HomeServe plc
Interim results for the six months ended 30 September 2021

Strong performance in North America, Home Experts and Continental Europe; early progress to broaden UK business

	Six months ended 30 September 2021	Six months ended 30 September 2020	Change[1]	CC Change[1]
Revenue	**£610.5m**	£536.7m	+14%	+20%
Statutory operating profit	**£32.1m**	£21.2m	+51%	+64%
Statutory profit before tax	**£18.9m**	£10.1m	+86%	+102%
Basic earnings per share	**3.9p**	2.0p	+93%	+110%
Adjusted[2] EBITDA	**£88.8m**	£83.8m	+6%	+13%
Adjusted[2] operating profit	**£54.7m**	£44.2m	+24%	+33%
Adjusted[2] profit before tax	**£42.2m**	£33.1m	+27%	+37%
Adjusted[2] earnings per share	**9.0p**	7.1p	+27%	+35%
Ordinary dividend per share	**6.8p**	6.2p	+10%	
Net debt[2]	**£625.1m**	£586.7m	+7%	+9%

- Revenue growth of 14% and adjusted operating profit growth of 24% driven by strong performance in North America, Home Experts and Continental Europe.
- North American Membership & HVAC delivered adjusted operating profit growth of 11% on a constant currency basis, with new utility partnerships delivering access to a further 6.1m households.
- In EMEA Membership & HVAC, France delivered 28% revenue growth, profits doubled in Spain and progress continues with signing utility partners in Japan.
- In the UK, adjusted operating profit grew 3% to £9.4m and initiatives to transform and broaden the business are making good early progress: the acquisition of CET Structures Ltd ("CET") on 22 October creates a leadership position in home emergency assistance to complement home assistance cover and HVAC, and stimulate profit growth.
- Home Experts division now profitable, with adjusted operating profit of £3.7m (statutory operating loss of £1.3m).
- Financial position remains strong: leverage increased to 2.1x net debt: EBITDA (HY21: 2.0x), reflecting typical first half seasonality and investments in the period.
- Interim dividend up 10% to 6.8p, reflecting strong performance and continued confidence in the Group's growth prospects.

Richard Harpin, Founder and Group Chief Executive, HomeServe plc, commented: "This is another very good set of results for HomeServe, with significant progress across all areas of the business. North America delivered an outstanding performance and is ahead of our original plan to achieve our next milestone of $230m adjusted operating profit. Our European businesses are performing well and pursuing innovative initiatives to broaden our reach. The UK, our most established market, continues to provide attractive returns and high quality service to our customers, and the team are making good early progress with their plan to broaden the business, notably with the acquisition of CET. We are building significant long-term value in Home Experts, with continuous innovation in our leading online platform in Checkatrade. Our ambitions for the current financial year are unchanged, which means that we expect to deliver an acceleration in performance this year, followed by significant longer term growth. Creativity, delivery and momentum have never been stronger."

[1]Percentage movements throughout this announcement are based on full unrounded 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 reconciliations, where applicable, back to the equivalent statutory measure.

Results presentation

A presentation for analysts and investors will take place at 9am this morning in a hybrid format – in person at UBS, 5 Broadgate, London, EC2M 2QS and via video webcast with a facility to ask questions, available via 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 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. 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 £2.9 billion.

Strategic update

HomeServe has delivered a very good first half, both in terms of its financial results and progress on key strategic initiatives.

In May 2021, HomeServe described three strategic priorities for FY22: continuing to drive growth in North America; a transformation plan to stabilise its UK business and return it to growth; and continued development and innovation in its Home Experts business model to create a market leading platform to match consumers with high quality trades and provide an attractive alternative to word of mouth. There has been good progress on all three of these initiatives.

North American Membership & HVAC

Adjusted operating profit grew 11% to $45.1m, after a period of full marketing activity and a return to in person business development meetings. In Membership, the strong pipeline of affinity partnerships converted into new agreements which give access to a further 6.1m households, taking total affinity partner households to 72m, up 13%. There was good progress on all North American Membership KPIs – customers up 8% to 4.8m, income per customer up 7% to $111, policies up 12% to 8.5m and policy retention up 3 percentage points to 86%.

North America continues to make great progress as the pioneer of the Group's HVAC buy and build strategy to provide customers with complete HVAC solutions, deliver operating synergies and participate in the green revolution. Adjusted operating profit grew 86% to $13m, with good contribution from businesses acquired in FY21. A further two small businesses were acquired in the period.

HomeServe is ahead of its original plan to achieve its Milestone 2 target of $230m of operating profit.

EMEA Membership & HVAC

HomeServe's strategy in EMEA Membership & HVAC is to grow broad-based businesses covering Membership, HVAC and home emergency assistance in the UK, France and Spain, and to expand into adjacent territories. In a joint venture with Mitsubishi Corporation, HomeServe is building a new business in Japan.

HomeServe's UK business continues to deliver excellent service to its customers, and is well-positioned and highly cash generative. Performance is consistent with the expectations set out in May 2021, with the rate of decline in customer numbers starting to slow and ending the period at 1.54m (HY21: 1.70m). Adjusted operating profit was up 3% to £9.4m. Claims frequencies remained high throughout most of the period, and there are early indications that increased product usage could drive a slight improvement in policy retention.

There has been good early progress on initiatives to transform and broaden the UK business. Water company partnerships remain the most important source of new customers, and there have been steps forward during the half with a further partnership renewal covering 1.3m households. This means partnership renewals have been signed with water utilities covering 6.8m households during calendar year 2021, with an average contract length of five years. The HVAC installations business is expected to deliver a positive EBIT contribution this year, and the HVAC buy and build strategy is starting to deliver results, with the first acquisition performing well and further acquisitions planned in the second half. In the retail energy supply market, recent stresses meant that progress with partner development has been slower than originally anticipated. However, HomeServe's well-funded major retail energy partners, E.On and Shell Energy, have already gained 0.8m customers, thereby improving the long term prospects for these partnerships. Following the decision to migrate away from the eServe CRM system, all new sales activity uses the existing Ensura platform and all customers will be serviced from this platform by the end of the financial year.

On 22 October, HomeServe completed the acquisition of CET Structures Ltd ("CET") for c.£53m, to establish a leading, digitally-enabled presence in UK home emergency assistance and serve c.4.8m homes (1.5m HomeServe customers, 3m policies served by CET and 0.3m customers served through HomeServe's existing home emergency assistance arrangement with Aviva). CET has a track record of strong growth, with a 12% revenue CAGR in its 2019-21 financial years. Over time, there is potential to share technology and service expertise, and create operational economies of scale.

In France, HomeServe continued to deliver good top line growth, with revenue up 28% to €66.4m and customers up 6% to 1.2m. In Membership, the business is making progress with a range of partners, from traditional utilities to online aggregators, with particular focus on developing digital channels. There was good progress with HVAC buy and build and, through a small strategic investment in Repartim, the French business will build its home emergency assistance capability. France has run two very successful Salesforce-based implementations in the past year – to streamline Membership CRM and add value to acquired HVAC companies. In Belgium, marketing is now under way with Eneco, and an agreement has been signed with a second partner, the online aggregator Callmepower. With the growth opportunities available, the French business is investing to further scale the business, and this drove the 5% decline in adjusted operating profit to €8.2m.

In Spain, the strategy to broaden the business is well advanced, with continued growth in home emergency assistance driving a doubling of adjusted operating profit to €5.4m. The partnership pipeline is very strong, thanks to an innovative new proposition to provide partners with a full outsourced home assistance solution, covering product and programme planning, campaign execution, claims management and customer service. A test agreement has been signed with Aldro, a Portuguese retail energy supplier. Expansion into Portugal is proceeding well, with the Portuguese business expected to make a positive full year contribution.

HomeServe continues to make good progress in Japan, with a third utility partnership - with Kyushu Electric Power - signed in the period to now give access to a total of 12m households. Initial marketing campaigns are producing steady customer growth, and early signs are that the retention rate in Japan will be amongst the highest in the Group.

Home Experts

Home Experts delivered adjusted operating profit of £3.7m in the period, in line with HomeServe's expectations that the division will be profitable for the first time in this financial year. All three major Group companies – Checkatrade, eLocal and Habitissimo – made good progress. eLocal is leading the way in building business with national accounts and Habitissimo has seen a sharp increase in its consumer net promoter score following the roll-out of Directory Extra. At Checkatrade, the business continued to strengthen its position as the leading online consumer platform in the UK, increasing its share of consumers who have used a tradesperson in the last 12 months to 20% (February 2021: 16%). Despite the number of trades on the platform remaining flat compared to the last year-end at 44k, average revenue per trade grew 19% to £1,125, reflecting the conclusion of COVID-related discounts and also initiatives to increase the value delivered to trades, for example by broadening their postcode access. A combination of trades growth and increases in average revenue per trade are expected to be the key drivers towards achieving the Checkatrade Milestone 1 operating profit target of £45-90m. Checkatrade remains on track to be profitable in FY23.

Doing business responsibly

HomeServe's responsible business strategy has 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.

In the period, Membership customer satisfaction has remained strong even though all geographies have been managing high levels of claims. Each area of the business has won commendations for employee engagement from Great Place to Work, including being listed as one of Europe's Best Workplaces. In the UK, the HomeServe Foundation has campaigned successfully for greater government support for businesses taking on apprentices, and HomeServe is working towards being able to report Scope 3 emissions by the next financial year and will comply with the requirements of the Taskforce on Climate-related Financial Disclosures (TCFD) from the end of this financial year. Opportunities continue to build to help homeowners participate in the green revolution and support decarbonisation. In Membership, there are opportunities in the installation and maintenance of electric vehicle charging points and in solar energy provision, and in HVAC, the development of heating as a service will strengthen customer relationships and help utilities deliver against their ESG goals. Doing business responsibly is, for HomeServe, a differentiator and an opportunity.

Financing and leverage

Net debt at 30 September increased to £625.1m (HY21: £586.7m) due principally to investments in the period. Leverage of 2.1x reflects the normal seasonality profile of the business.

Dividend

The Board has declared an interim dividend of 6.8p per share (HY21: 6.2p), up 10%, reflecting its confidence in HomeServe's continuing growth prospects. The dividend will be paid on 7 January 2022 to shareholders on the register on 10 December 2021.

Conclusion and outlook

HomeServe is emerging strongly from the COVID pandemic, with the resilience of its business models proven and headwinds such as the threat of inflation, labour shortages and supply chain disruption having minimal effect to date. The company has moved forward in its three key areas of strategic focus – driving growth in North America, transforming and broadening the UK business and developing a market-leading Home Experts platform.

The Board's guidance in May 2021 was that HomeServe expects to deliver an acceleration in performance in FY22 compared to FY21. The first half has delivered early evidence of this, financially and strategically, and there has been good progress in the period to enable continued growth.

