business. This is consistent with the performance conditions attached to the awards granted in 2008.

Awards under the 2008 LTIP may be satisfied through a mixture of either market purchase or new issue shares. To the extent new issue shares are used, the 2008 LTIP will adhere to a 5% in 10 year dilution limit.

Executive Directors, including the Chairman, may also participate in the Group's Save As You Earn Scheme (where share options are exercisable after three or five years at a discount of up to 20% of the market value of the shares at the time of grant) and in the Share Incentive Plan on the same basis as all other employees. No performance criteria are attached to these schemes.

### Benefits

Non-pension benefits comprise company car and fuel allowance and medical insurance. The range of benefits and their value are considered to be broadly in line with those provided to executive directors in similar companies in the FTSE-250.

### Shareholding guidelines

It is the Board's policy that Executive Directors and certain members of the Company's senior management build up and retain a minimum shareholding in the Company. Each Executive Director is encouraged to hold shares of at least equal value to his annual basic salary.

Accordingly, if the holding guideline has not been fulfilled at the point of exercise of any option or the vesting of any other long-term incentive award, the Director must retain 50% of the net proceeds in the Company's shares until the holding requirement is achieved. Details of the current shareholdings of the Executive Directors are provided on page 59.

### Service contracts

The Committee's policy is to offer service contracts with notice periods of one year or less (other than, in exceptional circumstances, where longer initial notice periods may be offered on appointment, and then reduced to one year over time).

All Executive Directors' contracts of service are terminable on 12 months' notice by either party. Further details of the Executive Directors' contracts are summarised in the table below:

Name of Director	Date of contract
B H Whitty	28 March 1996
R D Harpin	18 January 2002
J Florsheim	5 March 2007
J Simpson-Dent	18 May 2007

Liquidated damages are limited to the payment of one year's remuneration, including benefits. Notice periods and payments are not extendable in takeover situations.

Ian Carlisle left the Company on 31 January 2009. Details of his termination package are provided in the notes to the emoluments table on page 58.

### Pensions

Executive Directors currently participate in one of two pension schemes, the Water Companies Pension Scheme (WCPS) or the HomeServe Money Plan (HMP). The normal date of retirement for Executive Directors is at age 60. Both arrangements are non-contributory for Executive Directors.

The WCPS is a funded, Inland Revenue approved occupational defined benefit scheme. Brian Whitty, Richard Harpin and Ian Carlisle (until his departure on 31 January 2009) were members of the WCPS. In respect of these Directors, its main features are:

- pension at normal retirement age of one-half of final pensionable salary and a tax free lump sum of one and a half times final pensionable salary on completion of 40 years' service at an accrual rate of 80ths plus  $\frac{3}{80}$  cash;
- life assurance of five times pensionable salary for Brian Whitty or five times basic salary for Richard Harpin and Ian Carlisle;
- pension payable in the event of ill health; and
- spouse's pension on death.

A notional earnings cap restricts the benefits provided to members of the WCPS. In respect of Richard Harpin and Ian Carlisle, an unapproved pension payment, equal to 20% of the amount by which their basic salary exceeds the notional cap is paid annually. The notional cap is indexed in line with earnings inflation.

With effect from 6 April 2006, all of Brian Whitty's retirement benefits are provided through the WCPS, on the basis of a pension accrual rate of 45ths of his basic salary for future service.

The HMP is a funded, Inland Revenue approved occupational defined contribution pension scheme. Jon Florsheim and Jonathan Simpson-Dent are members of the HMP. In respect of Jonathan Simpson-Dent, its main features are:

- employer contributions of 20%;
- life assurance of five times basic salary;
- permanent health insurance; and
- spouse's pension on death.

In respect of Jon Florsheim, its main features are:

- employer contributions of 8%;
- life assurance of five times basic salary;
- permanent health insurance; and
- spouse's pension on death.

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Where the benefits provided to Executive Directors under the scheme are restricted as a result of the notional earnings cap described above, further provision is made by making a payment of 20% in cash of the amount by which his basic salary exceeds the cap in respect of Jonathan Simpson-Dent, and 8% into the HMP in respect of Jon Florsheim.

### Non-Executive Directors

Non-Executive Directors serve under letters of appointment for periods of three years which include provisions in respect of liquidated damages limited to the payment of one year's fee. Their fees are determined by the Executive Directors within the limits set by the Articles of Association and are based on information on fees paid in similar companies and the skills and expected time commitment of the individual concerned. Non-Executive Directors are not entitled to bonus payments or pension arrangements, nor do they participate in the Company's long-term incentive plans.

