HomeServe plc
Preliminary results for the year ended 31 March 2021

Very good performance in FY21, with acceleration expected in FY22

	2021	2020	Change[1]
Revenue	**£1,304.7m**	£1,132.3m	+15%
Statutory operating profit	**£71.8m**	£158.6m	-55%
Statutory profit before tax	**£47.2m**	£137.9m	-66%
Basic earnings per share	**9.3p**	31.7p	-71%
Adjusted EBITDA[2]	**£292.8m**	£275.3m	+6%
Adjusted operating profit[2]	**£214.3m**	£201.7m	+6%
Adjusted profit before tax[2]	**£191.3m**	£181.0m	+6%
Adjusted earnings per share[2]	**42.7p**	41.3p	+3%
Ordinary dividend per share	**26.0p**	23.6p	+10%
Net debt	**£513.7m**	£509.0m	+1%
Total number of customers	**8.4m**	8.3m	+1%

- Revenue up 15% to £1.3bn and adjusted PBT up 6% to £191.3m.
- Exceptional performance in North American Membership & HVAC, with revenue up 22% to $665.8m, adjusted operating profit up 27% to $137.9m and the new partner pipeline at its strongest ever.
- Significant progress in Home Experts, with the division now expected to reach profitability this year
    - Checkatrade in the UK saw market-leading gains in consumer demand with a 23% increase in web visits to 29m; 11% increase in paying trades to 44,000
    - eLocal in the US delivered adjusted operating profit of $18m, ahead of expectations.
- Resilient performance in European Membership & HVAC; good progress in Japan.
- Decision to write off UK CRM system at a cost of £84.8m, and move to a more flexible cloud-based solution which has been proven elsewhere in the Group, drove the fall in statutory PBT to £47.2m.
- The Board proposes a final dividend of 19.8p to take the total dividend for the year to 26.0p, up 10%, supported by business resilience, cash generation and strong future growth potential.

Richard Harpin, Founder and Chief Executive, said: "In the last year, our homes have become more important to us than ever and demand for our services continued to grow.

"Our North American Membership business was the stand out performer, growing customers to 4.7m, increasing policy retention by 2 percentage points to 85% and now covering 66m utility partner households. In Home Experts, we are making excellent progress in matching consumers with trades, online and on demand, with our Directory Extra model.

"We see demand for high quality tradespeople continuing to grow, as more and more people seek to make their homes better and greener. We are well set up for continued strong growth."

Outlook

HomeServe's strategy is to make home repairs and improvements easy, by matching customers' needs with trades to generate repeat and recurring revenue. With homeowners set to continue to spend on their homes and compelling plans in place to continue to build attractive customer, partner and trades propositions, the Group is well positioned for further strong growth.

In FY22, HomeServe expects to see strong growth in its North American Membership & HVAC business, with the Home Experts division expected to reach profitability. HomeServe's European Membership & HVAC businesses are expected to remain resilient and cash generative, each with routes to future growth. The Board is confident in the Group's prospects and expects to deliver an acceleration in performance in FY22.

[1]Percentage movements throughout this announcement are based on full underlying results, not the rounded figures in the tables.

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

Results presentation

A video presentation will take place at 9am on Tuesday 18 May, and can be accessed here: https://webcasting.emperor.works/broadcast/609abde7576c9638976d62ba

Alternatively follow the link from the homepage on www.homeserveplc.com

The webcast will be available on replay shortly after the event.

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Forward Looking Statements

This report contains certain forward looking statements, which have been made in good faith, with respect to the financial condition, results of operations, and businesses of HomeServe plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions, the current regulatory environment and the current interpretations of IFRS applicable to past, current and future periods. Nothing in this announcement should be construed as a profit forecast.

About HomeServe

HomeServe is an international home repairs and improvements business that makes home repairs and improvements easy by matching customers to trades to generate repeat and recurring income. HomeServe is listed on the London Stock Exchange, with a market capitalisation of £3.5 billion.

CHIEF EXECUTIVE'S REVIEW

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

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

The right people in the right roles

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

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

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

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

Membership & HVAC – North America

Our North American business had a great year, despite much reduced marketing volumes in the first few months of the pandemic. We achieved 7% predominantly organic customer growth to 4.7m, 85% retention (an increase of two percentage points), 22% revenue growth of which 9 percentage points were organic, 27% growth in adjusted operating profit to $137.9m and a percentage point improvement in margin to 21%. We were delighted to sign new partner agreements which cover 6m new households, a 58% increase on gross new household adds in FY20, despite the interruption in utility partner conversations early in the pandemic. We made good decisions to withdraw from relationships where marketing returns had started to decline, and instead to market direct. We ended the year with access to 66m households (a net 2m increase), with our pipeline of potential new partners at its strongest ever. Our HVAC business had an outstanding year, with installations revenue growth of 43% to $76.0m. We are making excellent progress towards our previously announced $230m operating profit target, and are starting to look beyond our medium-term targets to the long-term continued growth potential of our business in North America.

Membership & HVAC - EMEA

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

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

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

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

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

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

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

Home Experts

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

Checkatrade continued to strengthen its leadership position in the UK with the highly successful 'Julius Caesar' television advertising campaign. Consumer visits to the website grew a market-leading 23% to 29m and the number of contacts (telephone calls and quote requests) between consumers and trades grew strongly to 8.1m. On the supply side, the number of trades grew 11% to 44,000 paying trades. Our decision to support our trades with deep discounts in the first three months of the pandemic helped keep trades on the platform when they were not working or earning. A key area of focus at Checkatrade is to improve the distribution of contacts, so that as many trades as possible see value from their subscription. These systematic enhancements are expected to drive an acceleration in trades acquisition and retention in FY22, as Checkatrade's predominantly subscription-based model moves towards profitability in FY23 and substantial growth beyond.

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

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

Doing business responsibly

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

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

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

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

A tribute to Barry Gibson, and welcome to Tommy Breen

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

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

Conclusion

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

Richard Harpin
Founder and Chief Executive

OPERATING REVIEW

Financial performance for the year ended 31 March

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

[1]Inter-segment revenue includes transactions with other Group companies removed on consolidation and principally comprise royalty and other similar charges.

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

Membership KPIs

	Customer numbers (m)		Income per customer		Policy retention rate	
	2021	2020	**2021**	2020	**2021**	2020
North America	**4.7**	4.4	**$108**	$102	**85%**	83%
UK	**1.6**	1.8	**£144**	£140	**78%**	78%
France	**1.2**	1.1	**€109**	€108	**88%**	89%
Spain	**0.9**	1.0	**€60**	€61	**83%**	83%
Group	**8.4**	8.3	**n/a**	n/a	**83%**	82%

Home Experts KPIs

	Paying trades (k)		Contacts (m)		Web visits (m)	
	2021	2020	**2021**	2020	**2021**	2020
Checkatrade[1]	**44**	39	**8.1**	n/a	**29.0**	23.6
eLocal[2]	**n/a**	n/a	**3.6**	2.7	**n/a**	n/a
Habitissimo	**20**	24	**n/a**	n/a	**89.0**	87.3
Group	**64**	63	**11.7**	2.7	**118.0**	110.9

[1] Checkatrade commenced capturing contacts partway through FY20, hence a comparative for FY20 is not available.
[2] For eLocal, contacts represents the total number of monetised calls.

North America

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

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

Performance metrics		2021	2020	Change
Affinity partner households	M	**66**	64	3%
Customers	M	**4.7**	4.4	7%
Income per customer	$	**108**	102	6%
Policies	m	**8.2**	7.5	10%
Policy retention rate	%	**85**	83	2ppts

Financial Performance

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

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

Revenue from the repair network and HVAC installations both grew strongly. Repair network revenue largely derives from jobs completed for Membership policyholders by the directly employed engineers within North America's portfolio of HVAC businesses and, like HVAC installations revenue, benefited from FY21 acquisitions as well as a full year run rate from prior year acquisitions.

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

Operational performance

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

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

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

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

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

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

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

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

EMEA

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

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

UK

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

Performance metrics		**2021**	2020	Change
Affinity partner households	m	**26**	26	-
Customers	m	**1.6**	1.8	(10%)
Income per customer	£	**144**	140	3%
Policies	m	**4.4**	4.9	(11%)
Policy retention rate	%	**78**	78	-

Financial performance

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

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

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

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

Operational performance

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

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

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

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

In energy, the UK business strengthened its relationship with E.On, a 'Big 6' energy player. E.On will commence a call transfer program with HomeServe in the first half of FY22, in addition to the digital program already in place. Last week, a partnership was signed with Shell Energy to offer HomeServe's home assistance products to their 1m customers. The UK business has been encouraged by early engagement and collaboration with other energy players in the UK market who seek to offer consumers a seamless, digitally-led way to manage their home assistance needs.

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

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

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

France

€ million	2021	2020	Change
Revenue			
Net policy income	**126.6**	120.1	5%
Repair network	**0.3**	0.4	(19%)
Membership	**126.9**	120.5	5%
HVAC installations	**17.9**	7.8	129%
Other	**3.7**	0.1	n/a
Total revenue	**148.5**	128.4	16%
Adjusted operating costs	**(108.7)**	(89.4)	22%
Adjusted operating profit	**39.8**	39.0	2%
Adjusted operating margin	**27%**	30%	-3ppts

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

Performance metrics		2021	2020	Change
Affinity partner households	m	**19**	18	4%
Customers	m	**1.2**	1.1	5%
Income per customer	€	**109**	108	1%
Policies	m	**2.4**	2.4	3%
Policy retention rate	%	**88**	89	-1ppt

Financial performance

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

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

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

Operational performance

Gross customer additions of 0.2m were the best ever in the twenty year history of the French business, up by 10% on the prior year and helping drive the period end total customer number to 1.2m. This was underpinned by continued acquisition through the long-standing relationship with Veolia (where customer additions grew 13% on the prior year) and also developing activity in newer channels such as through

online aggregators in the home moving process like Papernest (where customer acquisition almost trebled compared to the prior year). The French business recognises the opportunity to drive further customer growth through non-utility channels, and was pleased to extend the partnership with Papernest by a further two years during the year, as well as launch partnerships with three new energy retailers.

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

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

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

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

Spain

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

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

Performance metrics		2021	2020	Change
Affinity partner households	m	**-**	-	-
Customers	m	**0.9**	1.0	(9%)
Income per customer	€	**60**	61	(2%)
Policies	m	**1.1**	1.1	(4%)
Policy retention rate	%	**83**	83	-

Financial performance

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

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

Operational performance

The Claims business saw a noticeable impact from the pandemic but responded robustly to close out the year well. Strict stay-at-home measures in the April-June quarter of calendar year 2020 meant a significant volume of jobs could not be completed, with completed job volumes running at less than 50% of expected levels. The business supported its people through this period and retained headcount levels and activity returned to more normal levels during subsequent lockdowns. Mesos, the claims handling

business acquired during the first half, continues to be integrated and made a good profitable in-year contribution of €2.3m. Mesos expands the service capabilities of the Claims business, diversifies the customer base and also provides entry into the adjacent territory of Portugal.

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

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

New Markets

£ million	**2021**	2020	Change
Adjusted operating loss	**(6.3)**	(4.7)	34%

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

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

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

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

Home Experts

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

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

Checkatrade

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

Performance metrics		**2021**	2020	Change
Paying trades	k	**44**	39	11%
Average revenue per trade	£	**939**	1,023	(8%)
Contacts[1]	m	**8.1**	n/a	n/a
Web visits	m	**29.0**	23.6	23%

[1] Checkatrade commenced capturing contacts partway through FY20, hence a comparative for FY20 is not available.