SEGMENTAL OVERVIEW

Financial performance for the six months ended 30 September

£million	Revenue		Statutory operating profit/(loss)		Adjusted operating profit/(loss)		
	HY22	% Chg v. HY21	**HY22**	% Chg v. HY21	**HY22**	% Chg v. HY21	% Chg v. HY21 @ CC
Membership & HVAC - North America	**255.3**	+23%	**21.8**	+7%	**32.5**	+1%	+11%
UK	**125.8**	-5%	**7.7**	+4%	**9.4**	+3%	+3%
France	**56.9**	+23%	**3.1**	-29%	**7.0**	-10%	-5%
Spain	**95.5**	+12%	**3.3**	+106%	**4.6**	+101%	+115%
New Markets	**-**	-	**(2.5)**	-5%	**(2.5)**	-5%	+1%
Membership & HVAC - EMEA	**278.2**	+5%	**11.6**	+8%	**18.5**	+12%	+15%
Checkatrade	**26.6**	+56%	**(2.5)**	-71%	**(0.2)**	-98%	-98%
eLocal	**48.5**	+3%	**2.9**	+33%	**6.1**	+15%	+26%
Other Home Experts	**5.4**	+14%	**(1.7)**	-51%	**(2.2)**	-27%	-24%
Home Experts	**80.5**	+17%	**(1.3)**	-87%	**3.7**	n/a	n/a
Inter-segment	**(3.5)**	n/a	**-**	n/a	**-**	-	-
Group	**610.5**	+14%	**32.1**	+51%	**54.7**	+24%	+33%

Inter-segment revenue principally includes royalty charges between the UK and international businesses.

Membership KPIs

	Customer numbers (m)		Income per customer		Policy retention rate	
	HY22	% Chg v. HY21	**HY22**	% Chg v. HY21	**HY22**	Chg v. HY21
North America	**4.8**	+8%	**$111**	+7%	**86%**	+3ppts
UK	**1.5**	-9%	**£142**	-3%	**78%**	-
France	**1.2**	+6%	**€108**	-0%	**88%**	-1ppt
Spain	**0.8**	-12%	**€60**	-1%	**82%**	-1ppt
Group	**8.3**	+2%	**n/a**	n/a	**84%**	+2ppts

Home Experts KPIs

	Paying trades (000)		Contacts (m)		Website visits (m)	
	HY22	% Chg v. HY21	**HY22**	% Chg v. HY21	**HY22**	% Chg v. HY21
Checkatrade	**44**	+8%	**5.5**	+52%	**18.2**	+37%
eLocal	**n/a**	n/a	**1.9**	+7%	**n/a**	n/a
Habitissimo	**12**	-41%	**0.7**	n/a	**25.3**	-51%
Group	**56**	-8%	**8.1**	n/a	**43.5**	-33%

MEMBERSHIP & HVAC – NORTH AMERICA

North America results US$million	HY22	HY21	Change
Revenue			
Net policy income	**227.1**	197.4	+15%
Repair income	**54.9**	27.5	+100%
Membership	**282.0**	224.9	+25%
HVAC installations	**68.9**	35.9	+92%
Other	**3.3**	2.0	+67%
Total revenue	**354.2**	262.8	+35%
Adjusted operating costs	**(309.1)**	(222.2)	+39%
Adjusted operating profit	**45.1**	40.6	+11%
Adjusted operating margin	**13%**	15%	-2ppts

North America results £million	HY22	HY21	Change
Revenue			
Net policy income	**163.7**	155.8	+5%
Repair income	**39.5**	21.6	+83%
Membership	**203.2**	177.4	+15%
HVAC installations	**49.7**	28.4	+75%
Other	**2.4**	1.6	+51%
Total revenue	**255.3**	207.4	+23%
Adjusted operating costs	**(222.8)**	(175.4)	+27%
Adjusted operating profit	**32.5**	32.0	+1%
Adjusted operating margin	**13%**	15%	-2ppts

North America Membership KPIs		HY22	HY21	Change
Affinity partner households	m	**72**	64	+13%
Customers	m	**4.8**	4.5	+8%
Income per customer	US$	**111**	105	+7%
Policies	m	**8.5**	7.6	+12%
Policy retention rate	%	**86**	83	+3ppts

Operational performance

During the first half the North American business continued to pursue its proven strategy, founded on a utility partnership distribution model and excellent customer service. North America's proven execution track record means it is well-placed to capture the substantial opportunity available, and it is now ahead of its original plan to deliver its Milestone 2 targets.

New partnership agreements were signed with utilities covering 6.1m households during the half, nearly as many as were signed across the whole of FY21 (FY21: 6.3m), reflecting the strong conversion of the exciting prospect pipeline described in May 2021. In contrast to the prior half year, which saw all business development activity necessarily switched online due to pandemic restrictions, in-person meetings with utilities have begun to return and continue to aid efforts to emphasise the value of the HomeServe offer to prospective partners.

HomeServe continues to incorporate relevant value-adding features to its offering, to both open the door to new prospect opportunities and expand relationships with existing partners. One example is the leak adjustment product offered through ServLine (acquired by HomeServe during FY20) which helps cover participating utilities against high water costs resulting from leaking pipes on a homeowner's property. This in turn enables the utility to offer their homeowners peace of mind that they will not have to fund an abnormally high water bill. Since 2014 ServLine has helped more than 150 utilities insure against leak costs, which would otherwise have been borne unexpectedly by the utility or its homeowners, and the programme continues to resonate particularly with municipal water providers.

Membership policyholders rely on HomeServe to help them at points of need, and these interactions drive customers' propensity to retain the products. This half year closed with customer satisfaction having increased to 4.79 out of five stars (HY21: 4.75), with the value customers see in their policy holding also shown by an increase in the policy retention rate to 86% (HY21: 83%). The North American business continues to innovate to drive further improvements in customer experience, with a milestone reached during the half whereby most customer calls are now routed through *Google's* natural language platform. This is enabling fully automated journeys to be built for every type of customer interaction, optimising the time and expertise of contact centre agents as well as making dealing with HomeServe even easier for customers.

North America has been the pioneer of the group-wide HVAC buy and build strategy, and took further steps during the half to realise the growth potential. The migration of portfolio businesses to a common, cloud-based system with an established nationwide pedigree to handle operations and marketing (Service Titan) commenced during the half. Benefits to engineer utilisation through dynamic job scheduling and efficient routing are starting to be realised, and the next phase of the rollout to further portfolio businesses is planned for the second half.

A further two HVAC businesses were acquired during the first half, with both bringing expanded coverage in the north-eastern region.

Financial performance

Net policy income increased by 15%, driven by a larger customer base (up 8%) and expanding product coverage among existing customers to an average 1.8 policies per customer (HY21: 1.7). Repair income doubled to $54.9m (HY21: $27.5m), as a higher number of jobs were completed by directly owned HVAC portfolio businesses on behalf of Membership policyholders.

HVAC installation revenues continued to grow strongly, with a 92% increase on the prior half year driven by good growth in both install volumes and average job value. Adjusted operating profit in the period grew 86% to $13m, with good contribution from business acquired in FY21.

Adjusted operating costs grew by 39%, slightly ahead of total revenue growth, mainly driven by a higher level of marketing year-on-year. In the prior half year period discretionary marketing spend was reduced by $7m in response to widespread stay-at-home restrictions during the early stages of the pandemic.

The adjusted operating margin decreased by 2ppts to 13%, with the prior year comparative boosted by the lower level of marketing. When compared to HY20, the adjusted operating margin was higher by 3ppts.

MEMBERSHIP & HVAC - EMEA

The EMEA division comprises 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.

EMEA results £million	**HY22**	HY21	Change
Total revenue	**278.2**	264.1	+5%
Adjusted operating costs	**(259.7)**	(247.5)	+5%
Adjusted operating profit	**18.5**	16.6	+12%

UK

UK results £million	**HY22**	HY21	Change
Revenue			
Net policy income	**74.9**	86.6	-14%
Repair income	**38.5**	36.5	+5%
Membership	**113.4**	123.1	-8%
HVAC installations	**6.9**	3.8	+82%
Other	**5.5**	5.5	+1%
Total revenue	**125.8**	132.4	-5%
Adjusted operating costs	**(116.4)**	(123.3)	-6%
Adjusted operating profit	**9.4**	9.1	+3%
Adjusted operating margin	**7%**	7%	-

UK Membership KPIs		**HY22**	HY21	Change
Affinity partner households	m	**23**	26	-12%
Customers	m	**1.5**	1.7	-9%
Income per customer	£	**142**	146	-3%
Policies	m	**4.2**	4.7	-11%
Policy retention rate	%	**78**	78	-

Operational performance

The UK business is in the early stages of its transformation programme. This will ultimately see a return to sustainable profit growth through the development of a broader business based on the three complementary capabilities of Membership, HVAC and home emergency assistance.

In Membership, the business continues to benefit from strong relationships with water utilities. During calendar year 2021 to date, partnerships with eight utilities covering 6.8m households have been renewed with average contract length of five years. There is increasing digital activity with water utility partners and the channel continues to provide a good financial foundation for new growth initiatives.

One of these initiatives is greater levels of customer acquisition through the energy space. Following the signing of an affinity partnership with Shell Energy in Q1, the business commenced testing in a number of channels to optimise the offer to Shell's customer base. Stress in the retail energy supply market has necessitated operational resource being diverted by HomeServe's energy partners (to, for instance, on-board new customers transferred under the "supplier of last resort" scheme). Whilst this will change the speed at which some initiatives proceed this year, HomeServe notes the stability and well-funded position of its partners (E.On and Shell) and remains excited by the medium term opportunity, particularly as these partners have already gained 0.8m customers from other suppliers who have exited the market.

Since the lifting of the first UK nationwide lockdown in June 2020, claims volumes in Membership have remained at a higher level than seen historically. Whilst the higher frequencies have been reflected in underwriting rates (and thus a slight decrease in net income per customer), the increased usage of the products underlines the core value proposition and there are early signs this could positively impact policy retention.

Developing additional sources of growth is also underway beyond Membership. In HVAC, the UK marked the launch of a buy and build programme in the second half of FY21 with its first acquisition of a locally branded heating installations business and followed this up with a second acquisition towards the end of the half. With the turnaround of the existing installations business now complete and an attractive pipeline of targets in place, the business anticipates further activity and profit progression during the second half.

On 22 October, the acquisition was completed of CET Structures Ltd ("CET"), a leading, digitally-enabled UK home emergency assistance business, for c.£53m. CET provides emergency plumbing, heating and electrics services to home insurance policy holders on behalf of leading consumer brands, via its digital claims handling and job management platform. It has a track record of strong growth, with a 12% revenue CAGR in its 2019-21 financial years. Together, HomeServe and CET have a leading presence in home emergency assistance and home assistance cover, serving c.4.8m homes (1.5m HomeServe customers, 3m policies served by CET and 0.3m customers served through HomeServe's existing home emergency assistance arrangement with Aviva). There is potential over time to create operational economies of scale. The acquisition of CET is a significant step forward in HomeServe's strategy to broaden its UK business.

Steps were taken during the half to enable the business to benefit from improvements in core operational systems. The integrated claims and field-management solution has now been extended to cover the majority of contractor activity (100% of directly employed engineer activity already goes through the platform) and means virtually all job deployment in the UK is now enabled by dynamic scheduling. Additionally, natural language call automation has been rolled out which, in conjunction with online claims journeys, means an engineer is now being deployed on 1 in 5 claims without the need for human intervention in the contact centre.

Following the decision to move away from the eServe CRM system, all new customer acquisition is now taking place onto the existing Ensura platform. Migration of existing customers from eServe back to Ensura is underway and on track for completion during the second half.

Financial performance

The first half financial performance of the UK business was consistent with the expectations set out in May 2021.