Details of their current three year appointments are as follows:

Name of Director	Date of contract
J M B Gibson	6 April 2004
I Chippendale	1 January 2007
A Sibbald	1 June 2007
M Morris	27 February 2009

The fees for the Non-Executive Directors were last reviewed in March 2008. The current fee policy for Non-Executive Directors is a base Board fee of £40,000, a £7,500 premium for Chairmanship of the Audit and Remuneration Committees and a £2,500 fee for membership of those committees. As senior independent Non-Executive Director, Barry Gibson receives an additional fee of £40,000 on top of his base and committee membership fees. The Board considers the level of the additional fee to be appropriate taking into account the expected time commitment and the prominence of the role in the absence of a Non-Executive Chairman. This increased fee was effective from 1 November 2008.

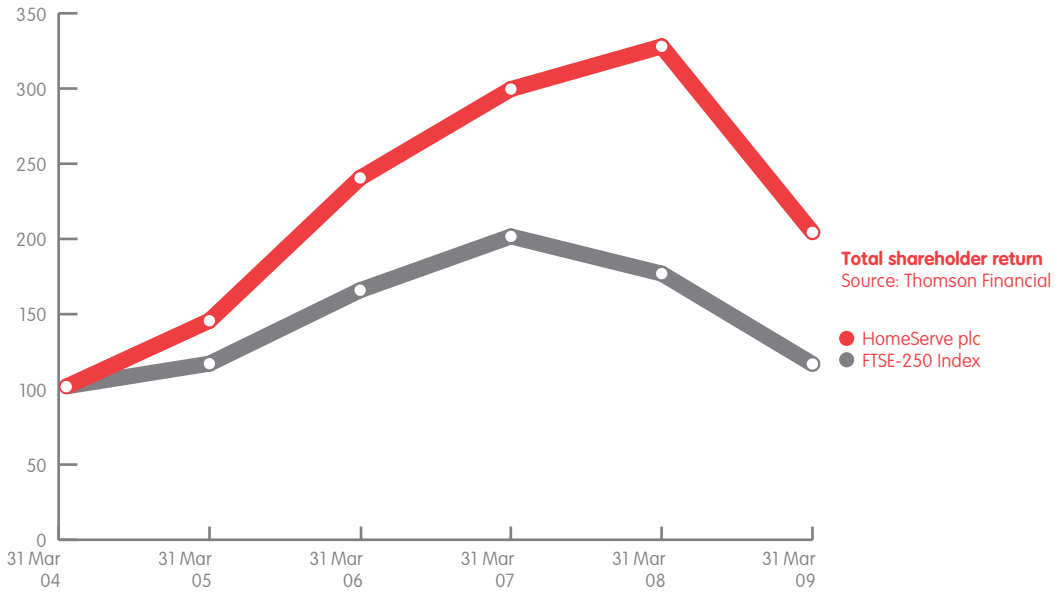
### Executive Committee

The following table sets out the base salaries of executive members of the Executive Committee who are not on the Main Board on a banded basis at 31 March 2009.

Base salary range	Number of employees
£250,001–£300,000	2
£200,001–£250,000	1

### Performance graph

The graph below shows the Company's performance, measured by TSR, compared with the performance of the FTSE-250 Index (also measured by TSR) for the five years ended 31 March 2009. This comparator has been chosen as it is a broad equity index of which the Company is a constituent and it is also used in assessing relative TSR performance under the 2008 LTIP.



This graph shows the value, by the 31 March 2009, of £100 invested in HomeServe on 31 March 2004 compared with that of £100 invested in the FTSE-250 Index. The other points plotted are the values at intervening financial year-ends.