Financial performance

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

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

Operational performance

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

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

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

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

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

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

eLocal

£million		**2021**	2020	Change
Total revenue		**91.3**	22.1	313%
Adjusted operating costs		**(78.1)**	(20.3)	284%
Adjusted operating profit		**13.2**	1.8	634%
Performance metrics		**2021**	2020	Change
Monetised calls[1]	m	**3.6**	2.7	32%

[1]FY20 comparative for monetised calls represents full 12 months

Financial performance

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

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

Operational performance

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

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

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

Other – Habitissimo and France

£million	**2021**	2020	Change
Total revenue	**9.6**	11.2	(15%)
Adjusted operating costs	**(17.0)**	(16.5)	3%
Adjusted operating loss	**(7.4)**	(5.3)	41%

Habitissimo

Performance metrics		**2021**	2020	Change
Trades	k	**20**	24	(18%)
Web visits	m	**89.0**	87.3	2%

Financial performance

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

Operational performance

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

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

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

France

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group tax strategy covers how HomeServe:

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

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

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

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

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

At 31 March 2021 the fair value of the Group's investment held in a manufacturer of smart thermostat connected home technology was reassessed in light of the valuation indicated by the investee's latest equity funding round. The result of this reassessment increased the fair value of the Group's investment by £4.4m. This movement, net of the recognition of a £1.3m associated deferred tax liability, was recorded in the investment revaluation reserve.

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

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

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

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

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

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

- Solusat Asistencia Técnica S.L., ("Solusat"), enhancing the scale and scope of HomeServe's HVAC capabilities in Spain

- Mesos Gestión y Servicios S.L., ("Mesos"), expanding the product range and customer base of the Spanish claims handling business, as well as bringing an entry into Portugal

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

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

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

Purchase of own shares

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

Earnings per share

Basic earnings per share for the year decreased by 71% to 9.3p from 31.7p due principally to the impact of the exceptional items discussed above. On an adjusted basis, earnings per share increased 4% from 41.3p to 42.7p. The weighted average number of shares increased from 334.2m to 335.8m principally due to new shares issued in fulfilment of share schemes that vested in the year.

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

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

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

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

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

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

Foreign exchange impact

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

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

[1]North America comprises US dollar denominated earnings from Membership & HVAC – North America and eLocal.
[2]Home Experts is reported in GBP due to the different currencies used by the operating businesses within the segment. This table shows the impact of foreign exchange movements in the Euro for the results of Habitissimo.

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

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

Customers

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

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

Principal Risks and Uncertainties

Risk framework

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

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

Plc Board

Audit & Risk Committee

Executive Committee

Three scheduled risk discussions p.a.

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

Line 3. Independent

Internal Audit & Assurance

- Review 1st and 2nd lines
- Independent testing & challenge & oversight of Lines 1 & 2.

Line 2. Risk, Control & Compliance Functions

Including Financial Control, Information Security, Risk Management, Legal and Compliance

- Oversee & challenge risk management
- Monitor and test risk systems & controls in the 1st line
- Review & challenge incident management in the 1st line & develop Risk Management Framework
- Provide risk MI to governance committees.

Line 1. Business Unit Operations

All front line and support functions

- Lead day-to-day risk management
- Maintain local Risk Registers
- Own and operate processes and mitigating controls
- Undertake quality assurance activities and provide appropriate training.

Other External bodies e.g. External Audit, Regulators

Strategic Risks
Operational Risks
Financial Risks

Changes in FY21

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

During the prior year, and for the first time, Sustainability was reported separately as a GER. This reflected the growing focus on the potential risks and opportunities of climate change and other environmental considerations on HomeServe's business model. In FY21, there has been further attention given to this issue, part of which is detailed on p30-31 in the 2021 Annual Report and Accounts. Environmental considerations are integral to the risk frameworks managed by each of the Group's businesses, and the focus of the Board on these matters was formalised during the year in the adoption of a Group Environment Policy. The Group notes that the requirements of the Taskforce on Climate-related Financial Disclosures (TCFD) will apply from FY22 and intends to use its disclosures under this framework to report its progress. As such, Sustainability is no longer reported separately as a GER.

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

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

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

Risk Appetite

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

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

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

Brexit

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

COVID pandemic

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

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

Group Enterprise Risks

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

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

Risk description/overview	Mitigations	FY21 update	Movement
Competition In all of our business lines a successful new entrant or an existing competitor adapting more quickly to changing customer demands and needs could adversely impact our business and our financial results with lower customers, retention rates, revenue and profitability. Competitors with active M&A programmes could also show interest in HomeServe's targets, leading to missed opportunities or over-paying. Competitive threats today include, but are not limited to; • Utilities running Membership programmes in-house • Adjacent products e.g. Whole Home Warranty • Existing competitors moving into other geographies • New entrants e.g. Amazon or Google investing heavily to enter the home services space with new products or technologies • Incumbent competitors to Home Experts in the UK e.g. Rated People, MyBuilder	We demonstrate to utilities that they can benefit more by partnering with HomeServe due to our long-term investment horizon. Regular market reviews in each business identify new entrants and increases in competitor activity e.g. aggressive pricing initiatives. Agile product development responds to changing consumer needs. Shared learning between our markets, analysing consumer trends and developing leading products and services. We believe we have the winning Home Experts model in *Directory Extra*, which Habitissimo	The Group observes increased activity by Google, mainly in North America, in the Home Experts space. The impact of players like Google is already documented within the risk registers of our Home Experts businesses. Though the activities of some competitors in this space are more prominent, the Group perceives these still remain largely exploratory in nature such that there has not been a material increase in the risk profile faced by the Home Experts businesses.	→

	has recently followed Checkatrade in starting to implement. Continued learning and idea-sharing happens between our Home Experts businesses, which are liaising more frequently with our Membership businesses to develop the range of services that customers want and the best means of accessing them.		
Information security & cyber resilience In line with other businesses, HomeServe is subject to the increased prevalence and sophistication of cyber-attacks, which could result in unauthorised access to customer and other data or cause business disruption to services. A successful cyber attack might have a significant impact on reputation, reducing the trust that customers place in HomeServe and could lead to legal liability, regulatory action and increased costs to rectify. A lapse in internal controls and a subsequent data breach or loss would have a similar impact. Total customer numbers and policy retention rates may reduce and partners may terminate affinity relationships if they perceive customer data to be at risk.	HomeServe has a number of defensive and proactive practices across the Group to mitigate this risk. There is a detailed information security policy, which is communicated across the Group and training is provided as required. Regular penetration testing is in place to assess defences and HomeServe continues to invest in IT security, ensuring a secure configuration, access controls, data centre security and effective communication of policies and procedures to all employees.	Cyber continues to be a key area of focus for the Group with emphasis on both maintaining and increasing the maturity and capabilities of our controls and countermeasures. A single team was created during FY20 to bring together those people with a primary cyber security responsibility, who had previously operated with a degree of independence within individual Group businesses. The continued arrangements at time of writing whereby a substantial number of the Group's employees are working from home, and the likely permanence with which hybrid working arrangements are adopted in future has seen a number of the Group's businesses increase their scoring of this risk.	↑
M&A strategy HomeServe has an active M&A strategy focused on two primary areas; Membership policy books and a buy-and-build strategy to grow the HVAC business line. There is a risk HomeServe could overpay for transactions or underestimate the time and resource required to integrate new businesses, potentially leading to lower than anticipated cash inflows and revenue, increased costs, reduced profitability and an increased likelihood of impairment.	Strict criteria when building a prospects pipeline. Independent advisers engaged in due diligence processes. Strong track record and experience of acquiring and growing policy books. Local management expertise with oversight from central plc function.	There has been increased HVAC M&A expenditure this year (see note 12 to the Accounts) but no change to the underlying risk. All acquisitions continue to be appraised by dedicated M&A teams, and transactions approved by local and/or Group Board. After pausing at the initial onset of the pandemic in spring 2020, the Group's HVAC buy-and-build strategy	→

By contrast, a successful M&A strategy should diversify risk by, for example, introducing new partners and channels, increasing profitability and should lead to increases in KPIs such as customers and policies.	Clear investment hurdles and completion of post-investment reviews. All investments require local and, where applicable, plc Board approval.	recommenced during the summer of 2020. We note some increased competitive activity in this space, particularly from private equity purchasers, and retain an even keener focus on valuation multiples.	
Underwriting capacity & concentration The Membership business line markets and administers policies that are underwritten by independent third-party underwriters. HomeServe acts as an insurance intermediary and does not take on any material insurance risk. These arrangements are a core part of the Membership model and help protect HomeServe from short term risk e.g. of rising claims costs or frequencies. Seeking new underwriters and obtaining relevant regulatory approvals may take time, leading to business disruption. Lack of suitable underwriters could force HomeServe to underwrite policies in-house, exposing it to material insurance risk. A material change in the operating model would also drive a change in accounting policy that could affect short-term profitability. Customer numbers and retention rates may fall if customers experience reduced service levels or are not covered throughout any period of disruption.	With the exception of the UK, at least two underwriters share the policy books in each country. In the UK, HomeServe maintains relationships with a number of other underwriters who are willing and able to underwrite the business. Regular (at least 6 months) reviews with all underwriters to ensure that current product performance and trends are understood.	All our underwriting relationships remain strong, with regular engagement during FY21. The two largest underwriters across the Group (Aviva and Amtrust) are in a strong financial position, and, as expected, all our underwriting relationships have remained strong during the pandemic. With the increased amount of time spent in homes across our Membership territories due to measures to control the pandemic, we continue to monitor the impact this is having on customer behaviour.	→
Regulation HomeServe is subject to regulatory requirements relating to e.g. product design, marketing materials, sales processes and data protection. HomeServe believes that regulation has a positive impact and encourages a culture that promotes customers' interests and will improve HomeServe's prospects over both the short and long-term. Like many companies HomeServe is also subject to wider regulation concerning e.g. anti-corruption, anti-fraud and bribery, modern slavery etc. Specific policies can be found at https://www.homeserveplc.com/about-us/corporate-governance/policies.aspx	Compliance with local regulation as a minimum to ensure products are designed, marketed and sold in accordance with all relevant legal and regulatory requirements and that the terms and conditions are appropriate and meet the needs of customers. Best practice shared across the Group. Regulatory specialists, compliance teams and Non-Executive Directors in each business.	In the UK, the FCA published its final report analysing pricing practices across the general insurance industry. HomeServe is out of scope of the main remedy requiring pricing parity between returning and brand new customers. The FCA continues to be active in seeking optimal outcomes in the interests of consumers, and HomeServe maintains regular dialogue with the FCA to support these aims. One example was an exercise undertaken during the year to re-contact customers regarding disclosure of prior year	↑