The decline in net policy income was mainly driven by the smaller customer base. Income per customer fell slightly, driven by sustained higher claims frequency in the first half related to more time being spent in the home. As the business exited the first half there were indications that claims frequencies were moderating somewhat, and whilst there may be further downward pressure on income per customer, overall profit expectations, aside from incorporating CET, are unchanged from the guidance set out in May 2021.

Repair income, flowing through the P&L in respect of jobs completed on behalf of policyholders, rose by 5%. The higher claims frequency drove an increased number of completed jobs, more than offsetting the lower base of customers.

HVAC installations revenue rebounded well from the pandemic impact seen in the prior half year period, rising 82%, over three-quarters of which is organic. The existing installations business marked the completion of its turnaround by returning to organic revenue growth, and there was good contribution from the first portfolio business acquired in the second half of FY21 under the group's buy and build strategy. The business anticipates a positive EBIT contribution from HVAC for the full year.

Adjusted operating costs flexed lower, however higher direct costs from servicing the increased claims volumes largely offset lower amortisation related to the full impairment of the eServe CRM system, leaving the adjusted operating margin unchanged.

France

France results €million	**HY22**	HY21	Change
Revenue			
Net policy income	**49.5**	45.7	+8%
Repair income	**0.2**	0.1	+63%
Membership	**49.7**	45.8	+8%
HVAC installations	**13.8**	4.4	+213%
Other	**2.9**	1.5	+92%
Total revenue	**66.4**	51.7	+28%
Adjusted operating costs	**(58.2)**	(43.1)	+35%
Adjusted operating profit	**8.2**	8.6	-5%
Adjusted operating margin	**12%**	17%	-5ppts

France results £million	**HY22**	HY21	Change
Revenue			
Net policy income	**42.5**	40.9	+4%
Repair network	**0.1**	0.1	+40%
Membership	**42.6**	41.0	+4%
HVAC installations	**11.8**	4.0	+196%
Other	**2.5**	1.4	+76%
Total revenue	**56.9**	46.4	+23%
Adjusted operating costs	**(49.9)**	(38.6)	+29%
Adjusted operating profit	**7.0**	7.8	-10%
Adjusted operating margin	**12%**	17%	-5ppts

France Membership KPIs		**HY22**	HY21	Change
Affinity partner households	m	**19**	18	4%
Customers	m	**1.2**	1.1	+6%
Income per customer	€	**108**	109	-0%
Policies	m	**2.5**	2.4	+6%
Policy retention rate	%	**88**	89	-1ppt

Operational performance

In France the business continues to pursue balanced customer growth through both utility and non-utility channels in Membership, development of its HVAC portfolio and to support medium-term growth opportunities such as expansion into Belgium.

Double-digit growth in gross customer acquisition was broad-based, with acquisition through the Veolia and Suez relationships seeing continued growth and gross adds via Papernest and JeChange, two online aggregators in the home moving process, up by around 40% and 70% respectively on the prior year period. The Papernest partnership has been deepened, with the partner having boosted the number of agents now able to sell HomeServe policies, in addition to sales activity through the digital channel.

With Membership fully re-platformed to a Salesforce CRM in FY21, there were further technology improvements during the half. Customer complaints are now being handled through Salesforce and claims management is also planned for migration in the second half.

In HVAC, the first half saw the implementation of a Salesforce CRM system in a further two portfolio businesses. This adds to the pilot completed in FY21 and means almost 50% of the HVAC portfolio (by FY21 revenue) is now live on the new system. The rollout to date has enabled the team to establish a best practice framework which will support an accelerated deployment to other portfolio businesses. Meanwhile, a further five small acquisitions were completed during the half to augment capabilities in existing larger businesses.

Activity during the half in the early-stage venture in Belgium focussed on expanding the number of sales channels with the first utility partner, Eneco. The main door-to-door acquisition channel was constrained by pandemic restrictions into Q1. However, the easing of measures has seen activity begin here. Additionally, in mid-October, the first direct mail campaign was launched with Eneco and an agreement was signed with Callmepower, a price comparison website, making them the second HomeServe partner in the region.

In common with other EMEA territories, the French business has a strategic opportunity to incorporate home emergency assistance capabilities alongside Membership and HVAC. During the period France acquired a minority stake in Repartim, a provider of home repair and emergency services to homeowners on behalf of insurers. This investment will enable the French business to build its expertise and capability in the claims handling space.

Financial performance

Net policy income rose by 8%, driven by a 6% increase in customer numbers – the strongest customer growth recorded by the business in six years.

HVAC installation revenue more than trebled to €13.8m (HY21: €4.4m), driven by double digit organic revenue growth from those businesses in the portfolio throughout the prior year first half period and further contribution from four acquisitions completed during the second half of FY21.

Adjusted operating costs rose by 35%, ahead of total revenue growth, mainly reflecting higher direct costs in HVAC. With the growth opportunities available, the French business remains comfortable with investing in margin to further scale the business.

Spain

Spain results €million	HY22	HY21	Change
Revenue			
Net policy income	**24.1**	23.1	+4%
Repair income	**78.6**	63.0	+25%
Membership	**102.7**	86.1	+19%
HVAC installations	**3.9**	2.9	+33%
Other	**4.5**	5.9	-23%
Total revenue	**111.1**	94.9	+17%
Adjusted operating costs	**(105.7)**	(92.4)	+14%
Adjusted operating profit	**5.4**	2.5	+115%
Adjusted operating margin	**5%**	3%	+2ppts

Spain results £million	HY22	HY21	Change
Revenue			
Net policy income	**20.7**	20.7	-
Repair network	**67.5**	56.7	+19%
Membership	**88.2**	77.4	+14%
HVAC installations	**3.3**	2.6	+27%
Other	**4.0**	5.3	-24%
Total revenue	**95.5**	85.3	+12%
Adjusted operating costs	**(90.9)**	(83.0)	+9%
Adjusted operating profit	**4.6**	2.3	+101%
Adjusted operating margin	**5%**	3%	+2ppts

Spain Membership KPIs		HY22	HY21	Change
Affinity partner households	m	**-**	-	-
Customers	m	**0.8**	0.9	-12%
Income per customer	€	**60**	61	-1%
Policies	m	**1.0**	1.1	-8%
Policy retention rate	%	**82**	83	-1ppt

Operational performance

In Spain, three-quarters of revenues come from non-Membership businesses; a significantly higher proportion than the other EMEA territories. During the half steps were taken to begin to capture the distinct opportunities open to the Spanish business.

The home emergency assistance business (alternatively "claims handling") has historically mainly served the Spanish *bancassurance* sector, performing jobs for homeowners in respect of policies they hold with home insurers. During the half Spain saw good progress in leveraging the strengths of the home emergency assistance business with a view to serving a wider potential customer base. Notably, a test agreement was reached with Aldro, a Portuguese retail energy supplier, whereby HomeServe provides end-to-end claims handling and fulfilment. A good pipeline of further claims handling opportunities are expected to close during the second half.

Following the acquisition of Mesos in FY21, the Spanish business continued to develop its activities in Portugal. During the half the business completed the acquisition of Servitis, a home emergency assistance business. Servitis already serves the key Portuguese urban areas of Lisbon and Porto, fulfilling claims handling activity on behalf of local retail groups, and significantly expands HomeServe's platform to serve the wider Portuguese market. HomeServe's operations in Portugal are expected to make a positive full year contribution.

Towards the end of the half the Spanish business completed a further two HVAC acquisitions, complementing existing coverage in the north-eastern region.

Financial performance

Net policy income rose 4%, reflecting the contribution from HVAC maintenance policies which more than offset a decline in Membership policies.

Repair income, which comprises the activity of the home emergency assistance business, saw further strong growth, up 25% on the prior half year period. The HomeServe branded business closed a higher volume of jobs, whilst there was also a full period contribution from Mesos which was acquired partway through the prior half year period.

HVAC activity in Spain remains predominantly that of non-installation jobs to service the c.100k policies in the portfolio, with installation volumes still relatively modest. Revenue from installations grew 33% driven by higher job volumes half on half.

Adjusted operating costs rose by 14%, less than top line growth, reflecting expected operating leverage due to the higher contribution from a greater volume of completed jobs in the Claims business. The first half performance gives good visibility on an expected return to a double digit adjusted operating margin for the full year.

New Markets

New Markets results - £m	HY22	HY21	Change
Adjusted operating loss	**(2.5)**	(2.6)	-5%

The New Markets segment mainly comprises HomeServe's share of its joint venture in Japan with Mitsubishi Corporation. Towards the end of the half HomeServe Japan signed a utility partnership agreement with Kyushu Electric Power - its third - bringing access to a further 4.9m households and meaning it now has access to c.12m households in total across the three affinity partnerships. The prospect pipeline is strong and the team are excited about the opportunities ahead in the second half.

With the first HomeServe customers having been signed in Japan in early 2020, data on policy retention rates has been noticeably encouraging and is benchmarking well when compared to HomeServe's established Membership territories.

Despite an increase in investment in Japan, the slight fall in the adjusted operating loss reflects prospecting activity for Membership territories further afield having ceased at the end of FY21.

HOME EXPERTS

Home Experts comprises the group's online platform businesses, being Checkatrade in the UK, eLocal in North America and the group's other interests – notably Habitissimo in continental western Europe.

£million	HY22	HY21	Change
Revenue			
Checkatrade	**26.6**	17.0	+56%
eLocal	**48.5**	47.0	+3%
Other Home Experts	**5.4**	4.7	+14%
Total revenue	**80.5**	68.7	+17%
Adjusted operating costs	**(76.8)**	(73.1)	+5%
Adjusted operating profit/(loss)	**3.7**	(4.4)	n/a

Checkatrade

£million	HY22	HY21	Change
Total revenue	**26.6**	17.0	+56%
Adjusted operating costs	**(26.8)**	(23.5)	+13%
Adjusted operating loss	**(0.2)**	(6.5)	-98%

Performance metrics		HY22	HY21	Change
Paying trades	k	**44**	40	+8%
Average revenue per trade	£	**1,125**	946	+19%
Contacts	m	**5.5**	3.6	+52%
Web visits	m	**18.2**	13.3	+37%

Operational performance

Checkatrade continues to focus on further developing its *Directory Extra* model, leveraging its high brand awareness with consumers to offer tangible value to tradespeople irrespective of the state of their order books.

During the half Checkatrade further strengthened its position as the leading UK consumer online platform to find a reputable tradesperson. Checkatrade's share of all consumers who have used a tradesperson in the last 12 months advanced to 20% (February 2021: 16%) and prompted awareness levels rose to an all-time high of 84% (February 2021: 80%), with both metrics significantly ahead of the no. 2 player.

The base of paying trades was unchanged from the FY21 closing position of 44k. The macro environment through the first half saw sharply increased demand for tradespeople, stimulated by the phased exit from all substantive pandemic restrictions. This caused a challenging backdrop for new subscription sales activity, with trades exceptionally busy.

Product development for both consumers and tradespeople progressed well during the half. On the consumer side, a trial whereby jobs completed through Checkatrade are guaranteed up to £1,000 was received positively and is now being rolled out nationally, supported by TV advertising. Meanwhile, prospective new trades are responding well to more choice in the range of subscription packages available, with the option to choose 'Lite', 'Standard' or 'Pro' packages more tailored to their requirement for new work. These initiatives will ensure Checkatrade is well-placed as market conditions begin to normalise over the coming months.