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### Audited information Directors' emoluments

	Basic salary £000	Benefits £000	Bonus £000	Compensation for loss of office £000	Total emoluments and compensation <b>2009</b> <b>£000</b>	2008 £000
<b>Executive</b>						
B H Whitty	424	26	106	—	<b>556</b>	672
R D Harpin	441	29	125	—	<b>595</b>	614
I Carlisle <sup>1</sup>	265	18	—	467	<b>750</b>	497
J Florsheim	482	44	238	—	<b>764</b>	708
J Simpson-Dent	350	17	67	—	<b>434</b>	486
<b>Non-Executive</b>						
J H Maxwell <sup>2</sup>	53	—	—	46	<b>99</b>	58
J M B Gibson	65	—	—	—	<b>65</b>	50
I H Chippendale	45	—	—	—	<b>45</b>	45
A Sibbald	40	—	—	—	<b>40</b>	33
M C Morris <sup>3</sup>	4	—	—	—	<b>4</b>	—
<b>Total 2009</b>	<b>2,169</b>	<b>134</b>	<b>536</b>	<b>513</b>	<b>3,352</b>	
Total 2008	2,028	116	1,019	—		3,163

<sup>1</sup> Ian Carlisle left on 31 January 2009

<sup>2</sup> John Maxwell left on 27 February 2009

<sup>3</sup> Mark Morris was appointed on 27 February 2009

The annual bonus payable in respect of 2008/09 reflects the achievement of the cash flow target and an assessment of each Director's personal targets. The stretching profit target was not met.

Benefits comprise company car and fuel allowance and medical insurance. Contributions to money purchase pension schemes are shown separately on page 59.

The amounts paid to Ian Carlisle as compensation for loss of office represent pay in lieu of his contractual salary and benefits in respect of his notice period of 12 months and a pro rata bonus

John Maxwell left the Board on 27 February 2009. Under the terms of his letter of appointment he was entitled to payment of 12 months' fee. It was agreed that an amount equal to  $\frac{10}{12}$  of the annual fee be paid.

### Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	<b>2009</b> <b>£000</b>	2008 £000
Emoluments	<b>2,839</b>	3,163
Compensation for loss of office	<b>513</b>	—
Gains on exercise of share options	<b>282</b>	68
Money purchase pension contributions	<b>214</b>	187
	<b>3,848</b>	3,418

### Directors' pension

Three Directors were members of the Company's defined benefit pension scheme. The following Directors had accrued entitlements under the scheme as follows:

	Accrued pension 31 March 2009 £000	Increase in accrued pension in the year £000	Increase in accrued pension in the year in excess of inflation £000	Accrued pension 31 March 2008 £000	Transfer value of increase £000
B H Whitty	44	11	9	33	189
R D Harpin	34	7	6	27	86
I Carlisle <sup>1</sup>	10	3	3	7	55

The following table sets out the transfer value of the Director's accrued benefits under the scheme calculated in a manner consistent with 'Retirement Benefit Scheme – Transfer Values (GN 11)' published by the Institute of Actuaries and the Faculty of Actuaries.

	Transfer value 31 March 2009 £000	Contributions made by the Director £000	Increase in transfer value in the year net contributions £000	Transfer value £000
B H Whitty	970	—	357	613
R D Harpin	527	—	191	336
I Carlisle <sup>1</sup>	176	—	83	93

The transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead they represent a potential liability of the pension scheme.

Four Directors were members of money purchase schemes. Contributions paid by the Company were as follows:

	2009 £000	2008 £000
R D Harpin	65	52
I Carlisle <sup>1</sup>	40	39
J Florsheim	39	36
J Simpson-Dent	70	60

<sup>1</sup> Ian Carlisle left on 31 January 2009

### Directors' shareholdings

The beneficial interests of Directors who served at the end of the year, together with those of their families, in the shares of the Company are as follows:

	31 March 2009 £000	31 March 2008 £000
B H Whitty	91,813	101,485
R D Harpin <sup>1</sup>	11,012,416	11,004,594
J Florsheim	29,167	7,247
J Simpson-Dent	6,903	—
I H Chippendale	3,000	3,000
JM B Gibson	6,675	6,675
A Sibbald	—	—
M C Morris <sup>2</sup>	—	—

<sup>1</sup> Includes an indirect interest of 5,700 shares

<sup>2</sup> Mark Morris was appointed on 27 February 2009

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There were no changes in the Directors' interests in shares between 31 March and 19 May 2009.