Failure to comply with regulatory requirements in any of its countries could result in the suspension, either temporarily or permanently, of certain activities. Much regulation is intended to protect customers and failure to adhere to the high expectations customers have for HomeServe could lead to reduced retention and higher customer losses. In addition, legislative changes relating to partners may change their obligations with regard to the infrastructure they currently manage and hence the products and services HomeServe can offer to customers. It is possible such legislative changes could reduce, or even remove, the need for some of HomeServe's products and services.	HomeServe maintains regular dialogue with the FCA in the UK. In North America, there is regular contact with the Attorneys General.	prices on written communication to ensure these were sufficiently prominent. There has been no material change in the regulatory environments in which our other businesses operate.	
Digital transformation As distinct from technology investment (below) digital transformation relates principally to interactions with customers (be they homeowners or trades), ensuring we offer a multi-channel, multi-media approach to interact with them and that we do so in an efficient and cost-effective manner. If HomeServe is not flexible enough to respond to changing needs, customers may explore competitor products and choose not to renew. There is also a reputational risk as complaints logged via social media can quickly escalate if not dealt with in an appropriate and timely manner.	HomeServe continues to review and respond to customer comments and needs and customers are offered a number of channels through which they can engage with HomeServe: telephone, website, digital live chat, paper, email and social media.	In Home Experts, a chief technology officer has been recruited to develop requisite system enhancements across the Home Experts businesses.	→
Technology investment As distinct from digital transformation (above), this risk principally relates to investment in the key systems the Group relies on to manage its daily operations. Appropriate and timely maintenance and investment is required to ensure systems continue to meet the changing needs of the business and its customers. Home Experts, particularly Checkatrade, is well progressed with a programme of transformation to ready the business for its ambitious growth plans. Failure in back office systems may lead to business interruption and lack of investment to provide timely and appropriate data could jeopardise the ability to analyse performance indicators and react to any trends.	All decisions are subject to the Group's strict investment criteria and hurdles. Major IT programmes are allocated specific governance structures and oversight with members of senior management sitting on the Programme Board. HomeServe engages a number of external advisers on large software projects to provide appropriate breadth and depth of experience and expertise to ensure there is no over-reliance on any one supplier and to support management in project delivery.	In the UK, the eServe CRM system was fully impaired, incurring an exceptional charge of £84.8m. eServe was highly configured and became costly and inflexible to implement, with further configuration issues emerging as implementation progressed. As a result of this customisation, the system exhibited high operating costs and a high cost of change. During the second half of FY21 additional capability issues came to light as more policies were introduced onto the system, meaning that the duration of the parallel run period alongside the legacy system would need to be extended. Following an extensive review of	↑

Over-investment in any new initiatives could see investment outweigh future benefits and lead to impairment.		system capability and robustness and the ongoing operational needs of the business, the difficult decision was taken to revert the minority of customers on this platform back to the existing Ensura CRM system, which is the proven system of record in North America. Following a period of decommissioning, eServe will be replaced by a flexible, cloud-based solution. Current planning suggests this will be a Salesforce solution, similar to those implemented successfully in France and which is planned for implementation in North America. In France, a Salesforce CRM system was implemented successfully, which included the migration of the entire 1m+ customer base in August 2020. At Checkatrade, new system enhancements to both trades vetting and billing went live during the year. The benefit of technology investments made in the recent past continue to be seen in enabling effective remote working practices for c.6,400 employees.	
HVAC integration The higher volume of HVAC acquisitions requires disciplined and often standardised processes to ensure successful integration into HomeServe, creating strong links to the Membership business and achieving synergies with e.g. the engineer network. Failure to integrate acquisitions quickly and effectively could result in failure to deliver synergies, and increase costs, resulting in failure to achieve predicted revenues and potentially lead to impairment.	Integration plans form part of all business case approvals. Post-investment reviews provide learning for future acquisitions. Dedicated teams and resources and retention of key management personnel in the acquired businesses.	A total of 24 HVAC acquisitions were made in FY21 across the US, France, Spain and the UK.	→

	HVAC managed locally but with a central global team to coordinate and ensure consistent application of best practice.		
Partner loss Underpinning HomeServe's success in its chosen markets are close commercial relationships (affinity partner relationships) principally with utility companies, and municipal utility providers. The loss of multiple relationships could impact HomeServe's future customer and policy growth plans and retention rates. Growth plans, particularly in North America, focus on signing new partners to extend reach and provide new marketing opportunities to grow the business. HomeServe has benefitted from government policy changes in certain regions to form new partnerships e.g. liberalisation of energy markets in Spain. Any reversal e.g. to re-nationalise utilities could have an adverse impact albeit HomeServe does have strong experience working with public sector municipals in North America. With over 1,000 partners across the Group it is inevitable that a few partners each year may choose not to renew a contract as priorities or commercial pressures change. In the UK and North America where partner bases are more diversified the impact is considered small. In France the loss of e.g. Veolia would have a bigger impact similar to that of Endesa in Spain where the back book is now in run-off. Any partner loss or failure to sign new partners could impact households, customers and also retention rates.	A portfolio of partners in each business diversifies risk. Partners signed on long-term contracts with beneficial financial terms for each party. HomeServe seeks to renew contracts early, ahead of any expiration date. Regular dialogue with all partners, particularly in markets with more concentrated partner relationships e.g. France.	In North America we continued to sign new partners at the rate of 2-3 per week. During the year we exited relationships with some legacy partners to drive higher returns elsewhere from the marketing expenditure. In the UK, the relationship with Thames Water came to an end at the close of the year, however this relationship represented a modest proportion (<5%) of yearly new customer adds. Meanwhile, long term renewal agreements were signed with four existing partners. In Japan, a second partner relationship was signed with Tohoku Electric, meaning HomeServe now has access to around 7m households in that territory.	→
People HomeServe's ability to meet growth expectations and compete effectively is, in part, dependent on the skills, experience and performance of its personnel. Retention of people in established businesses is key as is recruitment of talented people in growth businesses e.g. Home Experts. The inability to attract, motivate or retain key talent could impact overall business performance. HomeServe has a lot of growth opportunities and ensuring appropriate	Employment policies, remuneration and benefits packages and long-term incentives are regularly reviewed and designed to be competitive with other companies. Employee surveys, performance reviews and regular communication of business activities are used to understand and respond to employee views and needs. Processes exist to identify high	HomeServe employs c.7,400 people globally. 88% of those people completed our Global People Survey, returning an engagement score of 78%, up 7 percentage points on pre-pandemic levels. Furthermore, FY21 saw all the group's businesses attain 'Great Place to Work' accreditation. Tom Rusin, previously Global Membership CEO, is now focussing full-	→

bandwidth at the top of the organisation is key to maintaining effective control and oversight. Gender Pay disclosures in the UK and reviews such as Hampton Alexander also play an increasing role in informing HomeServe's People agenda and ensuring we have the appropriate diversity of people, experience and ideas to move the business forward.	performing individuals and ensure that they have fulfilling careers, and HomeServe is managing succession planning effectively.	time on realising the substantial growth opportunities still ahead in North American Membership & HVAC, whilst a CEO EMEA, Ross Clemmow, has joined to lead the Membership & HVAC businesses outside of North America. There has been an increased focus across the Group to ensure the best people are in the right roles to deliver current and future growth plans. Annual and long-term performance plans have been reviewed and changes are being implemented to achieve clearer alignment between our KPIs and our reward strategy.	
International HomeServe has enjoyed success with its Membership model in markets outside of the UK and intends to expand to other regions, with a renewed focus on those adjacent to our existing territories. HomeServe has enjoyed success in France, Spain and North America but has been unsuccessful in past attempts to enter Australia, Belgium and Germany. Failure to succeed could divert investment and management time incurring not only losses in the new country but also reduced performance (including, for example, loss of customers, lower profitability) in the core markets.	Strict criteria to identify attractive markets. Joint venture structure, such as that employed to enter Japan, diversifies risk and minimises investment. JV partner brings local market knowledge and contacts. HomeServe brings Membership model systems and process expertise.	Signed second utility partnership in Japan, with products seeing a good reception. During the year HomeServe narrowed focus for international development to 'near neighbours'. A partnership was signed with Eneco in Belgium, supported by the French business, and the acquisition of a claims handling business with operations in Portugal gives exposure to that market. Additionally, the Group decided not to proceed with entering other markets further afield.	→
Failure to deliver strategic growth HomeServe continues to have a number of opportunities to develop its businesses. There is a risk that it fails to determine where to focus energy, time and resources and, as a result, misses opportunities or does not deliver strategic growth targets or achieve the expected or desired outcomes.	Potential strategic ventures are all considered at a newly formed cross-functional committee, chaired by a senior executive and with relevant subject matter experts, to ensure they align with the Group's core competencies and value drivers.	As a newly documented risk the individual businesses have considered their own level of risk. This is considered to be a greater risk in the Home Experts businesses which are by nature less mature in their role within the Group.	New this year

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

Financial

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

Foreign exchange risk

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

Update in year

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

Group Income Statement
Year ended 31 March 2021

	Notes	**2021 £m**	2020 £m
Continuing operations			
Revenue	3	**1,304.7**	1,132.3
Operating costs		**(1,230.4)**	(971.6)
Share of results of equity accounted investments		**(2.5)**	(2.1)
Operating profit		**71.8**	158.6
Investment income		**0.4**	0.5
Finance costs		**(25.0)**	(21.2)
Adjusted profit before tax		**191.3**	181.0
Amortisation of acquisition intangibles		**(45.0)**	(35.5)
Certain transaction related costs	4	**(6.7)**	-
Exceptional items	4	**(92.4)**	(7.6)
Profit before tax		**47.2**	137.9
Tax	5	**(15.4)**	(32.1)
Profit for the year		**31.8**	105.8
Attributable to:			
Equity holders of the parent		**31.1**	106.0
Non-controlling interests		**0.7**	(0.2)
		31.8	105.8
Dividends per share, paid and proposed	6	**26.0p**	23.6p
Earnings per share			
Basic	7	**9.3p**	31.7p
Diluted	7	**9.2p**	31.5p

Group Statement of Comprehensive Income
Year ended 31 March 2021

	2021 £m	2020 £m
Profit for the year	**31.8**	105.8
Items that will not be reclassified subsequently to profit and loss:		
Re-measurement (loss)/gain on defined benefit pension schemes	**(4.5)**	1.6
Deferred tax credit/(charge) relating to re-measurements	**0.9**	(0.3)
Fair value gain/(loss) on "fair value through other comprehensive income" (FVTOCI) investments in equity instruments	**4.6**	(3.7)
Deferred tax (charge)/credit relating to fair value movements on FVTOCI investments in equity instruments	**(1.3)**	0.8
	(0.3)	(1.6)
Items that may be reclassified subsequently to profit and loss:		
Exchange movements on translation of foreign operations	**(26.4)**	14.1
Exchange movements on non-controlling interests	**(1.1)**	-
	(27.5)	14.1
Total other comprehensive (expense)/income	**(27.8)**	12.5
Total comprehensive income for the year	**4.0**	118.3
Attributable to:		
Equity holders of the parent	**4.4**	118.5
Non-controlling interests	**(0.4)**	(0.2)
	4.0	118.3