Financial performance

Revenue growth of 56% reflects a larger base of paying trades compared to the prior first half period and, as expected, a rebound in average revenue per trade. Trades were offered discounted memberships through the first quarter of the prior first half period at the onset of the first nationwide lockdown, but returned to full-priced subscriptions from June 2020 as easing restrictions enabled their return to work. Excluding the benefit from full-pricing, Checkatrade would still have seen strong growth in average revenue per trade, as it continued to drive more value to members desiring additional categories and geographies.

The adjusted operating loss narrowed to £0.2m (HY21: £6.5m adjusted operating loss), mainly reflecting the revenue uplift.

eLocal

$million	**HY22**	HY21	Change
Total revenue	**67.3**	59.4	+13%
Adjusted operating costs	**(58.8)**	(52.6)	+12%
Adjusted operating profit	**8.5**	6.8	+26%
Adjusted operating margin	**13%**	11%	+2ppts

£million	**HY22**	HY21	Change
Total revenue	**48.5**	47.0	+3%
Adjusted operating costs	**(42.4)**	(41.7)	+2%
Adjusted operating profit	**6.1**	5.3	+15%
Adjusted operating margin	**13%**	**11%**	+2ppts

Performance metrics		**HY22**	HY21	Change
Monetised calls	m	**1.9**	1.8	+7%

Operational performance

eLocal operates a 'pay for performance' model to match consumers with tradespeople and saw continued progress in generating leads from a network of affiliate suppliers, which it is then able to monetise with high levels of visibility.

Monetised calls grew by 7% on the prior first half period, with a notable uplift in the insurance vertical.

Financial performance

eLocal saw double-digit percentage revenue growth on the prior period. As well as the higher volume of monetised calls, average revenue per call also grew. This was driven by increased spend from national accounts and favourable mix into verticals with typically higher price points.

Adjusted operating costs broadly grew in line with revenue, with full year adjusted operating margin expected to be at a similar level to the first half.

Other Home Experts

HomeServe's other Home Experts businesses mainly comprises Habitissimo, the market leader in Spain and Italy, as well as modest interests in other markets. The financial and operating metrics set out below are those of Habitissimo only.

Habitissimo

£million	**HY22**	HY21	Change
Total revenue	**4.6**	4.7	-3%
Adjusted operating costs	**(6.8)**	(7.8)	-12%
Adjusted operating loss	**(2.2)**	(3.1)	-27%

Performance metrics		**HY22**	HY21	Change
Paying trades	k	**12**	20	-41%
Contacts	m	**0.7**	n/a	n/a
Web visits	m	**25.3**	51.6	-51%

Operational performance

Following the decision in FY21 to transition Habitissimo to the *Directory Extra* model and focus on its core European markets of Spain, Italy and Portugal, key steps have been made that will ultimately drive a better experience for trades and consumers, higher monetisation and facilitate Habitissimo's path to profitability.

During the half, *Directory Extra* was fully implemented in Spain, Habitissimo's largest market. All new trades joining the platform are now listed on the directory, agree to a monthly budgeted spend in advance and are automatically billed for consumer leads as these are supplied by Habitissimo. As expected, moving to *Directory Extra* caused an initial drop in the number of trades. Web visits also fell, reflecting Habitissimo's focus on trade categories and geographies where it can offer good coverage. The changes have driven a positive impact on consumer experience, with consumer NPS trending sharply higher than the prior year with quickened response times after a consumer's job details are posted.

Financial performance

Total revenue declined by 3%, as the early stages of Habitissimo's launch of the Directory Extra model saw it focus on a smaller, more committed base of trades.

Adjusted operating costs were 12% lower, reflecting Habitissimo's strategic decision to focus resources on its continental European markets and exit Latin American.

FINANCIAL REVIEW

These financial results have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom.

Group statutory results

The headline statutory financial results for HomeServe are presented below.

£million	Six months ended 30 September 2021	Six months ended 30 September 2020
Total revenue	**610.5**	536.7
Operating profit	**32.1**	21.2
Net finance costs	**(13.2)**	(11.1)
Adjusted profit before tax	**42.2**	33.1
Amortisation of acquisition intangibles	**(21.6)**	(23.0)
Certain transaction related costs	**(1.7)**	-
Statutory profit before tax	**18.9**	10.1
Tax	**(5.1)**	(2.8)
Profit for the period	**13.8**	7.3
Attributable to:		
Equity holders of the parent	**13.2**	6.8
Non-controlling interests	**0.6**	0.5
	13.8	7.3

Profit before tax

Adjusted profit before tax rose by 27% to £42.2m. Statutory profit before tax is reported after the amortisation of acquisition intangibles and certain transaction related costs. On this basis profit before tax was £18.9m, strongly up on the prior first half period (HY21: £10.1m).

Net finance costs

Net finance costs rose to £13.2m (HY21: £11.1m) reflecting the higher average net debt balance half-on-half.

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 £21.6m fell slightly versus the prior first half period (HY21: £23.0m) principally due to the impact of foreign exchange movements on carrying values and the expiry of some amortisation periods.

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

Certain transaction related costs

Certain transaction related costs of £1.7m (HY21: nil) were incurred mainly in respect of put options associated with the eLocal share capital that HomeServe does not currently own. HomeServe increased its interest in eLocal to 90% on 8 September 2021.

In the FY21 Annual Report the Group defined certain charges as transaction related, excluding them from the Group's adjusted metrics for the first time. At HY21, pre-tax charges meeting the definition of certain transaction related costs totalled £2.5m and were included within adjusted profit. Comparatives in this release have not been restated and, as such, certain transaction related costs for HY21 were nil.

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

Taxation

The tax charge in the period was £5.1m (HY21: £2.8m). The effective tax rate was 27% (HY21: 28%). Under IAS 34 HomeServe's interim effective tax rate is higher than the estimated weighted average annual effective tax rate for FY22 of 25% (FY21: 24% pre-exceptional rate). This is appropriate on the basis that HomeServe's profits during the first half are weighted towards the higher tax rate countries in which it operates (e.g. the USA and France). HomeServe estimates and applies a separate average annual effective tax rate (ETR) for each tax jurisdiction in calculating the interim tax charge above.

Cash flow and financing

Cash generated from operations in the period to 30 September 2021 was £97.3m (HY21: £96.2m).

£million	**HY22**	HY21
Adjusted operating profit	**54.7**	44.2
Amortisation of acquisition intangibles	**(21.6)**	(23.0)
Certain transaction related costs	**(1.0)**	-
Operating profit	**32.1**	21.2
Depreciation and amortisation	**55.7**	62.6
Impact of certain transaction related costs	**1.0**	-
Other non-cash items	**4.4**	6.3
Decrease in working capital	**4.1**	6.1
Cash generated from operations	**97.3**	96.2
Net interest and associated borrowing costs	**(11.6)**	(9.8)
Repayment of lease principal	**(6.5)**	(7.3)
Taxation	**(24.6)**	(15.4)
Capital expenditure – ordinary	**(36.6)**	(34.5)
Capital expenditure – acquisitions of policy books	-	(0.6)
Free cash flow	**18.0**	28.6
Business acquisitions	**(33.9)**	(50.7)
Business disposals	**1.4**	(3.8)
Acquisition of non-controlling interest	**(18.2)**	-
Contribution to equity accounted investee	**(3.6)**	(0.7)
Equity dividends paid	**(66.5)**	(59.7)
Net movement in cash and bank borrowings	**(102.8)**	(86.3)
Impact of foreign exchange and other non-cash items	**(12.3)**	9.5
Lease liabilities	**3.7**	(0.9)
Opening net debt at 1 April	**(513.7)**	(509.0)
Closing net debt at 30 September	**(625.1)**	(586.7)

During the period 1 April to 30 September 2021, net debt increased by £111.4m to £625.1m.

Working capital decreased by £4.1m in the period (HY21: £6.1m decrease), reflecting typical first half seasonality with a decrease in receivables more than offsetting a decrease in payables.

HomeServe generated free cash flow of £18.0m (HY21: £28.6m). Ordinary capital expenditure of £36.6m (HY21: £34.5m) included £7.2m (HY21: £6.0m) of payments made to partners who undertake marketing activity to acquire customers on HomeServe's behalf. Continued strong customer growth in France, where this activity is foremost, more than offset lower partner payments in Spain.

The balance of £29.4m (HY21: £28.5m) principally comprised technology investments in customer systems in Membership (France, Spain and North America) and Checkatrade, with spend in the first half broadly in line with the prior first half period reflecting the conclusion of major programmes.

Dividend

The interim dividend of 6.8p per share (HY21: 6.2p), an increase of 10%, will be paid on 7 January 2022 to shareholders on the register on 10 December 2021.

Earnings per share

Adjusted earnings per share of 9.0p increased 27% on the prior period (HY21: 7.1p) reflecting the strong trading performance across HomeServe.

On a statutory basis, earnings per share rose to 3.9p (HY21: 2.0p) again reflecting the underlying trading performance.

Net debt and finance costs

Net debt at 30 September 2021 was £625.1m (HY21: £586.7m), well within the total financial facilities of c.£1,038m at the half year.

HomeServe targets leverage in the range of 1.0 to 2.0x adjusted EBITDA, measured at 31 March each year. At the seasonally high half year, leverage was slightly above the top of this range with net debt to last twelve months adjusted EBITDA of 2.1x (HY21: 2.0x).

Net interest paid was £11.6m, £1.8m higher than HY21, principally due to the higher net debt figure half on half.

Foreign exchange impact

The impact of changes in the Euro and USD exchange rates between HY22 and HY21 has resulted in a £36.2m decrease in reported revenue and a £4.5m decrease in adjusted operating profit of the international businesses as summarised in the table below.

		Average exchange rate			Effect on (£m) Revenue	Adj. operating profit
		HY22	HY21	Change	**HY22**	**HY22**
North America	US$	**1.39**	1.27	10%	**(24.7)**	**(3.3)**
France	€	**1.17**	1.12	4%	**(2.5)**	**(0.4)**
Spain	€	**1.17**	1.12	4%	**(4.2)**	**(0.3)**
eLocal	US$	**1.39**	1.27	10%	**(4.6)**	**(0.6)**
Habitissimo	€	**1.17**	1.12	4%	**(0.2)**	**0.1**
Total International					**(36.2)**	**(4.5)**

The second half translation impact of sterling at prevailing rates is currently expected to be immaterial. A ten cent movement from current rates in the USD and Euro would have impacts of approximately £6.9m and £4.2m respectively on full year adjusted operating profit.

Going concern

HomeServe's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report of the Annual Report & Accounts 2021. An update on HomeServe's risk management approach to the COVID pandemic is set out below. The Directors have reviewed HomeServe's budget, forecast and cash flows for FY22 and beyond, and concluded that they are in line with their expectations with regards to HomeServe's strategy and future growth plans.

Having also reviewed HomeServe's position in respect of other material uncertainties, as set out within principal risks and uncertainties, the Directors have concluded that there are no items that would affect going concern or that should be separately disclosed. The Directors have concluded that they have a reasonable expectation that HomeServe has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

COVID pandemic

In the Annual Report & Accounts 2021 HomeServe noted that, notwithstanding uncertainty as to the future course of the impact of the pandemic, the operating environment for HomeServe's businesses had stabilised. These stable operating conditions have continued to prevail. HomeServe notes that most substantive national pandemic restrictions have been lifted across its territories. Furthermore, as seen since March 2020, key indicators of business performance, such as the retention rate across the Membership businesses, remain strong.