### Directors' share options and long-term incentives

#### Save as you earn (Sharesave) schemes

Details of the share options held by Directors under SAYE schemes are as follows:

	31 March 2009	Granted during year	Exercised during year	31 March 2008	Option price	Date granted	Date exercisable from
B H Whitty	<b>1,263</b>	1,263	—	—	£7.60	22/12/08	01/03/12
R D Harpin	<b>1,753</b>	—	—	1,753	£9.18	23/12/05	01/03/11
I Carlisle <sup>1</sup>	<b>1,158</b>	—	—	1,158	£14.50	19/12/07	01/03/13
J Florsheim	<b>1,263</b>	1,263	—	—	£7.60	22/12/08	01/03/12
J Simpson-Dent	<b>662</b>	—	—	662	£14.50	19/12/07	01/03/11

SAYE options are exercisable for a six month period from the date shown.

<sup>1</sup> Ian Carlisle left on 31 January 2009 and was treated as a good leaver. He will therefore be permitted to exercise a proportion of this option.

### ESOP

Details of the share options held by Directors under the ESOP are as follows:

	31 March 2009	Granted during year	Exercised during year	31 March 2008	Option price	Date granted
B H Whitty	<b>72,500</b>	—	—	72,500	£5.50	17/07/01
	<b>65,000</b>	—	—	65,000	£5.89	08/07/02
	<b>80,000</b>	—	—	80,000	£4.70	01/07/03
	<b>99,500</b>	—	—	99,500	£6.61	27/05/04
	<b>55,000</b>	—	—	55,000	£9.61	28/06/05
	<b>42,644</b>	—	—	42,644	£14.07	23/05/06
	<b>35,972</b>	—	—	35,972	£17.18	04/09/07
R D Harpin	<b>49,000</b>	—	—	49,000	£5.50	17/07/01
	<b>44,000</b>	—	—	44,000	£5.89	08/07/02
	<b>60,000</b>	—	—	60,000	£4.70	01/07/03
	<b>83,000</b>	—	—	83,000	£6.61	27/05/04
	<b>51,000</b>	—	—	51,000	£9.61	28/06/05
	<b>38,380</b>	—	—	38,380	£14.07	23/05/06
	<b>32,375</b>	—	—	32,375	£17.18	04/09/07
Ian Carlisle <sup>1</sup>	<b>24,762</b>	—	17,738	42,500	£4.70	01/07/03
	<b>65,000</b>	—	—	65,000	£6.61	27/05/04
	<b>42,500</b>	—	—	42,500	£9.61	28/06/05
	<b>31,938</b>	—	—	31,938	£14.07	23/05/06
	<b>26,979</b>	—	—	26,979	£17.18	04/09/07
J Florsheim	<b>39,290</b>	—	—	39,290	£17.18	04/09/07
J Simpson-Dent	<b>26,193</b>	—	—	26,193	£17.18	04/09/07

<sup>1</sup> Ian Carlisle left on 31 January 2009 and was treated as a good leaver. The options granted in 2003, 2004 and 2005 had already vested so could be exercised for a limited period. The options granted in 2006 and 2007 lapsed following an assessment of the performance conditions.

The price of an ordinary share on 26 September 2008 when Mr Carlisle exercised his option over 17,738 shares was £14.55.

The ESOP was approved by shareholders in 2001. Options were granted on an annual basis and become exercisable between three and 10 years from the date of grant subject to the achievement of stretching performance criteria. The option price is the market price on the last dealing day prior to the date of grant.

Options will become exercisable based on the following scale:

Average normalised EPS <sup>1</sup> growth per annum over three financial years	Vesting level as percentage of overall award (%)
RPI + 4%	25
RPI + 6%	50
RPI + 8%	75
RPI + 10%	100

<sup>1</sup> EPS is defined as the normalised earnings per share of the Company as defined in IAS33.

EPS growth is calculated by the Company and independently verified by HNBS. Options granted under the ESOP in 2006 and 2007 will only become exercisable if the Company's share price growth is equal to or exceeds 48% in the three year period from the date of grant. Currently, the market price is below the option price and in any case, it is unlikely that the performance conditions will be met in respect of the 2006 awards.

From 2005 to 2007, the normal maximum annual grant under the ESOP was 150% of salary, save in exceptional cases, for example on the appointment of a new Executive Director from outside of the Group.

Awards granted under the ESOP will lapse on the date that an executive leaves the Company's employment, except in the case of retirement, illness, redundancy or death, where the Committee has discretion to allow options to be retained by the executive subject to such performance conditions as it wishes to impose.

The performance conditions attaching to the options granted on 26 June 2005 were met in full. Over the three year performance period, the Company's EPS performance exceeded RPI by in excess of 10% per annum (the target required for full vesting).