Group Balance Sheet
31 March 2021

	Notes	**2021 £m**	2020 £m
Non-current assets			
Goodwill		**564.3**	509.9
Other intangible assets	8	**391.3**	497.1
Contract costs		**8.2**	16.8
Right-of-use assets		**48.6**	56.8
Property, plant and equipment		**41.7**	42.0
Equity accounted investments		**0.8**	4.0
Other investments		**12.9**	5.6
Other financial assets		**1.2**	-
Deferred tax assets		**12.8**	6.0
Retirement benefit assets		**8.3**	10.3
		1,090.1	1,148.5
Current assets			
Inventories		**12.2**	7.9
Trade and other receivables		**501.0**	495.4
Current tax assets		**2.5**	-
Cash and cash equivalents	10	**171.4**	131.2
		687.1	634.5
Total assets		**1,777.2**	1,783.0
Current liabilities			
Trade and other payables		**(454.9)**	(410.6)
Bank and other loans		**(54.0)**	(40.3)
Current tax liabilities		**(9.2)**	(5.4)
Lease liabilities		**(12.7)**	(14.1)
Provisions		**(6.0)**	(2.0)
		(536.8)	(472.4)
Net current assets		**150.3**	162.1
Non-current liabilities			
Bank and other loans		**(579.8)**	(540.6)
Trade and other payables		**(31.8)**	(52.3)
Deferred tax liabilities		**(15.3)**	(26.2)
Lease liabilities		**(38.6)**	(45.2)
Retirement benefit obligations		**(1.2)**	-
		(666.7)	(664.3)
Total liabilities		**(1,203.5)**	(1,136.7)
Net assets		**573.7**	646.3
Equity			
Share capital	9	**9.1**	9.0
Share premium account		**196.4**	189.3
Share incentive reserve		**18.6**	21.9
Currency translation reserve		**10.6**	37.0
Investment revaluation reserve		**2.7**	(0.6)
Other reserves		**79.2**	79.2
Retained earnings		**247.4**	299.9
Attributable to equity holders of the parent		**564.0**	635.7
Non-controlling interests		**9.7**	10.6
Total equity		**573.7**	646.3

Group Statement of Changes in Equity
Year ended 31 March 2021

	Share capital £m	Share premium account £m	Share incentive reserve £m	Currency translation reserve £m	Investment revaluation reserve £m	Other reserves[1] £m	Retained earnings £m	**Attributable to equity holders of the parent £m**	Non-controlling interests £m	**Total equity £m**
Balance at 1 April 2020	9.0	189.3	21.9	37.0	(0.6)	79.2	299.9	**635.7**	10.6	**646.3**
Profit for the year	-	-	-	-	-	-	31.1	**31.1**	0.7	**31.8**
Other comprehensive expense for the year	-	-	-	(26.4)	3.3	-	(3.6)	**(26.7)**	(1.1)	**(27.8)**
Total comprehensive income	**-**	**-**	**-**	**(26.4)**	**3.3**	**-**	**27.5**	**4.4**	**(0.4)**	**4.0**
Dividends paid (note 6)	-	-	-	-	-	-	(80.5)	**(80.5)**	-	**(80.5)**
Issue of share capital (note 9)	0.1	7.1	-	-	-	-	-	**7.2**	-	**7.2**
Share-based payments	-	-	3.8	-	-	-	-	**3.8**	-	**3.8**
Share options exercised	-	-	(7.1)	-	-	-	-	**(7.1)**	-	**(7.1)**
Tax on exercised share options (note 5)	-	-	-	-	-	-	1.5	**1.5**	-	**1.5**
Deferred tax on share options (note 5)	-	-	-	-	-	-	(1.0)	**(1.0)**	-	**(1.0)**
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(0.5)	**(0.5)**
Balance at 31 March 2021	**9.1**	**196.4**	**18.6**	**10.6**	**2.7**	**79.2**	**247.4**	**564.0**	**9.7**	**573.7**

Year ended 31 March 2020

	Share capital £m	Share premium account £m	Share incentive reserve £m	Currency translation reserve £m	Investment revaluation reserve £m	Other reserves[1] £m	Retained earnings £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2019	9.0	180.7	23.3	22.9	2.3	82.2	293.0	613.4	0.2	613.6
Profit for the year	-	-	-	-	-	-	106.0	106.0	(0.2)	105.8
Other comprehensive income for the year	-	-	-	14.1	(2.9)	-	1.3	12.5	-	12.5
Total comprehensive income	-	-	-	14.1	(2.9)	-	107.3	118.5	(0.2)	118.3
Dividends paid (note 6)	-	-	-	-	-	-	(73.5)	(73.5)	-	(73.5)
Issue of share capital (note 9)	-	8.6	-	-	-	-	-	8.6	-	8.6
Purchase of own shares	-	-	-	-	-	(3.0)	-	(3.0)	-	(3.0)
Share-based payments	-	-	7.2	-	-	-	-	7.2	-	7.2
Share options exercised	-	-	(8.6)	-	-	-	0.1	(8.5)	-	(8.5)
Tax on exercised share options (note 5)	-	-	-	-	-	-	3.0	3.0	-	3.0
Deferred tax on share options (note 5)	-	-	-	-	-	-	(1.2)	(1.2)	-	(1.2)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	10.6	10.6
Obligations under put options	-	-	-	-	-	-	(28.8)	(28.8)	-	(28.8)
Balance at 31 March 2020	9.0	189.3	21.9	37.0	(0.6)	79.2	299.9	635.7	10.6	646.3

[1] Other reserves comprise the Merger, Own shares and Capital redemption reserves.

Group Cash Flow Statement
Year ended 31 March 2021

	Notes	**2021 £m**	2020 £m
Net cash inflow from operating activities	**10**	**223.0**	192.0
Investing activities			
Interest received		**0.1**	0.5
Proceeds on disposal of fixed assets		**0.3**	0.5
Purchases of intangible assets		**(62.8)**	(74.3)
Contract costs		**(1.5)**	(3.9)
Purchases of property, plant and equipment		**(7.1)**	(8.2)
Disposal of equity accounted investment		**-**	8.4
Contribution to equity accounted investee		**(2.2)**	-
Disposal of subsidiary	12	**(3.9)**	-
Acquisition of subsidiaries	12	**(77.3)**	(140.6)
Net cash used in investing activities		**(154.4)**	(217.6)
Financing activities			
Dividends paid	6	**(80.5)**	(73.5)
Repayment of lease principal		**(14.8)**	(12.4)
Acquisition of non-controlling interests	4	**-**	(7.7)
Purchase of own shares		**-**	(3.0)
Proceeds on issue of share capital		**-**	0.1
New bank and other loans raised		**243.4**	-
Costs associated with new bank and other loans raised		**(2.2)**	(0.8)
Proceeds from loans and borrowings		**27.1**	206.6
Repayment of loans and borrowings		**(214.6)**	(24.0)
Net cash (used in)/generated by financing activities		**(41.6)**	85.3
Net increase in cash and cash equivalents, net of bank overdrafts		**27.0**	59.7
Cash and cash equivalents, net of bank overdrafts, at the beginning of the year		**131.2**	72.6
Impact of foreign exchange rate changes		**(8.8)**	(1.1)
Cash and cash equivalents, net of bank overdrafts, at the end of the year		**149.4**	131.2

Notes to the condensed set of financial statements

1. Basis of preparation

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs. The Company will publish full financial statements that comply with IFRSs in June 2021.

The financial information set out above does not constitute the Group's statutory financial statements for the years ended 31 March 2021 or 31 March 2020, but is derived from those financial statements. Statutory financial statements for FY20 prepared under IFRSs have been delivered to the Registrar of Companies and those for FY21 will be delivered following the Company's Annual General Meeting. The auditor, Deloitte LLP, has reported on those financial statements; its reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) Companies Act 2006. These financial statements were approved by the Board of Directors on 18 May 2021.

2. Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in this condensed set of financial statements as applied in the Group's 31 March 2020 audited financial statements, except as described below.

Adoption of new or revised standards

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

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

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

Changes in accounting policies

Non-IFRS measures

During the year ended 31 March 2021 the Group revised its accounting policy regarding adjusting items in the calculation of certain non-IFRS measures to include 'certain transaction related costs' as an adjusting item. Comparatives were not restated as unadjusted charges meeting the definition of certain transaction related costs in FY20 were highly immaterial.

Certain transaction related costs

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

- Fair value movements on financial instruments generated from transaction related activity. Currently the Group's portfolio of such instruments includes contingent consideration arising on business combinations, put options over the acquisition of non-controlling interests and call options over both the acquisition of additional equity in associates and the sale of equity in subsidiaries;
- Unwinding of discount on contingent financial instruments (including options); and

2. Significant accounting policies (continued)

- Charges associated with put options over non-controlling interests, which are expensed through the income statement over time to reflect the requirement for the recipients to remain employed in the business at the payment date. The charges are subject to fair value volatility associated with the non-controlling interest puts and are not representative of the ongoing cost of the recipient remaining in the business.

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

Inventory

The Group has historically valued inventory on a first-in, first-out ("FIFO") basis net of any provisions. In recent years the Group has acquired several HVAC businesses and, due to their nature, these businesses have high levels of homogenous inventory items that do not fluctuate significantly in price. The nature of inventory in these businesses, alongside the fact that they now comprise a majority of the Group's inventory balance, makes a weighted average cost ("WAC") valuation basis the most relevant inventory valuation approach for the Group and consequently the Group's inventory valuation accounting policy has been changed. The impacts of this change in accounting policy on FY20 reported figures were found to be immaterial and therefore comparatives have not been restated.

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

Standards in issue but not yet effective

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

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

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

3. Segmental analysis

Business segments

Since March 2021, underneath the Group's revised overarching three-division structure (being: Membership & HVAC – North America, Membership & HVAC – EMEA and Home Experts), the Group's IFRS 8 reportable segments are principally geographic in nature as these are the components which the Group's chief operating decision maker (CODM), the Chief Executive, regularly reviews internal reports about how to allocate resources to the segments and to assess their performance.

The two 'Membership & HVAC' divisions incorporate the Group's net policy, repair, HVAC installations and other revenue streams. The Membership & HVAC – North America division represents a separate segment based on the IFRS 8 criteria outlined above. The Membership & HVAC – EMEA division splits into four geographic segments: UK, France, Spain and New Markets (including the Group's Membership & HVAC international development initiatives, its Japanese joint venture and its former Italian associate which was disposed of on 1 August 2019, see note 4).

3. Segmental analysis (continued)

The Home Experts division, which represented one IFRS 8 segment in FY20, splits into three geographic IFRS 8 segments in FY21 with the inclusion of the first full year of eLocal results. The results of Home Experts – UK and Home Experts – North America are both separately assessed by the CODM. Consequently, the FY21 IFRS 8 segments of the Home Experts division are: UK (including the results of Checkatrade), North America (including the results of eLocal) and Other (including the results of Habitissimo (Spain), Preventivi (Italy) (since acquisition on 30 December 2020, see note 12) and Home Experts France (until the point of disposal on 15 May 2020, see note 12)). Comparative disclosures have been restated reflecting the division of Home Experts into three IFRS 8 segments that became effective in March 2021.