Given the variations by country in residual impact and the different approach of national governments, the risk and response to the pandemic continues to be managed locally with consideration of the specific risk environment for each business. Any impact seen is then reported to both the Executive and Audit & Risk committees.

Principal risks and uncertainties

The principal risks and uncertainties, together with mitigating activities, are detailed on pages 32-37 of HomeServe's Annual Report & Accounts 2021. In that Report, the Directors confirmed that they have carried out a robust assessment of the principal risks facing HomeServe.

The risks which continue to have the potential to impact HomeServe's performance are summarised as follows:

Strategic Risks

Competition
There is a risk that competitors erode our market share, including utilities running Membership programmes in-house or new entrants investing heavily to enter the home services space.

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

M&A strategy
Whilst our M&A strategy is principally focused on low-risk policy book M&A and smaller, well-run HVAC businesses, there is a risk that HomeServe could overpay for transactions or underestimate the time and resource required to integrate new businesses.

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, does not deliver strategic growth or achieve the expected or desired outcomes.

Operational Risks

Underwriting capacity and concentration
The Membership business markets and administers policies that are underwritten by independent third-party underwriters. If the business was unable to source sufficient underwriting capacity HomeServe would need to underwrite the risk directly, thereby exposing the business to underwriting risk, which is contrary to our preferred model.

Regulation
HomeServe is subject to regulatory requirements relating to areas such as product design, marketing materials, sales processes and data protection. In the UK, HomeServe is in regular dialogue with the FCA as part of the normal course of business. Failure to comply with regulatory requirements could result in a suspension of certain activities.

Digital transformation
Consumers increasingly wish to engage with HomeServe by digital means. There is a risk that if HomeServe is not flexible enough to respond to changing needs, customers may explore competitor products.

HVAC integration
With the higher volume of HVAC acquisitions, there is a risk that failure to integrate acquisitions quickly and effectively could result in the business falling short on the delivery of synergies which could potentially lead to impairment.

Partner loss
Underpinning HomeServe's success are close commercial relationships, such as utility companies and municipal utility providers. The loss of one or more of these relationships could impact on HomeServe's future growth plans.

People
HomeServe's ability to meet growth expectations and compete effectively is, in part, dependent on the skills, experience and performance of its personnel. The inability to attract, motivate or retain key talent could impact business performance.

Technology investment
The Group relies on several key systems to manage its interactions with customers. Appropriate maintenance and investment is required to ensure systems continue to meet the changing needs of the business and its customers. There is a risk that failure to invest appropriately could impact on our ability to provide higher quality service.

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

Information on financial risk management is set out on page 178 of the Annual Report, a copy of which is available on the Group's website www.HomeServeplc.com.

Critical Risks

HomeServe also recognises 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, whilst not necessarily impacting day-to-day trading performance, these risks are deemed critical to the success of HomeServe. Compliance with a minimum control threshold set at the Group-wide level is mandatory, and best practice is shared 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

HY22 updates

Previously, HomeServe had recognised a risk relating to entering new markets whereby investment and management time could be diverted, and losses incurred, in so doing. In its Annual Report & Accounts 2021 HomeServe noted that prospecting activity for new Membership territories had concluded. Furthermore, with the exception of its early stage venture in Japan, HomeServe is now focused on geographies adjacent to its existing established Membership territories for future expansion, with the assets in the existing businesses enabling HomeServe to pursue a lower risk approach. As such, HomeServe no longer formally recognises a risk regarding international expansion.

Condensed consolidated income statement
For the six months ended 30 September 2021

£million	Note	Six months ended 30 September 2021 (Reviewed)	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Continuing operations				
Revenue	3	**610.5**	536.7	1,304.7
Operating costs		**(577.1)**	(514.3)	(1,230.4)
Share of results of equity accounted investments		**(1.3)**	(1.2)	(2.5)
Operating profit		**32.1**	21.2	71.8
Investment income		**0.1**	0.1	0.4
Finance costs		**(13.3)**	(11.2)	(25.0)
Adjusted profit before tax		**42.2**	33.1	191.3
Amortisation of acquisition intangibles	8	**(21.6)**	(23.0)	(45.0)
Certain transaction related costs	4	**(1.7)**	-	(6.7)
Exceptional items	4	**-**	-	(92.4)
Profit before tax		**18.9**	10.1	47.2
Tax	5	**(5.1)**	(2.8)	(15.4)
Profit for the period		**13.8**	7.3	31.8
Attributable to:				
Equity holders of the parent		**13.2**	6.8	31.1
Non-controlling interests		**0.6**	0.5	0.7
		13.8	7.3	31.8
Dividends per share	6	**6.8p**	6.2p	26.0p
Earnings per share				
Basic	7	**3.9p**	2.0p	9.3p
Diluted	7	**3.9p**	2.0p	9.2p

Condensed consolidated statement of comprehensive income
For the six months ended 30 September 2021

£million	Six months ended 30 September 2021 (Reviewed)	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Profit for the period	**13.8**	7.3	31.8
Items that will not be reclassified subsequently to profit and loss:			
Re-measurement gain/(loss) on defined benefit pension schemes	**1.4**	(4.9)	(4.5)
Deferred tax (charge)/credit relating to re-measurements	**(0.3)**	0.9	0.9
Fair value gain on FVTOCI investments in equity instruments	**-**	-	4.6
Deferred tax charge relating to fair value movements on FVTOCI investments in equity instruments	**-**	-	(1.3)
	1.1	(4.0)	(0.3)
Items that may be reclassified subsequently to profit and loss:			
Exchange movements on translation of foreign operations	**6.4**	0.4	(26.4)
Exchange movements on non-controlling interests	**0.2**	(0.5)	(1.1)
	6.6	(0.1)	(27.5)
Total other comprehensive income/(expense)	**7.7**	(4.1)	(27.8)
Total comprehensive income for the period	**21.5**	3.2	4.0
Attributable to:			
Equity holders of the parent	**20.7**	3.2	4.4
Non-controlling interests	**0.8**	-	(0.4)
	21.5	3.2	4.0

Condensed consolidated balance sheet
As at 30 September 2021

£million	Note	30 September 2021 (Reviewed)	30 September 2020 (Reviewed)	31 March 2021 (Audited)
Non-current assets				
Goodwill		**588.8**	559.2	564.3
Other intangible assets	8	**403.5**	494.3	391.3
Contract costs		**6.1**	12.4	8.2
Right-of-use assets		**44.6**	54.3	48.6
Property, plant and equipment		**42.3**	42.7	41.7
Equity accounted investments		**3.0**	3.4	0.8
Other investments		**13.0**	8.8	12.9
Other financial assets	10	**-**	1.2	1.2
Deferred tax assets		**7.1**	8.5	12.8
Retirement benefit assets		**10.9**	6.6	8.3
		1,119.3	1,191.4	1,090.1
Current assets				
Other financial assets	10	**0.8**	-	-
Inventories		**15.4**	11.1	12.2
Trade and other receivables		**441.8**	432.8	501.0
Current tax asset		**14.3**	3.1	2.5
Cash and cash equivalents		**153.5**	101.1	171.4
		625.8	548.1	687.1
Total assets		**1,745.1**	1,739.5	1,777.2
Current liabilities				
Trade and other payables		**(377.6)**	(392.8)	(454.9)
Bank and other loans		**(72.0)**	(30.5)	(54.0)
Current tax liabilities		**(0.5)**	-	(9.2)
Lease liabilities		**(13.3)**	(14.1)	(12.7)
Provisions	13	**(5.1)**	(5.1)	(6.0)
		(468.5)	(442.5)	(536.8)
Net current assets		**157.3**	105.6	150.3
Non-current liabilities				
Bank and other loans		**(658.6)**	(600.2)	(579.8)
Trade and other payables		**(35.5)**	(36.2)	(31.8)
Deferred tax liabilities		**(14.6)**	(23.9)	(15.3)
Lease liabilities		**(34.7)**	(43.0)	(38.6)
Retirement benefit obligations		**(1.3)**	-	(1.2)
		(744.7)	(703.3)	(666.7)
Total liabilities		**(1,213.2)**	(1,145.8)	(1,203.5)
Net assets		**531.9**	593.7	573.7
Equity				
Share capital	11	**9.1**	9.1	9.1
Share premium account		**199.1**	196.4	196.4
Share incentive reserve		**19.3**	18.1	18.6
Currency translation reserve		**17.0**	37.4	10.6
Investment revaluation reserve		**2.7**	(0.6)	2.7
Other reserves		**79.2**	79.2	79.2
Retained earnings		**200.2**	243.5	247.4
Attributable to equity holders of the parent		**526.6**	583.1	564.0
Non-controlling interests		**5.3**	10.6	9.7
Total equity		**531.9**	593.7	573.7

Condensed consolidated statement of changes in equity
For the six months ended 30 September 2021 (Reviewed)

£million	Share capital	Share premium account	Share incentive reserve	Currency translation reserve	Investment revaluation reserve	Other reserves[1]	Retained earnings	**Attributable to equity holders of the parent**	Non-controlling interests	**Total equity**
Balance at 1 April 2021	9.1	196.4	18.6	10.6	2.7	79.2	247.4	**564.0**	9.7	**573.7**
Profit for the period	-	-	-	-	-	-	13.2	**13.2**	0.6	**13.8**
Other comprehensive income for the period	-	-	-	6.4	-	-	1.1	**7.5**	0.2	**7.7**
Total comprehensive income for the period	-	-	-	6.4	-	-	14.3	**20.7**	0.8	**21.5**
Dividends paid (note 6)	-	-	-	-	-	-	(66.5)	**(66.5)**	-	**(66.5)**
Issue of share capital (note 11)	-	2.7	-	-	-	-	-	**2.7**	-	**2.7**
Share-based payments	-	-	3.4	-	-	-	-	**3.4**	-	**3.4**
Share options exercised	-	-	(2.7)	-	-	-	-	**(2.7)**	-	**(2.7)**
Tax on exercised share options	-	-	-	-	-	-	0.2	**0.2**	-	**0.2**
Deferred tax on share options	-	-	-	-	-	-	(0.4)	**(0.4)**	-	**(0.4)**
Changes in non-controlling interest	-	-	-	-	-	-	5.2	**5.2**	(5.2)	**-**
Balance at 30 September 2021 (Reviewed)	9.1	199.1	19.3	17.0	2.7	79.2	200.2	**526.6**	5.3	**531.9**

For the six months ended 30 September 2020 (Reviewed)

£million	Share capital	Share premium account	Share incentive reserve	Currency translation reserve	Investment revaluation reserve	Other reserves[1]	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
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 period	-	-	-	-	-	-	6.8	6.8	0.5	7.3
Other comprehensive expense for the period	-	-	-	0.4	-	-	(4.0)	(3.6)	(0.5)	(4.1)
Total comprehensive income for the period	-	-	-	0.4	-	-	2.8	3.2	-	3.2
Dividends paid (note 6)	-	-	-	-	-	-	(59.7)	(59.7)	-	(59.7)
Issue of share capital (note 11)	0.1	7.1	-	-	-	-	-	7.2	-	7.2
Share-based payments	-	-	3.3	-	-	-	-	3.3	-	3.3
Share options exercised	-	-	(7.1)	-	-	-	-	(7.1)	-	(7.1)
Tax on exercised share options	-	-	-	-	-	-	1.6	1.6	-	1.6
Deferred tax on share options	-	-	-	-	-	-	(1.1)	(1.1)	-	(1.1)
Balance at 30 September 2020 (Reviewed)	9.1	196.4	18.1	37.4	(0.6)	79.2	243.5	583.1	10.6	593.7

For the year ended 31 March 2021 (Audited)

£million	Share capital	Share premium account	Share incentive reserve	Currency translation reserve	Investment revaluation reserve	Other reserves[1]	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	**Total equity**
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 for the year	-	-	-	(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 11)	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	-	-	-	-	-	-	1.5	1.5	-	1.5
Deferred tax on share options	-	-	-	-	-	-	(1.0)	(1.0)	-	(1.0)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(0.5)	(0.5)
Balance at 31 March 2021 (Audited)	9.1	196.4	18.6	10.6	2.7	79.2	247.4	564.0	9.7	573.7

[1] Other reserves comprise the Merger, Own Shares and Capital Redemption reserves.