There were no changes in the options held under the ESOP between 31 March and 19 May 2009.

#### 2004 LTIP

Details of the maximum number of shares receivable from conditional awards made under the LTIP are as follows:

	31 March 2009	Awarded during year	Lapsed during year	Vested during year	31 March 2008	Date granted
B H Whitty	<b>99,500</b>	—	—	—	99,500	27/05/04
R D Harpin	<b>83,000</b>	—	—	—	83,000	27/05/04
I Carlisle <sup>1</sup>	<b>94,940</b>	—	—	—	94,940	27/05/04
J Simpson-Dent	<b>15,732</b>	—	—	—	15,732	31/03/08

The LTIP was approved by shareholders in 2004. One-off awards of 200% of salary were made in that year to Executive Directors under the LTIP to incentivise them towards specific goals reflecting the Company's aim to deliver exceptional shareholder value over the five years from 2004. A similar award made in March 2008 to Mr Simpson-Dent for the same purpose. Awards were granted as nil cost share options.

<sup>1</sup> Ian Carlisle left on 31 January 2009 and was treated as a good leaver. The performance conditions attaching to the awards will be assessed at the end of the relevant performance period and if awards vest they will be pro-rated for time.

The table below demonstrates the vesting of awards under the LTIP according to absolute TSR growth:

TSR performance	Vesting of award (%)
Below 130%	Nil
130%	35
Between 130% and 180%	35–100
180% or more	100

on a straight line basis

## Remuneration report

Additionally the awards will not vest unless there has been EPS growth of at least 10% per annum above RPI over the performance period.

Awards will only vest in full if the Company's absolute TSR exceeds 180% by the fifth anniversary of the date of grant and the annual average EPS growth in the five year period exceeds RPI by at least 10% per annum. No part of the award will vest if absolute TSR growth is less than 130% over the five year performance period.

TSR is independently calculated by HNBS and verified by the Remuneration Committee. At March 2009, HNBS has estimated that the Company's absolute TSR growth in the period since the date of the 2004 award is 71.9%. Accordingly, if no further increase in the Company's TSR occurs in the remainder of the performance period, none of the awards would vest.

### Conditional share scheme awards (CSS)

Details of the maximum number of shares receivable under the CSS are as follows:

	31 March 2009	Awarded during year	Lapsed during year	Vested during year	31 March 2008
J Florsheim	<b>24,604</b>	—	—	12,302	36,906

On 12 March 2007, pursuant to Listing Rule 9.4.2. (2) (LR 9.4.2), a grant of 49,207 conditional shares was made to Jon Florsheim under the CSS. 25% of the award vested on the first anniversary of the grant, 25% of the award vested on the second anniversary of the grant and the remaining 50% of the award will vest on the third anniversary of the grant, all providing Mr Florsheim remains in HomeServe's employment at the date of vesting. The price of an ordinary share on 12 March 2009, the date on which the second tranche of the award vested, was £8.75.

### Key executive incentive plan awards

Details of the individual share option awards held by Directors are as follows:

	31 March 2009	Granted during year	Exercised during year	31 March 2008	Option price	Date granted
J Florsheim	<b>100,278</b>	—	—	100,278	£17.95	30/03/07
J Simpson-Dent	<b>66,852</b>	—	—	66,852	£17.95	30/03/07

On 30 March 2007, a grant of share options was made to Jon Florsheim and Jonathan Simpson-Dent under a Key Executive Incentive Plan (respectively, the JF and JSD KEIP). Awards will vest in two tranches, with 50% of the award vesting at the earliest on the third anniversary of the date of grant and 50% two years later. The awards are subject to performance conditions in respect of profit before tax and growth in the Company's share price to £32.50 at the time of first vesting. These conditions will be independently verified by HNBS.

### DBP

Details of the maximum number of shares receivable from conditional awards made under the DBP are as follows:

	31 March 2009	Awarded during year	Lapsed during year	Vested during year	31 March 2008	Date granted
B H Whitty	<b>61,680</b>	—	8,946	—	70,626	02/08/05
	<b>46,443</b>	—	—	—	46,443	25/05/06
R D Harpin	<b>51,399</b>	—	7,455	—	58,854	02/08/05
	<b>45,090</b>	—	—	—	45,090	25/05/06
	<b>50,954</b>	—	—	—	50,954	06/09/07
I Carlisle <sup>1</sup>	<b>19,936</b>	—	2,891	—	22,827	02/08/05
	<b>28,191</b>	—	—	—	28,191	25/05/06
	<b>35,385</b>	—	—	—	35,385	06/09/07

<sup>1</sup> Ian Carlisle left on 31 January 2009 and was treated as a good leaver. The award dated 2005 vested on leaving. The performance conditions attaching to the awards granted in 2006 and 2007 will be assessed at the end of the relevant performance period and if awards vest they will be pro rated for time.