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

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

	Membership & HVAC	Membership & HVAC - EMEA				Home Experts			
2021	North America £m	UK £m	France £m	Spain £m	New Markets £m	UK £m	North America £m	Other £m	Total £m
Revenue									
Net policy income	388.1	233.2	113.0	48.9	-	-	-	-	783.2
Repair income	57.1	80.3	0.3	131.2	-	-	-	-	268.9
HVAC installations	57.9	12.1	16.0	15.6	-	-	-	-	101.6
Home Experts	-	-	-	-	-	38.9	91.3	9.6	139.8
Other	3.3	13.3	3.3	-	-	-	-	-	19.9
Total revenue	506.4	338.9	132.6	195.7	-	38.9	91.3	9.6	1,313.4
Inter-segment	-	(8.7)	-	-	-	-	-	-	(8.7)
External revenue	506.4	330.2	132.6	195.7	-	38.9	91.3	9.6	1,304.7
Result									
Adjusted operating profit/(loss)[1]	105.0	72.5	35.6	17.7	(6.3)	(16.0)	13.2	(7.4)	214.3
Exceptional items	-	(87.8)	-	(0.6)	(3.7)	-	-	(0.3)	(92.4)
Certain transaction related costs	(2.0)	-	-	-	-	-	(3.1)	-	(5.1)
Amortisation of acquisition intangibles	(20.8)	(3.2)	(7.2)	(2.4)	-	(4.6)	(6.2)	(0.6)	(45.0)
Operating profit/(loss)	82.2	(18.5)	28.4	14.7	(10.0)	(20.6)	3.9	(8.3)	71.8
Investment income									0.4
Finance costs									(25.0)
Profit before tax									47.2
Tax									(15.4)
Profit for the year									31.8

3. Segmental analysis (continued)

2020	Membership & HVAC North America £m	Membership & HVAC - EMEA UK £m	France £m	Spain £m	New Markets £m	Home Experts UK £m	North America £m	Other £m	Total £m
Revenue									
Net policy income	354.9	249.4	104.5	49.2	-	-	-	-	758.0
Repair income	30.6	89.5	0.4	94.4	-	-	-	-	214.9
HVAC installations	42.4	21.2	6.8	10.5	-	-	-	-	80.9
Home Experts	-	-	-	-	-	38.5	22.1	11.2	71.8
Other	1.6	12.8	0.1	-	-	-	-	-	14.5
Total revenue	429.5	372.9	111.8	154.1	-	38.5	22.1	11.2	1,140.1
Inter-segment	-	(7.8)	-	-	-	-	-	-	(7.8)
External revenue	429.5	365.1	111.8	154.1	-	38.5	22.1	11.2	1,132.3
Result									
Adjusted operating profit/(loss)[1]	85.4	81.0	33.8	20.1	(4.7)	(10.4)	1.8	(5.3)	201.7
Exceptional items	-	(15.0)	-	-	3.8	-	-	3.6	(7.6)
Amortisation of acquisition intangibles	(17.8)	(3.2)	(6.9)	(0.5)	-	(4.6)	(2.0)	(0.5)	(35.5)
Operating profit/(loss)	67.6	62.8	26.9	19.6	(0.9)	(15.0)	(0.2)	(2.2)	158.6
Investment income									0.5
Finance costs									(21.2)
Profit before tax									137.9
Tax									(32.1)
Profit for the year									105.8

[1] Adjusted operating profit is defined in the Glossary to the Preliminary Results.

Net policy income includes £52.7m of home assistance revenue (FY20: £52.6m) where the Group contracts directly with the end user and not through an underwriter. £28.8m (FY20: £35.3m) of the home assistance revenue relates to the Group's Spanish Membership business.

Segment information

	Assets		Liabilities		Non-current asset additions		Depreciation, amortisation and impairment	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020[1] £m	**2021 £m**	2020 £m
Membership & HVAC								
North America	**586.7**	557.1	**691.2**	683.6	**24.0**	29.0	**41.0**	35.3
Membership & HVAC – EMEA								
UK	**1,092.8**	1,183.3	**669.5**	653.2	**19.2**	29.8	**116.1**	47.5
France	**262.0**	247.3	**183.4**	163.3	**19.0**	15.2	**17.1**	13.6
Spain	**176.6**	143.8	**142.8**	105.5	**9.8**	9.4	**16.2**	17.4
New Markets	**0.8**	0.6	**35.9**	31.9	**-**	-	-	-
Home Experts								
UK	**90.3**	56.0	**28.1**	21.2	**9.3**	11.9	**9.1**	6.9
North America	**122.3**	135.9	**18.3**	23.2	**0.1**	-	**6.7**	2.2
Other	**21.3**	18.2	**9.9**	14.0	**2.7**	1.8	**2.1**	1.7
Inter-segment	**(575.6)**	(559.2)	**(575.6)**	(559.2)	-	-	-	-
Total	**1,777.2**	1,783.0	**1,203.5**	1,136.7	**84.1**	97.1	**208.3**	124.6

[1] Prior year comparatives have been updated for the inclusion of £14.7m non-current asset additions to right-of-use assets.

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

3. Segmental analysis (continued)

In FY21 these figures include £84.7m (FY20: £14.3m in relation to HomeServe Labs) of exceptional impairment charges booked in the Membership & HVAC - EMEA UK segment in relation to eServe and other intangible software assets (see note 4) and £0.1m of non-exceptional impairment charges booked in the Home Experts UK segment in relation to contract costs. In FY20, £1.2m of impairment charges were also booked in the Membership & HVAC - EMEA Spain segment in relation to the acquisition of Somgas Hogar S.L.

Information about major customers

During the periods presented three underwriters were customers of the Group that individually accounted for over 10% of the Group's revenue:

	2021	2020
	%	%
Customer 1 - UK	**23.5**	28.9
Customer 2 – North America	**16.1**	16.7
Customer 3 – North America	**11.8**	12.9
Other customers individually representing below 10% of Group revenue	**48.6**	41.5
	100.0	100.0

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2021	2020	**2021**	2020
	£m	£m	**£m**	£m
USA	**596.0**	449.9	**399.1**	426.5
UK	**368.5**	403.7	**354.9**	457.2
Spain	**199.1**	159.3	**100.6**	65.3
France	**132.6**	111.8	**181.0**	167.0
Other	**8.5**	7.6	**19.3**	16.2
Total	**1,304.7**	1,132.3	**1,054.9**	1,132.2

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

4. Adjusting and exceptional items

Adjusting items, in addition to amortisation of acquired intangibles of £45.0m (FY20: £35.5m), comprised the following:

	2021 £m	2020 £m
Costs of put options on non-controlling interests accrued over time	**2.8**	-
Fair value movements on option obligations and contingent consideration	**2.3**	-
Certain transaction related costs included within operating costs	**5.1**	-
Unwinding of discount on option obligations and contingent consideration	**1.6**	-
Certain transaction related costs included within finance costs	**1.6**	-
Total certain transaction related costs included in profit before tax	**6.7**	-
Net taxation on certain transaction related costs	**(1.7)**	-
Total certain transaction related costs after tax	**5.0**	-

In FY20 charges meeting the definition of certain transaction related costs totalled £0.2m and were included in adjusted profit due to their insignificant size. As such no comparative charges have been reclassified.

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

	2021 £m	2020 £m
Impairment charges and associated costs	**86.9**	14.3
Restructuring costs	**5.5**	0.7
Gain on acquisition of subsidiary non-controlling interests	**-**	(3.6)
Gain on disposal of investment in associate	**-**	(3.8)
Exceptional items included within operating profit before tax	**92.4**	7.6
Net taxation on exceptional items	**(17.6)**	(2.0)
Net exceptional items after tax	**74.8**	5.6

Year ended 31 March 2021

Impairment and associated charges

The Group incurred exceptional impairment charges of £82.6m due to the full write down of the UK's 'eServe' CRM system and recognised £2.2m of exceptional provisions related to onerous contracts associated with the eServe system. During the second half of FY21 additional capability issues came to light as more policies were introduced onto the system, meaning that the duration of the parallel run period alongside the legacy system would need to be extended. Following an extensive review of system capability and robustness and the ongoing operational needs of the business, the difficult decision was taken to revert the minority of customers on this platform back to the existing Ensura CRM system, which is the proven system of record in North America. Following a period of decommissioning, eServe will be replaced by a flexible, cloud-based solution. Current planning suggests this will be a Salesforce solution, similar to that implemented successfully in France and which is planned for implementation in North America. This change results in an impairment charge being recognised for the asset's full carrying amount. Impairment and associated charges related to eServe have been classified as exceptional in the consolidated income statement due to their size, nature and incidence.

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

4. Adjusting and exceptional items (continued)

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

Year ended 31 March 2020
Acquisition of subsidiary non-controlling interests
On 18 June 2019 HomeServe International Limited, a Group company, executed its call option (written on 27 January 2017, the point at which it acquired a 70% controlling interest in Habitissimo S.L.), to acquire the outstanding 30% non-controlling interests in Habitissimo S.L. for cash consideration of €8.6m (£7.7m). The transaction increased HomeServe International Limited's interest in Habitissimo S.L. to 100% of the issued share capital and did not give rise to a change in control.

The transaction resulted in a gain in the consolidated income statement of £3.6m. This represents the difference between the consideration paid and the value of the option liability, being the potential cash payment of the non-controlling interests' corresponding put option to sell the remaining 30% of their shareholding, held on the balance sheet immediately prior to the transaction, net of directly attributable transaction costs. The gain has been classified as exceptional in the consolidated income statement due to its size, nature and incidence.

Disposal of interest in associate
On 1 August 2019 HomeServe International Limited, a Group company, disposed of its 49% equity accounted investment in Assistenza Casa Srl, by way of sale for cash consideration of €9.4m (£8.4m). At the point of disposal the carrying value of the Group's investment was £4.6m resulting in the recognition of a £3.8m gain in the consolidated income statement. The gain has been classified as exceptional due to its size, nature and incidence.

Impairment and restructuring charges associated with HomeServe Labs
Consumers and insurance partners were slower than expected to adopt smart leak detection technology. Following the Group's annual budgeting process and subsequent updates in light of the COVID pandemic, HomeServe completed an impairment review of the Group's LeakBot assets, concluding that the net assets of the business were impaired, and incurred a £15.0m exceptional charge. This conclusion was reached based on a number of factors affecting expected future cash flows including commercial traction, access to investment and the pace of technology change. Of the £15.0m, £12.9m related to the impairment of development assets for the LeakBot device, £1.4m related to an inventory provision and £0.7m related to a restructuring provision.

5. Taxation

	2021 £m	2020 £m
Current tax		
Current year charge	**40.5**	33.7
Adjustments in respect of prior years	**(2.0)**	(1.8)
Total current tax charge	**38.5**	31.9
Deferred tax (credit)/charge	**(23.1)**	0.2
Total tax charge	**15.4**	32.1

The pre-exceptional effective tax rate for the year ended 31 March 2021 was 24% (FY20: 23%). The post-exceptional effective tax rate for the same period was 33% (FY20: 24%). UK corporation tax is calculated at 19% (FY20: 19%) of the estimated assessable profit for the year. The UK Government in its 2021 Budget announced that the main UK corporate rate would be maintained at 19% until 31 March 2023, before being increased to 25% from 1 April 2023. This proposal is expected to be substantively enacted over the coming months whereby our UK deferred taxes will be re-measured accordingly. However, based on our current UK deferred tax position we have estimated that this UK tax rate increase will not give rise to a material effect.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions, these being a blended (Federal/State) rate of 25% in the US (FY20: 27%), 28% in France (FY20: 31%), 25% in Spain (FY20: 25%), a blended rate of 30% in Germany (FY20: 30%) and a substitute tax rate of 12% in Italy (FY20: 12%), which explains the 'Overseas tax rate differences' below. The US blended tax rate is estimated to be lower this year as a result of the average US State tax rate being lower than forecast. However, as with the UK tax rate increase proposal above, the US administration has recently proposed to increase the Federal tax rate but given the uncertainty as to when this proposal might be substantively enacted, and in exactly what form, it is not possible to estimate its impact. We will continue to monitor the progress of this US tax proposal and the impact upon the Group's effective tax rate.