Condensed consolidated cash flow statement
For the six months ended 30 September 2021

£million	Note	Six months ended 30 September 2021 (Reviewed)	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Net cash inflow from operating activities	**12**	**61.0**	72.4	223.0
Investing activities				
Interest received		**0.1**	0.1	0.1
Proceeds on disposal of fixed assets		**0.3**	0.2	0.3
Purchases of intangible assets		**(32.1)**	(31.3)	(62.8)
Contract costs		**(0.4)**	(0.2)	(1.5)
Purchases of property, plant and equipment		**(4.4)**	(3.8)	(7.1)
Contribution to equity accounted investee		**(3.6)**	(0.7)	(2.2)
Business disposals	**9**	**1.4**	(3.8)	(3.9)
Business acquisitions	**9**	**(33.9)**	(50.7)	(77.3)
Net cash used in investing activities		**(72.6)**	(90.2)	(154.4)
Financing activities				
Dividends paid	**6**	**(66.5)**	(59.7)	(80.5)
Repayment of lease principal		**(6.5)**	(7.3)	(14.8)
Acquisition of non-controlling interests	**15**	**(18.2)**	-	-
New banks and other loans raised		**-**	243.4	243.4
Costs associated with new bank and other loans raised		**-**	(1.5)	(2.2)
Proceeds from loans and borrowings		**95.5**	31.2	27.1
Repayment of loans and borrowings		**(30.2)**	(216.8)	(214.6)
Net cash used in financing activities		**(25.9)**	(10.7)	(41.6)
Net (decrease)/increase in cash and cash equivalents, net of bank overdrafts		**(37.5)**	(28.5)	27.0
Cash and cash equivalents, net of bank overdrafts, at the beginning of the period		**149.4**	131.2	131.2
Impact of foreign exchange rate changes		**2.2**	(1.6)	(8.8)
Cash and cash equivalents, net of bank overdrafts, at the end of the period	**12**	**114.1**	101.1	149.4

Notes to the condensed set of financial statements
For the six months ended 30 September 2021

1. General information

HomeServe plc is a company incorporated in the United Kingdom and its shares are listed on the London Stock Exchange. The address of the registered office is Cable Drive, Walsall, WS2 7BN. The information for the year ended 31 March 2021 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor reported on those accounts, the report was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006. This condensed set of financial statements for the six months ended 30 September 2021 is unaudited, but has been reviewed by the auditor and their report to the Company is at the end of this statement. This condensed set of financial statements was approved by the Board of Directors on 16 November 2021.

2. Accounting policies

Basis of preparation

This condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the United Kingdom. The Group's annual financial statements are prepared in accordance with IFRSs as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Group's business activities, together with the factors likely to affect its future development, including the potential impacts of the COVID pandemic, performance and position are set out in its 2021 Annual Report & Accounts. A further update regarding the Group's approach to managing the impact of the COVID pandemic has been provided in the 'Going Concern' section of this release.

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

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

Changes in accounting policy

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest audited financial statements, with the exception of the following new amendments and improvements documents. None of these documents had any material impact on the condensed consolidated financial statements of the Group:

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

Standards in issue but not yet effective

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

2. Accounting policies (continued)

IFRIC agenda decision - Software as a Service (SaaS) Cloud Computing arrangements – April 2021
This decision clarifies that, in order for an intangible asset to be capitalised in relation to customisation and configuration costs in a SaaS arrangement, it is necessary for there to be control of the underlying software asset or for there to be a separate intangible asset which meets the definition in IAS 38 Intangible Assets. Where costs do not meet these criterion, this may result in a portion of these capitalised costs being reclassified as prepayments and amortised over the expected duration of SaaS service usage or expensed to the income statement when the configuration or customisation service is received. The timing and quantum of cash outflows for the Group are unaffected by the agenda decision.

As at 30 September 2021, the Group has capitalised software costs related to SaaS implementation projects of approximately £45m (FY21: approximately £36m). The Group is currently quantifying the impact the agenda decision will have. This analysis will be completed in readiness for the FY22 Annual Report.

3. Business and geographical segments

Business segments
In order to allocate resources to business segments and to assess their performance, IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (CODM), who is considered to be the Chief Executive.

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 remain principally geographic in nature.

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 and its Japanese joint venture).

The Home Experts division, which represented one IFRS 8 segment in FY20, split 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 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, Preventivi (since acquisition on 30 December 2020), Shermin Finance (since acquisition on 14 June 2021) and Home Experts France (until the point of disposal on 15 May 2020)). 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.

3. Business and geographical segments (continued)

For the six months ended 30 September 2021 (Reviewed)

£million	**Membership & HVAC North America**	**Membership & HVAC - EMEA UK**	**Membership & HVAC - EMEA France**	**Membership & HVAC - EMEA Spain**	**Membership & HVAC - EMEA New Markets**	**Home Experts UK**	**Home Experts North America**	**Home Experts Other**	**Total**
Revenue by category:									
Net policy income	163.7	74.9	42.5	20.7	-	-	-	-	**301.8**
Repair income	39.5	38.5	0.1	67.5	-	-	-	-	**145.6**
HVAC installations	49.7	6.9	11.8	3.3	-	-	-	-	**71.7**
Home Experts	-	-	-	-	-	26.6	48.5	5.4	**80.5**
Other	2.4	5.5	2.5	4.0	-	-	-	-	**14.4**
Total revenue	255.3	125.8	56.9	95.5	-	26.6	48.5	5.4	**614.0**
Inter-segment	-	(3.5)	-	-	-	-	-	-	**(3.5)**
External revenue	**255.3**	**122.3**	**56.9**	**95.5**	**-**	**26.6**	**48.5**	**5.4**	**610.5**
Result									
Adjusted operating profit/(loss)	32.5	9.4	7.0	4.6	(2.5)	(0.2)	6.1	(2.2)	**54.7**
Certain transaction related costs	(1.4)	-	(0.3)	-	-	-	(0.3)	1.0	**(1.0)**
Amortisation of acquisition intangibles	(9.3)	(1.7)	(3.6)	(1.3)	-	(2.3)	(2.9)	(0.5)	**(21.6)**
Operating profit/(loss)	21.8	7.7	3.1	3.3	(2.5)	(2.5)	2.9	(1.7)	**32.1**
Investment income									**0.1**
Finance costs									**(13.3)**
Profit before tax									**18.9**
Tax									**(5.1)**
Profit for the period									**13.8**

For the six months ended 30 September 2020 (Reviewed)

£million	Membership & HVAC North America	Membership & HVAC - EMEA UK	Membership & HVAC - EMEA France[1]	Membership & HVAC - EMEA Spain[1]	Membership & HVAC - EMEA New Markets	Home Experts UK	Home Experts North America	Home Experts Other	Total
Revenue by category:									
Net policy income	155.8	86.6	40.9	20.7	-	-	-	-	304.0
Repair income	21.6	36.5	0.1	56.7	-	-	-	-	114.9
HVAC installations	28.4	3.8	4.0	2.6	-	-	-	-	38.8
Home Experts	-	-	-	-	-	17.0	47.0	4.7	68.7
Other	1.6	5.5	1.4	5.3	-	-	-	-	13.8
Total revenue	207.4	132.4	46.4	85.3	-	17.0	47.0	4.7	540.2
Inter-segment	-	(3.5)	-	-	-	-	-	-	(3.5)
External revenue	207.4	128.9	46.4	85.3	-	17.0	47.0	4.7	536.7
Result									
Adjusted operating profit/(loss)	32.0	9.1	7.8	2.3	(2.6)	(6.5)	5.3	(3.2)	44.2
Amortisation of acquisition intangibles	(11.5)	(1.7)	(3.5)	(0.7)	-	(2.3)	(3.1)	(0.2)	(23.0)
Operating profit/(loss)	20.5	7.4	4.3	1.6	(2.6)	(8.8)	2.2	(3.4)	21.2
Investment income									0.1
Finance costs									(11.2)
Profit before tax									10.1
Tax									(2.8)
Profit for the period									7.3

[1] Comparatives for the period to 30 September 2020 have been updated to align with the categorisations adopted in the FY21 Annual Report, namely the separate disclosure of revenue from HVAC installations and presentation of HVAC on demand revenue as a component of other income.

3. Business and geographical segments (continued)

For the year ended 31 March 2021 (Audited)

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

1 Comparatives for the year to 31 March 2021 have been updated for the reclassification of £8.7m of Spanish HVAC on demand revenue from HVAC installations to other income.

Net policy income includes £24.6m of home assistance revenue (HY21: £25.6m) where the Group contracts directly with the end user and not through an underwriter. The largest individual component of the Group's home assistance revenue relates to its Spanish Membership business, HY22: £10.8m (HY21: £14.7m).

4. Adjusting and exceptional items

Adjusting items, in addition to amortisation of acquired intangibles of £21.6m (HY21: £23.0m), comprised the following:

	Six months ended 30 September 2021 (Reviewed)	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Costs of put options on non-controlling interests accrued over time	**1.3**	-	2.8
Fair value movements on option obligations and contingent consideration	**(0.3)**	-	2.3
Certain transaction related costs included within operating costs	**1.0**	-	5.1
Unwinding of discount on option obligations and contingent consideration	**0.7**	-	1.6
Certain transaction related costs included within finance costs	**0.7**	-	1.6
Total certain transaction related costs included in profit before tax	**1.7**	-	6.7
Net taxation on certain transaction related costs	**(0.4)**	-	(1.7)
Total certain transaction related costs after tax	**1.3**	-	5.0

4. Adjusting and exceptional items (continued)

In the FY21 Annual Report the Group defined certain charges as transaction related, excluding them from the Group's adjusted metrics for the first time. Doing so 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. For a full definition of certain transaction related costs please refer to the profitability section in the Glossary of this interim announcement. At HY21 pre-tax charges meeting the definition of certain transaction related costs totalled £2.5m and were included within adjusted profit, comparatives in this release have not been restated.