The DBP was introduced in 2005. Under its terms, Executive Directors were able to invest some or all of their annual bonus into shares and to defer receipt for three years. Matching shares could be earned if the Total Shareholder Return (TSR) of the Company over a three year period exceeds the median of the FTSE-350 index of companies (excluding investment trusts).

The table below demonstrates the vesting of matching shares under the DBP according to TSR growth:

TSR <sup>1</sup> performance	Matching ratio
Below median	Nil
Median	0.5:1
Median – upper decile	0.5-3:1
Upper decile	3:1

on a straight line basis

<sup>1</sup> TSR is averaged over the three months prior to the beginning and end of the performance period.

The Committee retains the discretion to decline to permit matching shares to vest if it is not satisfied that there has been a sustained improvement in the underlying financial performance of the Company at the time of vesting.

Shares invested in the DBP by Executive Directors may be withdrawn at any time during their appointment but any entitlement to matching shares will be forfeit in such circumstances.

At the end of the performance period for the 2005 awards, HomeServe was ranked between median and upper decile against the constituents of the FTSE-350 Index. Accordingly 2.62 matching shares vested for each invested share out of a maximum three matching shares for each invested share. The price of an ordinary share on 8 August 2008, the date on which the 2005 invested shares vested was £14.25.

At March 2009, the Company's TSR performance in the period from the date of grant of the 2006 and 2007 awards is below the upper decile in comparison with the comparator Group. If this performance were unchanged at the end of the performance period, the number of matching shares available to each participant would be 0.92 for the 2006 awards and 0.82 for the 2007 awards.

## 2008 LTIP

Details of the maximum number of shares receivable from conditional awards made under the 2008 LTIP are as follows:

	Type of award	31 March 2009	Awarded during year	Lapsed during year	Vested during year	31 March 2008
B H Whitty	Performance	<b>42,183</b>	42,183	—	—	—
R D Harpin	Performance	<b>37,965</b>	37,965	—	—	—
	Matching	<b>28,603</b>	28,603	—	—	—
I Carlisle <sup>1</sup>	Performance	<b>31,637</b>	31,637	—	—	—
	Matching	<b>8,986</b>	8,986	—	—	—
J Florsheim	Performance	<b>74,533</b>	74,533	—	—	—
	Matching	<b>31,133</b>	31,133	—	—	—
J Simpson-Dent	Performance	<b>34,791</b>	34,791	—	—	—
	Matching	<b>22,346</b>	22,346	—	—	—

<sup>1</sup> Ian Carlisle left on 31 January 2009 and was treated as a good leaver. The performance conditions attaching to the awards will be assessed at the end of the relevant performance period and if awards vest they will be pro rated for time.

The market price of the Company's shares on 6 August 2008, the date the awards were granted was £15.42. Mr Florsheim was granted 46,074 shares in August and a further award over 28,459 shares on 4 December 2008 when the share price was £8.80.

The performance conditions in respect of the 2008 are as described in the unaudited section of this report. At 31 March 2009, the Company's TSR performance was such that no part of the performance or matching awards would vest if this were the end of the performance period.

The market price of the Company's shares at 31 March 2009 was £11.70 (2008: £19.23). During the year the price ranged from £8.40½ to £20.57.

The Committee has continued to ensure that a consistent approach is taken to measuring EPS-based performance conditions through the transition from UK GAAP to international accounting standards.

The shares required for share options and awards under the DBP, 2004 LTIP, CSS, KEIP and 2008 LTIP may be fulfilled by the purchase of shares in the market by the Company's Employee Benefit Trust (EBT). As beneficiaries under the EBT, the Directors are deemed to be interested in the shares held by the EBT which at 31 March 2009 amounted to 2,109,573 ordinary shares. Shares may also be fulfilled through newly issued shares, subject to the dilution limits within each scheme.

By Order of the Board

**Ian Chippendale**  
Chairman of the Remuneration Committee  
19 May 2009