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

	2021 £m	2020 £m
Profit before tax on continuing operations	**47.2**	137.9
Tax at the UK corporation tax rate of 19% (FY20: 19%)	**9.0**	26.2
Tax effect of items not deductible in determining taxable profit	**-**	1.1
Adjustments in respect of prior years – current tax	**(2.0)**	(1.8)
Movement in deferred tax liabilities	**1.3**	-
Overseas tax rate differences	**7.1**	6.6
Tax expense for the year	**15.4**	32.1

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

5. Taxation (continued)

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

A retirement benefit tax credit of £0.9m (FY20: £0.3m charge) has been recognised directly in other comprehensive income. In addition to the amounts credited/(charged) to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	2021 £m	2020 £m
Current tax		
Excess tax deductions related to share-based payments on exercised options	**1.5**	3.0
Deferred tax		
Change in estimated excess tax deductions related to share-based payments	**(1.0)**	(1.2)
Total tax recognised directly in equity	**0.5**	1.8

6. Dividends

	2021 £m	2020 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2020 of 17.8p (2019: 16.2p) per share	**59.7**	54.1
Interim dividend for the year ended 31 March 2021 of 6.2p (2020: 5.8p) per share	**20.8**	19.4
	80.5	73.5

The proposed final dividend for the year ended 31 March 2021 is 19.8p per share amounting to £66.5m (FY20: 17.8p per share amounting to £59.7m). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The payment of this dividend will not have any tax consequences for the Group.

7. Earnings per share

	2021 pence	2020 pence
Basic	**9.3**	31.7
Diluted	**9.2**	31.5
Adjusted basic	**42.7**	41.3
Adjusted diluted	**42.6**	41.0

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

Number of shares	**2021 m**	2020 m
Weighted average number of shares		
Basic	**335.8**	334.2
Dilutive impact of share options	**1.0**	2.8
Diluted	**336.8**	337.0

Earnings	**2021 £m**	2020 £m
Profit for the year attributable to equity holders of the parent	**31.1**	106.0
Amortisation of acquisition intangibles	**45.0**	35.5
Certain transaction related costs (note 4)	**6.7**	-
Exceptional items (note 4)	**92.4**	7.6
Tax impact arising on adjusting and exceptional items	**(29.7)**	(11.0)
Non-controlling interests' share of adjusting items	**(2.1)**	-
Adjusted profit for the year attributable to equity holders of the parent	**143.4**	138.1

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

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

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

8. Other intangible assets

	Acquired access rights £m	Acquired customer databases £m	Other acquired intangibles £m	**Total acquisition intangibles £m**	Trademarks & access rights £m	Customer databases £m	Software £m	**Total intangibles £m**
Cost								
At 1 April 2019	126.5	224.9	13.9	**365.3**	37.4	17.6	253.6	**673.9**
Additions	4.1	4.2	-	**8.3**	4.8	13.1	45.4	**71.6**
Acquisition of subsidiaries	72.3	6.7	1.4	**80.4**	-	-	0.1	**80.5**
Disposals	-	(0.2)	-	**(0.2)**	-	-	(4.5)	**(4.7)**
Transfers	(3.7)	3.7	-	**-**	-	-	0.7	**0.7**
Exchange movements	8.7	7.6	-	**16.3**	0.8	0.7	3.1	**20.9**
At 1 April 2020	207.9	246.9	15.3	**470.1**	43.0	31.4	298.4	**842.9**
Additions	0.8	0.6	-	**1.4**	0.7	15.0	52.8	**69.9**
Acquisition of subsidiaries	2.0	26.6	-	**28.6**	-	-	1.2	**29.8**
Disposals	-	(1.2)	-	**(1.2)**	(0.4)	-	(1.7)	**(3.3)**
Disposal of subsidiary	-	-	-	**-**	-	-	(0.3)	**(0.3)**
Adjustments to prior year acquisitions[1]	(1.2)	-	(0.2)	**(1.4)**	-	-	-	**(1.4)**
Exchange movements	(19.7)	(15.7)	(0.1)	**(35.5)**	(1.7)	(2.2)	(8.0)	**(47.4)**
At 31 March 2021	**189.8**	**257.2**	**15.0**	**462.0**	**41.6**	**44.2**	**342.4**	**890.2**
Accumulated Amortisation								
At 1 April 2019	35.7	98.2	2.3	**136.2**	30.4	4.8	83.9	**255.3**
Charge for the year	13.8	19.9	1.8	**35.5**	4.1	3.5	30.7	**73.8**
Impairment	-	0.7	-	**0.7**	1.0	-	11.9	**13.6**
Disposals	-	-	-	**-**	-	-	(4.5)	**(4.5)**
Transfers	0.1	(0.1)	-	**-**	(0.8)	0.8	0.2	**0.2**
Exchange movements	1.8	3.6	-	**5.4**	0.4	0.2	1.4	**7.4**
At 1 April 2020	51.4	122.3	4.1	**177.8**	35.1	9.3	123.6	**345.8**
Charge for the year	15.6	27.4	2.0	**45.0**	2.3	6.8	35.3	**89.4**
Impairment	-	-	-	**-**	-	-	84.7	**84.7**
Disposals	-	(1.2)	-	**(1.2)**	(0.2)	-	(1.0)	**(2.4)**
Exchange movements	(4.5)	(8.3)	-	**(12.8)**	(1.2)	(0.7)	(3.9)	**(18.6)**
At 31 March 2021	**62.5**	**140.2**	**6.1**	**208.8**	**36.0**	**15.4**	**238.7**	**498.9**
Carrying Amount								
At 31 March 2021	**127.3**	**117.0**	**8.9**	**253.2**	**5.6**	**28.8**	**103.7**	**391.3**
At 31 March 2020	156.5	124.6	11.2	292.3	7.9	22.1	174.8	497.1

[1] The carrying value of acquired intangible assets relating to prior year acquisitions have been adjusted during the associated remeasurement periods reducing the value of acquired access rights by £1.2m, other acquired intangibles by £0.2m and increasing goodwill by £1.4m.

Other acquired intangibles include acquired brands and technology assets. At the balance sheet date there are no contractual commitments for the purchase of intangible assets (FY20: £nil).

Acquired access rights include assets with a book value of £51.0m (FY20: £62.1m) in respect of customer relationships acquired as part of the acquisition of eLocal Holdings LLC in FY20. The assets are being amortised over periods ranging between 10 and 11 years on a straight-line basis and have over 8 to 9 years useful economic life remaining.

8. Other intangible assets (continued)

Year Ended 31 March 2021

Impairment

At 31 March 2021 the carrying value of the eServe customer relationship management system and associated intangibles within the UK Membership business were reviewed for impairment resulting in impairment charges of £82.6m being recorded within software assets, bringing the post impairment carrying value of the eServe CRM system to £nil (FY20: £81.8m). In addition, an impairment of £2.1m was recognised in association with other intangible software assets, bringing the post impairment carrying value of the asset to £nil. Total impairment charges of £84.7m have been treated as exceptional due to their size, nature and incidence (see note 4).

Year ended 31 March 2020

Impairment

At 31 March 2020 the carrying value of intangibles assets associated with HomeServe Labs were reviewed for impairment resulting in charges being recorded in association with the software assets (£11.9m) and trademark and access rights (£1.0m) of the business. The total impairment charges of £12.9m associated with HomeServe Labs related intangible assets were treated as exceptional due to their size and incidence (see note 4). Post impairment the carrying value of the impaired intangibles was £nil.

Additionally, during the period between acquisition on 25 July 2019 and 31 March 2020 a significant revenue generating contract of Somgas Hogar S.L., a Group company, ceased. In light of these circumstances and due to the recent nature of the acquisition, it was considered appropriate to perform a separate impairment review of the Somgas business, resulting in an impairment to acquired customer databases of £0.7m.

9. Share capital

	2021 £m	2020 £m
Issued and fully paid 336,045,030 ordinary shares of 2 9/13p each (FY20: 334,634,278)	**9.1**	9.0

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

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

During the year from 1 April 2019 to 31 March 2020 the Company issued 2,143,901 shares with a nominal value of 2 9/13p creating share capital and share premium with a combined value of £8.6m.

10. Notes to the cash flow statement

	Notes	2021 £m	2020 £m
Operating profit		**71.8**	158.6
Adjustments for:			
Depreciation of property, plant and equipment		**9.9**	9.3
Depreciation of right-of-use assets		**15.2**	14.2
Amortisation of acquisition intangible assets	8	**45.0**	35.5
Amortisation of other intangible assets	8	**44.4**	38.3
Amortisation of contract costs		**9.0**	11.8
Share-based payments expense		**4.3**	7.2
Share of equity accounted investees results		**2.5**	2.1
Fair value movements on options and contingent consideration		**2.3**	(1.5)
Costs of put options on non-controlling interests accrued over time		**2.8**	1.0
Loss on disposal of associate	13	**2.1**	-
Loss on disposal of subsidiary	12	**0.1**	-
Loss/(gain) on disposal of property, plant and equipment, intangible assets and contract costs		**1.1**	(0.8)
Non-exceptional impairment of goodwill, intangible assets and contract costs		**0.1**	1.2
Exceptional impairment charges and associated costs	4	**86.9**	14.3
Other exceptional items		**5.3**	(6.7)
Operating cash flows before movements in working capital		**302.8**	284.5
Increase in inventories		**(0.8)**	(1.0)
Increase in receivables		**(20.0)**	(46.3)
(Decrease)/increase in payables and provisions		**(4.3)**	3.2
Net movement in working capital		**(25.1)**	(44.1)
Cash generated by operations		**277.7**	240.4
Income taxes paid		**(35.1)**	(30.2)
Interest paid (inclusive of payments on lease liabilities)		**(19.6)**	(18.2)
Net cash inflow from operating activities		**223.0**	192.0

Reconciliation of cash and cash equivalents	2021 £m	2020 £m
Cash and cash equivalents in the Group balance sheet	**171.4**	131.2
Bank overdrafts	**(22.0)**	-
Cash and cash equivalents in the Group cash flow statement	**149.4**	131.2

11. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with equity accounted investees

	2021 £m	2020 £m
Sales to associates	**-**	0.1
Purchases from associates	**0.3**	0.3
Sales to joint ventures	**0.1**	0.4
Purchases from joint ventures	**-**	0.3
Amounts owed to joint ventures	**-**	0.1

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

Other related party transactions

Other related party transactions during FY21 were similar in nature to those in FY20 and amounted to £nil (FY20: £0.3m).

Full details of the Group's related party transactions are included in the Annual Report and Accounts 2021.

12. Acquisitions and disposals

The Group has incurred a net cash outflow in respect of business combinations of £77.3m in the year (FY20: £140.6m).

There were two material acquisitions in the year ended 31 March 2021.

- On 26 June 2020, HomeServe Spain S.L.U., a Group company, acquired 99.45% of the issued share capital and obtained control of Solusat Asistencia Técnica S.L., (hereafter 'Solusat'). On 26 March 2021, the remaining 0.55% of the issued share capital of Solusat was acquired. The acquisition of Solusat enhances the scale and scope of the Group's HVAC capabilities in Spain.