Exceptional items, recognised as operating costs, comprised the following:

£million	**Six months ended 30 September 2021 (Reviewed)**	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Impairment charges and associated costs	-	-	86.9
Restructuring costs	-	-	5.5
Exceptional items included within operating profit before tax	-	-	92.4
Net taxation on exceptional items	-	-	(17.6)
Net exceptional items after tax	-	-	74.8

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

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

Restructuring costs

As well as looking for new opportunities, the Group frequently reviews its existing activity and considers whether there is anything that it should stop doing. During FY21, significant charges were incurred as part of a refocusing exercise in two main areas. Firstly, having reviewed international development opportunities and considered where capital allocated to this activity would create the most value for shareholders, it was agreed that adopting a 'near neighbour' strategy, focusing on adjacent territories of our existing businesses, such as Canada, Belgium and Portugal, was the optimum way to proceed. Development of these opportunities will be run by the management teams of our existing businesses and, as a result, the central International Business Development team 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 sought to refocus it's corporate functions and migrate back to a more federated operating model. Aggregate costs of the refocusing exercise were classified as exceptional in the consolidated income statement due to their size, nature and incidence.

5. Tax

£million	**Six months ended 30 September 2021 (Reviewed)**	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Current tax	**4.1**	8.3	38.5
Deferred tax charge/(credit)	**1.0**	(5.5)	(23.1)
	5.1	2.8	15.4

The effective tax rate for the six months ended 30 September 2021 was 27%. Under IAS 34 the Group's interim effective tax rate is higher than the estimated weighted average annual effective tax rate for FY22 of 25%. This is appropriate on the basis that the Group's profits for the first six months are weighted towards the higher tax rate countries in which it operates, the US and France, or investment in New Markets, for example Japan and Belgium, where the Group currently does not benefit from any tax credits. The Group estimate and apply a separate average annual effective tax rate (ETR) for each tax jurisdiction in calculating the interim tax charge above.

Tax rates for the comparative periods were, HY21: 28% on both a pre and post exceptional basis and FY21: 24% pre-exceptional and 33% post-exceptional effective tax rate. For further details on exceptional items see note 4. Prevailing taxation rates in the major jurisdictions in which the Group operates were as follows:

Jurisdiction	**Six months ended 30 September 2021 (Reviewed)**	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
United Kingdom	**19%**	19%	19%
United States of America	**26%**	27%	25%
France	**27%**	28%	28%
Spain	**25%**	25%	25%

6. Dividends

The interim dividend of 6.8p per share will be paid on 7 January 2022 to shareholders on the register on 10 December 2021. The interim dividend has not been included as a liability in these financial statements.

£million	**Six months ended 30 September 2021 (Reviewed)**	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Amounts recognised as distributions to equity holders of the parent in the period:			
Final dividend for the year ended 31 March 2020 of 17.8p per share	**-**	59.7	59.7
Interim dividend for the year ended 31 March 2021 of 6.2p per share	**-**	-	20.8
Final dividend for the year ended 31 March 2021 of 19.8p per share	**66.5**	-	-
	66.5	59.7	80.5
Interim dividend for the year ended 31 March 2022 of 6.8p per share	**22.9**	-	-

7. Earnings per share

Earnings per share (pence)	**Six months ended 30 September 2021 (Reviewed)**	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Basic	**3.9p**	2.0p	9.3p
Diluted	**3.9p**	2.0p	9.2p
Adjusted basic	**9.0p**	7.1p	42.7p
Adjusted diluted	**8.9p**	7.1p	42.6p

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

Weighted average number of ordinary shares (millions)	**Six months ended 30 September 2021 (Reviewed)**	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Basic	**336.2**	335.5	335.8
Dilutive impact of share options	**1.5**	1.6	1.0
Diluted	**337.7**	337.1	336.8

Earnings £million	**Six months ended 30 September 2021 (Reviewed)**	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Profit attributable to equity holders of the parent	**13.2**	6.8	31.1
Amortisation of acquisition intangibles	**21.6**	23.0	45.0
Certain transaction related costs (note 4)	**1.7**	-	6.7
Exceptional items (note 4)	**-**	-	92.4
Tax impact arising on adjusting and exceptional items	**(5.9)**	(5.9)	(29.7)
Non-controlling interests' share of adjusting items	**(0.4)**	-	(2.1)
Adjusted profit attributable to equity holders of the parent	**30.2**	23.9	143.4

Basic and diluted earnings per ordinary share have been calculated in accordance with IAS 33 *Earnings Per Share*. Basic earnings per share is calculated by dividing the profit or loss in the financial period by the weighted average number of ordinary shares in issue during the period. 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, 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 period.

8. Intangible assets

£million	Acquisition intangibles	Trademarks & access rights	Customer Databases	Software	Total intangibles
Cost					
At 1 April 2020	470.1	43.0	31.4	298.4	**842.9**
Additions	1.4	0.7	15.0	52.8	**69.9**
Business acquisitions	28.6	-	-	1.2	**29.8**
Disposals	(1.2)	(0.4)	-	(1.7)	**(3.3)**
Business disposal	-	-	-	(0.3)	**(0.3)**
Adjustments to prior year acquisitions[1]	(1.4)	-	-	-	**(1.4)**
Exchange movements	(35.5)	(1.7)	(2.2)	(8.0)	**(47.4)**
At 1 April 2021	462.0	41.6	44.2	342.4	**890.2**
Additions	0.6	-	7.7	24.6	**32.9**
Business acquisitions	13.6	-	-	-	**13.6**
Business disposal	-	-	-	(0.6)	**(0.6)**
Disposals	(0.6)	(0.1)	-	(1.0)	**(1.7)**
Adjustments to prior year acquisitions[1]	0.7	-	-	-	**0.7**
Exchange movements	7.8	0.3	0.6	2.2	**10.9**
At 30 September 2021	**484.1**	**41.8**	**52.5**	**367.6**	**946.0**
Accumulated amortisation					
At 1 April 2020	177.8	35.1	9.3	123.6	**345.8**
Charge for the year	45.0	2.3	6.8	35.3	**89.4**
Impairment	-	-	-	84.7	**84.7**
Disposals	(1.2)	(0.2)	-	(1.0)	**(2.4)**
Exchange movements	(12.8)	(1.2)	(0.7)	(3.9)	**(18.6)**
At 1 April 2021	208.8	36.0	15.4	238.7	**498.9**
Charge for the period	21.6	1.0	4.1	13.5	**40.2**
Business disposal	-	-	-	(0.3)	**(0.3)**
Disposals	(0.6)	-	-	(0.6)	**(1.2)**
Exchange movements	3.4	0.2	0.2	1.1	**4.9**
At 30 September 2021	**233.2**	**37.2**	**19.7**	**252.4**	**542.5**
Carrying amount					
At 30 September 2021	**250.9**	**4.6**	**32.8**	**115.2**	**403.5**
At 31 March 2021	253.2	5.6	28.8	103.7	391.3

[1]The carrying value of acquisition intangible assets relating to prior year acquisitions have been adjusted during the associated 12 month remeasurement periods increasing the value of acquisition intangibles by £0.7m (FY21: decreasing by £1.4m) and decreasing goodwill by £0.7m (FY21: increasing by £1.4m).

Acquisition intangibles include acquired access rights, customer databases, brands and technology assets. At the balance sheet date there are no contractual commitments for the purchase of intangible assets (HY21: £Nil).

Acquisition intangibles include assets with a book value of £47.4m (HY21: £56.5m) in respect of customer relationships acquired as part of the acquisition of eLocal Holdings LLC. The assets are being amortised over periods ranging between 10 and 11 years on a straight-line basis and have 8 to 9 years useful economic life remaining.

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 were treated as exceptional due to their size, nature and incidence (see note 4).

9. Acquisitions and Disposals

The Group has incurred a net cash outflow in respect of business combinations of £21.6m in the period in relation to a number of acquisitions.

There is one material acquisition:

- On 16 July 2021, HomeServe HVAC LLC, a Group company, acquired 100% of the issued share capital and obtained control of McLoughlin Plumbing & Heating Co., (hereafter 'McLoughlin'), for total consideration of £13.3m. The acquisition of McLoughlin continues to enhance the scale and scope of the Group's HVAC capabilities in North America.

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 period ended 30 September 2021.

Membership

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

HVAC

Date	Acquiree	Acquirer	Acquired
14 April 2021	Mark Gillece Plumbing and Heating LLC	HomeServe HVAC LLC	100% share capital
31 August 2021	Mauger	ID Energies SAS	Group of assets constituting a business under IFRS 3
31 August 2021	Confort & Chaleur	Roussin Energies SAS	Group of assets constituting a business under IFRS 3
31 August 2021	JM Autin	Aujard SAS	Group of assets constituting a business under IFRS 3
3 September 2021	Voinot Services	Aujard SAS	Group of assets constituting a business under IFRS 3
10 September 2021	Esven Servicio Tecnico S.L.	HomeServe Spain S.L.U.	100% share capital
20 September 2021	Vimar Sociedad Civil	Aragonesa De Postventa S.L.U and Servicio Tecnico Sate S.L.	100% share capital – 50% by each acquirer (both Group companies)
30 September 2021	Alain Beal	SMT SAS	Group of assets constituting a business under IFRS 3
30 September 2021	APG Domestic Services Limited	HomeServe Membership Limited	100% share capital

All HVAC acquisitions made during HY22 enhance the scale and scope of the Group's HVAC capabilities and increase the opportunity for future growth related to new HVAC system installations.

Home Experts

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

9. Acquisitions and Disposals (continued)

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

£million	McLoughlin	Other	Total
Property, plant and equipment	0.2	0.6	**0.8**
Right of use assets	0.1	0.4	**0.5**
Inventories	-	0.6	**0.6**
Cash and cash equivalents	1.5	3.1	**4.6**
Trade and other receivables	0.4	1.8	**2.2**
Trade and other payables	(0.6)	(2.4)	**(3.0)**
Lease liabilities	(0.1)	(0.4)	**(0.5)**
Bank and other loans	-	(1.1)	**(1.1)**
Intangible assets generated on acquisition	3.9	9.7	**13.6**
Deferred tax liabilities	(1.1)	(1.9)	**(3.0)**
Net assets acquired	4.3	10.4	**14.7**
Goodwill	9.0	10.1	**19.1**
Total	13.3	20.5	**33.8**
Satisfied by:			
Cash	10.7	15.5	**26.2**
Deferred consideration	0.5	1.0	**1.5**
Contingent consideration	2.1	4.0	**6.1**
	13.3	20.5	**33.8**
Net cash outflow arising on acquisition			
Cash consideration	10.7	15.5	**26.2**
Less: cash acquired	(1.5)	(3.1)	**(4.6)**
	9.2	12.4	**21.6**

The goodwill arising on the excess of consideration over the fair value of the assets and liabilities acquired on HY22 acquisitions represents the expectation of 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. No other goodwill balances are expected to be deducted for tax purposes.

The gross contracted amounts due are equal to the fair value amounts stated above for trade and other receivables.

Businesses acquired during HY22 contributed a combined £5.6m of revenue and a profit of £0.8m to the Group's adjusted profit before tax for the six months to 30 September 2021.

If all acquisitions had been completed on the first day of the financial year, Group revenue for the period would have been £615.4m and Group adjusted profit before tax would have been £42.8m.

The information above is provisional with fair value assessment activities ongoing. Final acquisition disclosures will be included in the FY22 Group Annual Report and Accounts to be issued in May 2022.

In addition to the net cash outflow on the above acquisitions, payments relating to previous business combinations and asset purchases of £12.3m (HY21: £1.0m) were made during the period.