- On 10 August 2020, HomeServe Asistencia Spain S.A.U, a Group company, acquired 100% of the issued share capital and obtained control of Mesos Gestión y Servicios S.L., (hereafter 'Mesos'). Mesos has a 100% shareholding of Mesos Portugal Unipessoal LDA and therefore was obtained indirectly by HomeServe Asistencia Spain S.A.U. The acquisition of Mesos continues to expand the Group's home assistance services and increases the opportunity for future growth in this market.

Additionally the following immaterial acquisitions, which have been combined and presented as 'Other' for the purpose of provisional fair value disclosures, were made during the year ended 31 March 2021.

HVAC

Date	**Acquiree**	**Acquirer**	**Acquired**
29 May 2020	Aujard SAS	HomeServe Energy Services SAS	100% share capital
29 May 2020	Ei Minerbe SAS	ID Energies SAS	Group of assets constituting a business under IFRS 3
1 June 2020	Hays Cooling and Heating LLC	HomeServe HVAC LLC	100% share capital
30 July 2020	Servicio Técnico Urueña S.L.	HomeServe Spain S.L.U.	100% share capital
3 August 2020	Worry Free Comfort Systems Inc.	HomeServe HVAC LLC	100% share capital

12. Acquisitions and disposals (continued)

HVAC (continued)

Date	Acquiree	Acquirer	Acquired
31 August 2020	Ei Multi Chauff SAS	ID Energies SAS	Group of assets constituting a business under IFRS 3
29 September 2020	UGI HVAC Enterprises Inc.	HomeServe USA Energy Services LLC	Group of assets constituting a business under IFRS 3
30 September 2020	Conviflamme SAS	HomeServe Energy Services SAS	100% share capital
30 September 2020	Lesage SAS	Conviflamme SAS	100% share capital
30 September 2020	Réseau Energies SARL	Conviflamme SAS	95% share capital - bringing the total shareholding to 100%
31 October 2020	Sociéte de Maintenance Thermique SAS	HomeServe Energy Services SAS	100% share capital
17 November 2020	Arizona's Dukes of Air LLC	HomeServe HVAC LLC	100% share capital
8 December 2020	Sterling Air Services LLC	HomeServe HVAC LLC	100% share capital
9 December 2020	Aragonesa De Postventa S.L.U.	HomeServe Spain S.L.U.	100% share capital
31 December 2020	G2M SAS	HomeServe Energy Services SAS	100% share capital
31 December 2020	Canyon State Air Conditioning and Heating LLC	HomeServe HVAC LLC	100% share capital
31 December 2020	Aqua Plumbing & Heating Services Limited	HomeServe Membership Limited	100% share capital
31 December 2020	PH Energies SAS (and subsidiaries PH9 SAS and Pack SD SAS)	HomeServe Energy Services SAS	100% share capital
26 February 2021	Técnica Del Frio Landaluce S.L.U.	HomeServe Spain S.L.U.	100% share capital
15 March 2021	Environmental Systems Associates Inc.	HomeServe HVAC LLC	100% share capital
17 March 2021	Mantenimientos Holguin S.L.U.	HomeServe Spain S.L.U.	100% share capital
17 March 2021	Ifoncale Navarra S.L.U.	HomeServe Spain S.L.U.	100% share capital
31 March 2021	Roussin Energies SAS	HomeServe Energy Services SAS	100% share capital

All HVAC acquisitions made during FY21 enhance the scale and scope of the Group's HVAC capabilities and increase the opportunity for future growth related to new HVAC system installations.

Other acquisitions

- On 1 June 2020, HomeServe SEM LLC, a Group company, acquired a group of assets constituting a business under IFRS 3 from Vincodo LLC.

- On 30 December 2020, Habitissimo S.L, a Group company, acquired 100% of the issued share capital and obtained control of Preventivi SRL.

The acquisition of these businesses strengthens HomeServe's search engine marketing capabilities, contributing to growth strategies across a variety of business lines, notably Home Experts.

12. Acquisitions and disposals (continued)

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

At fair value	Solusat £m	Mesos £m	Other £m	**Total £m**
Software	-	1.0	0.2	**1.2**
Property, plant and equipment	-	0.5	3.7	**4.2**
Right-of-use assets	-	0.2	3.8	**4.0**
Cash and cash equivalents	0.3	1.1	8.2	**9.6**
Inventories	0.2	0.3	3.8	**4.3**
Trade and other receivables	2.2	3.0	7.1	**12.3**
Trade and other payables, provisions and retirement benefit obligations	(2.0)	(2.5)	(9.4)	**(13.9)**
Deferred income	-	-	(4.0)	**(4.0)**
Lease liabilities	-	(0.2)	(3.8)	**(4.0)**
Bank and other loans	-	(2.4)	(1.9)	**(4.3)**
Intangible assets identified on acquisition	5.1	6.4	17.1	**28.6**
Deferred tax liabilities	(1.3)	(1.6)	(0.9)	**(3.8)**
Net assets acquired	**4.5**	**5.8**	**23.9**	**34.2**
Goodwill	14.7	15.0	42.6	**72.3**
Total	**19.2**	**20.8**	**66.5**	**106.5**
Satisfied by:				
Cash	19.2	14.9	49.2	**83.3**
Deferred consideration	-	-	2.8	**2.8**
Contingent consideration at fair value	-	5.9	14.5	**20.4**
Total	**19.2**	**20.8**	**66.5**	**106.5**
Net cash outflow arising on acquisition				
Cash consideration	19.2	14.9	49.2	**83.3**
Less: cash acquired	(0.3)	(1.1)	(8.2)	**(9.6)**
Total	**18.9**	**13.8**	**41.0**	**73.7**

The information above is provisional with fair value assessment activities ongoing. The other column relates to 25 individually immaterial business combinations completed during the year. Contingent consideration associated with Mesos is dependent upon performance against certain profitability metrics. There is no range of outcomes associated with the balance as the earnout payment was finalised, based on results to 31 March 2021, at £5.9m.

The goodwill arising on the excess of consideration over the fair value of the assets and liabilities acquired represents the expectation of future growth, synergistic benefits and efficiencies. Where elections are made to treat an acquisition that is in scope of US tax legislation as an asset purchase for tax, goodwill is deemed deductible for tax purposes. Where goodwill arises on consolidation within the Group it is not deductible for tax purposes, but tax deductions on goodwill amortisation may arise at a local level in certain territories, subject to specific local rules. Deferred tax liabilities associated with elected goodwill deductions at 31 March 2021 are £1.9m (FY20: £0.8m). The gross contracted amounts due are equal to the fair value amounts stated above for trade and other receivables.

12. Acquisitions and disposals (continued)

The post-acquisition revenue, adjusted operating profit and acquisition related costs (included in operating costs) from these acquisitions in the year ended 31 March 2021 were as follows:

	Solusat £m	Mesos £m	Other £m	**Total £m**
Revenue	6.0	14.9	42.6	**63.5**
Adjusted operating profit	1.3	2.0	2.1	**5.4**
Acquisition related costs	0.1	0.2	1.1	**1.4**

If all acquisitions had been completed on the first day of the financial year, Group revenue for the year would have been £1,363.5m and Group adjusted profit before tax would have been £196.8m.

In addition to the net cash outflow on the acquisitions above of £73.7m, deferred and contingent consideration was paid relating to previous business combinations of £3.6m (FY20: £6.4m).

During FY21 the provisional fair values for the acquisitions completed in FY20 and disclosed as part of the Group's FY20 Annual Report were updated leading to a total £4.1m increase to goodwill at 31 March 2021. This increase in goodwill arose due to fair value adjustments associated with the acquisition of eLocal Holdings LLC totalling £2.6m. £2.1m (79%) of these adjustments were recognised in goodwill with £0.5m (21%) being booked to non-controlling interests in equity. Additional adjustments of £1.6m related to prior year acquisitions were recognised on the acquisition of Crawford Services Inc with a further £0.4m other fair value adjustments recorded across five other prior year acquisitions.

Disposal of subsidiary – Home Experts France

On 15 May 2020, HomeServe France Holdings SAS ('HFH'), a Group company, disposed of 80% of its 100% interest in HomeServe Home Experts SAS, subsequently renamed Groupe Maison.fr SAS ('Maison.fr'). The total fair value of the consideration and retained interest was £4.1m. The Group realised a net loss on disposal as a result of this transaction of £0.1m. The net assets of the Group's interest in the business at the date of disposal were as follows:

At fair value	**£m**
Non-current assets	0.4
Cash and cash equivalents	3.9
Trade and other receivables	0.1
Trade and other payables	(0.2)
Total identifiable net assets	**4.2**
Loss on disposal	**(0.1)**
Total consideration	**4.1**
Satisfied by:	
Cash	-
Interest in other investment	2.9
Fair value of call option	1.2
	4.1
Net cash outflow arising on disposal:	
Consideration received in cash and cash equivalents	-
Less: cash and cash equivalent balances disposed[1]	3.9
	3.9

[1] In accordance with the terms of the deal HFH subsequently reimbursed the new owners for any receivables outstanding at 31 March 2020 that were not collected within the subsequent six months. This resulted in an incremental £0.1m payment to the new owners during the second half of FY21, bringing the total cash disposed balance to £3.9m versus £3.8m disclosed at HY21.

12. Acquisitions and disposals (continued)

HFH retained a 20% holding in Maison.fr following the disposal. Having reviewed the remaining rights and obligations of HFH under the associated sale and purchase agreement, the Group have assessed that HFH does not have significant influence over the financial and operating policies of the entity, or the ability to use its power to affect its returns through its retained shareholding. HFH's potential future voting rights afforded to it via its call option over an additional 24.17% equity stake (see below) have not been considered in this assessment as they are not currently exercisable. As a result, the holding is considered to be a non-controlling interest in Maison.fr which has been accounted for under IFRS 9. The Group has elected to classify the instrument as an investment recorded at fair value through other comprehensive income.

As a result of the above transaction, HFH acquired a call option exercisable in April 2022 which provides the opportunity to acquire a further 24.17% equity stake of Maison.fr for a fixed price of €3.7m/£3.3m. The fair value of the option has been established using a Black-Scholes pricing model resulting in a fair value at initial recognition of £1.2m which has been treated as an element of the consideration received for the 80% interest disposed of. The option carrying value is held within other financial assets on the balance sheet. Subsequent changes in the fair value of the option will be recorded in the income statement. For the period from initial recognition to 31 March 2021 the change in fair value, before the impact of foreign exchange, was £0.1m.

13. Other items

Disposal of interest in associate

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

US Private Placement

On 21 August 2020 the Group completed a financing transaction in the United States Private Placement market, issuing notes amounting to $250.0m and £54.0m as detailed below:

Title	Principal	Maturity	Coupon
7yr GBP Senior Notes	£ 19.0m	20 August 2027	3.06%
7yr USD Senior Notes	$125.0m	20 August 2027	3.34%
10yr GBP Senior Notes	£ 20.0m	20 August 2030	3.21%
10yr USD Senior Notes	$ 63.0m	20 August 2030	3.58%
12yr GBP Senior Notes	£ 15.0m	20 August 2032	3.25%
12yr USD Senior Notes	$ 62.0m	20 August 2032	3.68%

14. Events after the balance sheet date

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

15. Other information

The Annual Report and Accounts for the year ended 31 March 2021 were approved by the Board on 18 May 2021 and will be made available on the Company's website and posted to those shareholders who have requested it in June 2021. Copies will be available from the registered office at Cable Drive, Walsall, WS2 7BN.

GLOSSARY

HomeServe uses a number of alternative performance measures (APMs) to assess the performance of the Group and its individual segments. APMs used in this announcement address profitability, leverage and liquidity and together with operational KPIs give an indication of the current health and future prospects of the Group.

Definitions of APMs and the rationale for their usage are included below with a reconciliation, where applicable, back to the equivalent statutory measure.

Profitability

The Group uses adjusted operating profit, adjusted EBITDA, adjusted profit before tax and adjusted earnings per share as its primary profit performance measures. These are non-IFRS measures which exclude the impact of the amortisation of acquisition intangible assets, certain transaction related costs and exceptional items.

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

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

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

- Fair value movements on financial instruments generated from transaction related activity;
- Unwinding of discount on contingent financial instruments (including options); and
- Charges associated with put options over non-controlling interests.

The on-going service and operating costs incurred by the Group in managing the acquired businesses or assets, including but not limited to print, postage, telephony, claims costs and overheads are recognised as operating costs within these adjusted measures in the reporting period in which they are incurred. Certain transaction related costs do not include deal fees, financing charges on deferred consideration or the market rate salaries and bonuses of employees who hold non-controlling interest puts. All these items are included within the Group's adjusted performance measures.

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

Moreover, excluding these items from the Group's adjusted metrics provides for a consistent measure of underlying profitability on which to assess the Group's performance both period-on-period and relative to its peers.

Reconciliations of statutory to adjusted profit measures

TOTAL GROUP

£million	2021	2020
Operating profit (statutory)	**71.8**	158.6
Exceptional items	**92.4**	7.6
Certain transaction related costs	**5.1**	-
Amortisation of acquisition intangibles	**45.0**	35.5
Adjusted operating profit	**214.3**	201.7
Operating profit (statutory)	**71.8**	158.6
Exceptional items	**92.4**	7.6
Certain transaction related costs	**5.1**	-
Depreciation of property, plant and equipment	**9.9**	9.3
Depreciation of right of use assets	**15.2**	14.2
Amortisation of acquisition intangible assets	**45.0**	35.5
Amortisation of other intangible assets	**44.4**	38.3
Amortisation of contract costs	**9.0**	11.8
Adjusted EBITDA	**292.8**	275.3
Profit before tax (statutory)	**47.2**	137.9
Exceptional items and certain transaction related costs	**99.1**	7.6
Amortisation of acquisition intangibles	**45.0**	35.5
Adjusted profit before tax	**191.3**	181.0
Pence per share		
Earnings per share (statutory)	**9.3**	**31.7**
Exceptional items and certain transaction related costs (net of tax)	**23.0**	**1.8**
Amortisation of acquisition intangibles (net of tax)	**10.4**	**7.8**
Adjusted earnings per share	**42.7**	**41.3**

SEGMENTAL

	Membership & HVAC - North America	Membership & HVAC - EMEA				Home Experts
2021					**New**	
£million		**UK**	**France**	**Spain**	**Markets**	
Revenue	**506.4**	**338.9**	**132.6**	**195.7**	**-**	**139.8**
Statutory operating profit/(loss)	**82.2**	**(18.5)**	**28.4**	**14.7**	**(10.0)**	**(25.0)**
Operating Margin %	***16%***	**-**	***21%***	***8%***	**-**	**-**
Adjusting items						
Certain transaction related costs	**2.0**	**-**	**-**	**-**	**-**	**3.1**
Exceptional items	**-**	**87.8**	**-**	**0.6**	**3.7**	**0.3**
Amortisation of acquisition intangibles	**20.8**	**3.2**	**7.2**	**2.4**	**-**	**11.4**
Total adjusting items	**22.8**	**91.0**	**7.2**	**3.0**	**3.7**	**14.8**
Effect on operating margin ppts	***5ppts***	***n/a***	***6ppts***	***1ppts***	***n/a***	***n/a***
Adjusted operating profit/(loss)	**105.0**	**72.5**	**35.6**	**17.7**	**(6.3)**	**(10.2)**
Adjusted operating margin %	***21%***	***21%***	***27%***	***9%***	**-**	**-**

	Membership & HVAC – North America	Membership & HVAC - EMEA				Home Experts
2020					New	
£million		UK	France	Spain	Markets	
Revenue	429.5	372.9	111.8	154.1	-	71.8
Statutory operating profit/(loss)	67.6	62.8	26.9	19.6	(0.9)	(17.4)
Operating Margin %	*16%*	*17%*	*24%*	*13%*	-	-
Adjusting items						
Exceptional items	-	15.0	-	-	(3.8)	(3.6)
Amortisation of acquisition intangibles	17.8	3.2	6.9	0.5	-	7.1
Total adjusting items	17.8	18.2	6.9	0.5	(3.8)	3.5
Effect on operating margin ppts	*4ppts*	*5ppts*	*6ppts*	-	*n/a*	*n/a*
Adjusted operating profit/(loss)	85.4	81.0	33.8	20.1	(4.7)	(13.9)
Adjusted operating margin %	*20%*	*22%*	*30%*	*13%*	-	-

	Membership & HVAC - North America	Membership & HVAC - EMEA				Home Experts
2021		**UK**	**France**	**Spain**	**New Markets**	
Local currency million	**$**	**£**	**€**	**€**	**£**	**£**
Revenue	**665.8**	**338.9**	**148.5**	**219.0**	**-**	**139.8**
Statutory operating profit/(loss)	**107.9**	**(18.5)**	**31.8**	**16.4**	**(10.0)**	**(25.0)**
Operating Margin %	***16%***	**-**	***21%***	***8%***	**-**	**-**
Adjusting items						
Certain transaction related costs	**2.6**	**-**	**-**	**-**	**-**	**3.1**
Exceptional items	**-**	**87.8**	**-**	**0.7**	**3.7**	**0.3**
Amortisation of acquisition intangibles	**27.4**	**3.2**	**8.1**	**2.7**	**-**	**11.4**
Total adjusting items	**30.0**	**91.0**	**8.1**	**3.4**	**3.7**	**14.8**
Effect on operating margin ppts	***5ppts***	***n/a***	***6ppts***	***1ppts***	***n/a***	***n/a***
Adjusted operating profit/(loss)	**137.9**	**72.5**	**39.8**	**19.8**	**(6.3)**	**(10.2)**
Adjusted operating margin %	***21%***	***21%***	***27%***	***9%***	**-**	**-**

	Membership & HVAC – North America	Membership & HVAC - EMEA				Home Experts
2020 Local currency million	$	UK £	France €	Spain €	New Markets £	£
Revenue	546.1	372.9	128.4	176.6	-	71.8
Statutory operating profit/(loss)	86.1	62.8	31.2	22.5	(0.9)	(17.4)
Operating Margin %	*16%*	*17%*	*24%*	*13%*	-	-
Adjusting items						
Exceptional items	-	15.0	-	-	(3.8)	(3.6)
Amortisation of acquisition intangibles	22.5	3.2	7.8	0.6	-	7.1
Total adjusting items	22.5	18.2	7.8	0.6	(3.8)	3.5
Effect on operating margin ppts	*4ppts*	*5ppts*	*6ppts*	-	*n/a*	*n/a*
Adjusted operating profit/(loss)	108.6	81.0	39.0	23.1	(4.7)	(13.9)
Adjusted operating margin %	*20%*	*22%*	*30%*	*13%*	-	-

Leverage

The Group targets net debt in the range of 1.0 to 2.0x adjusted EBITDA measured at the year end. The range reflects HomeServe's relatively low risk appetite. Due to the seasonality of the business and depending on M&A opportunities, HomeServe is able to operate outside 1.0 to 2.0x for periods of time but with a highly cash generative business model HomeServe will seek to return to its target range. The leverage ratio is also important as it factors into the Group's banking covenants and the rolling 12 month rate at each half year period influences the future interest rates payable on the Group's Revolving Credit Facility.

Certain of the Group's segmental bonus measures relate to net cash. Net cash is defined and calculated in the same way as net debt but returns a positive closing balance.

The 2021 Annual Report provides a full reconciliation of the movements in liabilities arising from borrowings and lease liabilities. The closing balances at 31 March were as follows:

£million	2021	2020
Current liabilities from borrowings and lease liabilities		
Lease liabilities	**12.7**	14.1
Bank and other loans	**54.0**	40.3
	66.7	54.4
Non-current liabilities from borrowings and lease liabilities		
Lease liabilities	**38.6**	45.2
Bank and other loans	**579.8**	540.6
	618.4	585.8
Total liabilities from borrowings and lease liabilities	**685.1**	640.2
Cash and cash equivalents	**(171.4)**	(131.2)
Net Debt	**513.7**	509.0
Adjusted EBITDA	**292.8**	275.3
Leverage	**1.8x**	1.8x

Liquidity

Cash conversion % is defined as cash generated by operations divided by adjusted operating profit. The measure demonstrates the cash generative nature of the ordinary trading operations of HomeServe's business model and the ability to produce positive cashflows that can be invested for future growth initiatives or in capital projects to maintain customer service initiatives, digital enhancements or efficiencies that benefit the long-term health of the business.

Free cash flow is stated after capital expenditure, tax and interest obligations and is an indication of the strength of the business to generate funds to meet its liabilities and repay borrowings. It also shows the funds that might be made available to pursue M&A activities and to pay dividends.

£million	2021	2020
Adjusted operating profit	**214.3**	201.7
Exceptional items	**(92.4)**	(7.6)
Certain transaction related costs	**(5.1)**	-
Amortisation of acquisition intangibles	**(45.0)**	(35.5)
Operating profit	**71.8**	158.6
Impact of exceptional items	**92.2**	7.6
Impact of certain transaction related costs	**5.1**	-
Depreciation and amortisation	**123.5**	109.1
Non-cash items	**10.2**	9.2
Increase in working capital	**(25.1)**	(44.1)
Cash generated by operations	**277.7**	240.4
Net interest and borrowing costs	**(21.7)**	(18.5)
Repayment of lease principal	**(14.8)**	(12.4)
Taxation	**(35.1)**	(30.2)
Capital expenditure - ordinary	**(71.1)**	(79.0)
Capital expenditure – acquisitions of policy books	-	(6.9)
Free cash flow	**135.0**	93.4

£million	2021	2020
Adjusted operating profit	**214.3**	201.7
Cash generated by operations	**277.7**	240.4
Cash conversion	**130%**	119%

KPIs

The Group uses a number of operational key performance indicators that provide insight into past performance and are an indicator of the future prospects of the Group as a whole and its individual segments.

Affinity partner households tracks the growth in addressable market delivered through existing and new partnerships with utilities and municipals.
Customers tracks success in converting addressable market into revenue-generating customers, by delivering great products and service.
Retention rate reflects ability to deliver fit-for-purpose products and great service to customers.
Policies tracks ability to grow the product line through customer focus and innovation.
Income per customer measures ability to design and market increasingly valuable products, and sell them efficiently. Due to currency differences, this measure is tracked at a geographic level. Income per customer is calculated as the last 12 months' net policy income divided by customers.
Trades are customers in the Home Experts business. Growing the network of vetted and reviewed trades will enable HomeServe to meet consumer needs and grow its business.
Adjusted profit before tax is the profit measure we use to operationally manage the business and by which business growth, efficiency and sustainability are monitored.
Net debt to EBITDA is the key cash ratio, which is used to monitor usage of financial resources within agreed risk parameters.

Customers

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

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

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

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