Acquisition-related costs (included in operating costs) amounted to £0.4m (HY21: £0.6m).

The provisional fair values in relation to acquisitions completed and disclosed as part of the Group's FY21 Annual Report have been updated, resulting in a £0.2m decrease to goodwill, a £0.7m increase to acquired intangible assets (see note 8) and a £0.5m decrease to other acquired net assets at 30 September 2021.

9. Acquisitions and Disposals (continued)

Disposal of Brazilian operations

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

10. Financial instruments

Classification

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

Financial instruments subsequently measured at fair value

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

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

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

The Group held the following Level 2 and 3 financial instruments at fair value:

£million	**At 30 September 2021 (Reviewed)**	At 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Level 2			
Assets classified as fair value through other comprehensive income			
Other investments	**13.0**	8.8	12.9
Level 3			
Assets classified as fair value through profit and loss			
Other financial assets	**0.8**	1.2	1.2
Contingent consideration at fair value through profit and loss			
Current liabilities	**11.9**	11.7	17.0
Non-current liabilities	**12.4**	17.1	12.8

The fair value of Level 2 investments has been assessed at 30 September 2021 by analysing the future outlook for the business as well as reviewing valuations associated with recent comparable market transactions.

10. Financial instruments (continued)

Reconciliation of recurring Level 3 fair value measurements

Financial assets classified as fair value through profit and loss:

£million	Six months ended 30 September 2021 (Reviewed)	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Opening balance	**1.2**	-	-
Additions	**-**	1.2	1.2
Fair value re-measurement (loss)/gain	**(0.4)**	-	0.1
Foreign exchange	**-**	-	(0.1)
	0.8	1.2	1.2

Other financial assets have been fair valued using the Black-Scholes option pricing model. The assumptions used in the model are as follows:

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

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

Contingent consideration at fair value through profit and loss:

£million	Six months ended 30 September 2021 (Reviewed)	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Opening balance	**29.8**	11.4	11.4
Additions	**6.1**	17.6	20.4
Payments	**(11.4)**	(0.6)	(1.1)
Re-measurement adjustment related to prior year acquisition	**-**	1.0	1.0
Unwinding of discount rate through the income statement	**0.2**	0.2	0.6
Transfer to trade and other payables[1]	**-**	-	(0.3)
Other fair value re-measurement gain	**(0.9)**	(0.1)	-
Foreign exchange	**0.5**	(0.7)	(2.2)
	24.3	28.8	29.8

[1] Where the contingent consideration has become certain but has not been paid at the end of the period the balance has been transferred and recognised in trade and other payables.

Contingent consideration liabilities are calculated using forecasts of future performance of acquisitions discounted to present value. Forecasts and discount rates are reviewed at least annually by the Directors as part of the valuation process.

If discount rates on contingent consideration were higher/lower than the Group's historical experience by 10%, the carrying amount would decrease/increase by £0.1m. The undiscounted range of outcomes associated with the contingent consideration payments has a floor of £0.8m (HY21: £1.7m). Payments above the floor vary based on a range of conditional performance metrics, for example a percentage commission based on the future revenues associated with certain products of an acquired business over a defined period.

11. Share capital

		At 30 September 2021 (Reviewed)	At 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Issued and fully paid ordinary shares of 2 9/13p	No.	**336,421,054**	335,995,002	336,045,030
	£m	**9.1**	9.1	9.1

During the period from 1 April 2021 to 30 September 2021 the Company issued 376,024 shares with a nominal value of 2 9/13p creating share capital and share premium with a combined value of £2.7m.

During the period from 1 April 2020 to 30 September 2020 the Company issued 1,360,724 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 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.

12. Notes to the cash flow statement

£million	Six months ended 30 September 2021 (Reviewed)	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Operating profit	**32.1**	21.2	71.8
Adjustments for:			
Depreciation of property, plant and equipment	**5.0**	4.9	9.9
Depreciation of right-of-use assets	**7.3**	7.7	15.2
Amortisation of acquisition intangible assets	**21.6**	23.0	45.0
Amortisation of other intangible assets	**18.6**	22.1	44.4
Amortisation of contract costs	**3.2**	4.9	9.0
Share-based payments expenses	**3.9**	3.9	4.3
Share of equity accounted investees results	**1.3**	1.2	2.5
Loss on disposal of associate	**-**	-	2.1
(Gain)/loss on disposal of business	**(0.7)**	-	0.1
Exceptional impairment charges and associated costs	**-**	-	86.9
Other exceptional items	**-**	-	5.3
Other non-cash movements	**0.9**	1.2	6.3
Operating cash flows before movements in working capital	**93.2**	90.1	302.8
(Increase)/decrease in inventories	**(2.3)**	0.1	(0.8)
Decrease/(increase) in receivables	**70.5**	68.7	(20.0)
Decrease in payables	**(64.1)**	(62.7)	(4.3)
Net movement in working capital	**4.1**	6.1	(25.1)
Cash generated by operations	**97.3**	96.2	277.7
Incomes taxes paid	**(24.6)**	(15.4)	(35.1)
Interest paid (including lease interest)	**(11.7)**	(8.4)	(19.6)
Net cash inflow from operating activities	**61.0**	72.4	223.0

Reconciliation of cash and cash equivalents

£million	Six months ended 30 September 2021 (Reviewed)	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
Cash and cash equivalents in the balance sheet	**153.5**	101.1	171.4
Bank overdrafts	**(39.4)**	-	(22.0)
Cash and cash equivalents in the cash flow statement	**114.1**	101.1	149.4

13. Provisions

£million	**Six months ended 30 September 2021 (Reviewed)**	Six months ended 30 September 2020 (Reviewed)	Year ended 31 March 2021 (Audited)
At 1 April	**6.0**	2.0	2.0
Created	**0.3**	3.4	6.6
Acquired on business acquisition	**-**	-	0.1
Utilised	**(1.2)**	(1.0)	(3.6)
Released	**-**	(0.2)	(1.0)
Transferred	**-**	0.9	2.0
Foreign exchange	**-**	-	(0.1)
Provision at end of period	**5.1**	5.1	6.0

Provisions utilised in the current period primarily relate to the onerous contracts associated with the eServe intangible assets, which were impaired in the prior year. The majority of the closing balance relates to onerous contracts (including the remaining eServe associated contracts) and other immaterial legal, restructuring and warranty provisions.

In the comparative period the provisions created primarily relate to costs associated with a customer re-contact exercise which was completed in the prior year in the UK Membership business and a provision for onerous contracts associated with the eServe intangible.

14. 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

Related party transactions with equity accounted investees during HY22 principally related to recharged salaries, consultancy and contractor costs amounting to £0.1m (HY21: £0.1m) and the purchase of marketing services £nil (HY21: £0.2m).

Other related party transactions

Other related party transactions during HY22 were similar in nature to those in HY21 and amounted to £0.1m (HY21: £0.1m).

Full details of the Group's related party transactions for the year ended 31 March 2021 are included on page 187 of the Annual Report & Accounts 2021.

15. Other items

eLocal LLC – Non-controlling interest

On 8 September 2021, the non-controlling shareholders of eLocal LLC exercised put options to sell 50% of their 21% non-controlling interest in eLocal LLC for cash consideration of $25.1m (£18.2m) to HomeServe USA Holding Corp. The transaction increased HomeServe USA Holding Corp interest in eLocal to 90% of the issued share capital. On extinguishment of the exercised options, $7.0m (£5.2m) of the non-controlling interest was derecognised against equity attributable to the parent. Options over the remaining 10% minority equity instruments are exercisable between July 2022 and July 2025.

Restricted Cash

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Of the total cash and cash equivalents balance held £14.8m (HY21: £13.3m) is not available for use by the Group due to the restrictions stipulated within the Group's contractual relationships with underwriters. These balances principally relate to advances from underwriters received to fund claims payments. No client monies as defined under CASS 5 of the FCA Handbook are held.

16. Events after the balance sheet date

Acquisition of CET

On 22 October 2021, HomeServe Assistance Limited, a Group company, completed the acquisition of 100% of the share capital and obtained control of CET Structures Ltd ("CET"), a leading, digitally-enabled UK home emergency assistance business, for total cash consideration of c.£53m. CET provides emergency plumbing, heating and electrics services to home insurance policy holders on behalf of leading consumer brands, via its digital claims handling and job management platform. The transaction brings together two well-positioned, complementary businesses - HomeServe UK in home assistance cover and CET in home emergency assistance and is a significant step forward in HomeServe's strategy to broaden its UK business in home assistance cover, HVAC and home emergency assistance. Over time, there will be significant opportunities to share technology and service expertise between the businesses.

Due to the recent nature of this acquisition, it is not possible at the point of authorisation of these condensed consolidated financial statements to include a preliminary assessment of the fair value of the assets and liabilities acquired. Full preliminary IFRS 3 disclosures will be provided in the FY22 Annual Report.

Financing transactions

After the balance sheet date but prior to the authorisation of these condensed consolidated financial statements, HomeServe plc entered into the following financing transactions:

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

On 4 November 2021 the Group renewed its £25m short term facility with maturity at 31 July 2022. Interest on the facility is charged at SONIA + 1.10%. The financial covenants associated with the facility are consistent with those on the Group’s existing £400m RCF.

Responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Richard Harpin
Founder and Group Chief Executive

David Bower
Chief Financial Officer

16 November 2021

Forward Looking Statements and Other Information

This interim management report has been prepared solely to provide additional information to shareholders as a body to assess the Company's strategies and the potential for those strategies to succeed. 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.

INDEPENDENT REVIEW REPORT TO HOMESERVE PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group will be prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
16 November 2021

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 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 historic marketing and business development activity, including but not limited to, the staff and operational costs of the business. In addition the specific construct of the policy terms and conditions and the current and expected future profitability to be derived from the acquired business or asset is also a factor in determining the valuation of acquisition intangible assets.

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

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	HY22	HY21
Operating profit (statutory)	**32.1**	21.2
Certain transaction related costs	**1.0**	-
Amortisation of acquisition intangibles	**21.6**	23.0
Adjusted operating profit	**54.7**	44.2
Operating profit (statutory)	**32.1**	21.2
Certain transaction related costs	**1.0**	-
Depreciation of property, plant and equipment	**5.0**	4.9
Amortisation of other intangibles	**18.6**	22.1
Amortisation of contract costs	**3.2**	4.9
Depreciation of right of use assets	**7.3**	7.7
Amortisation of acquisition intangibles	**21.6**	23.0
Adjusted EBITDA	**88.8**	83.8
Profit before tax (statutory)	**18.9**	10.1
Certain transaction related costs	**1.7**	-
Amortisation of acquisition intangibles	**21.6**	23.0
Adjusted profit before tax	**42.2**	33.1

Pence per share		
Earnings per share (statutory)	**3.9**	2.0
Certain transaction related costs (net of tax)	**0.4**	-
Amortisation of acquisition intangibles (net of tax)	**4.7**	5.1
Adjusted earnings per share	**9.0**	7.1

SEGMENTAL

	Membership & HVAC	Membership & HVAC - EMEA				Home Experts		
HY22 **£million**	**North America**	**UK**	**France**	**Spain**	**New Markets**	**UK**	**North America**	**Other**
Revenue	**255.3**	**125.8**	**56.9**	**95.5**	**-**	**26.6**	**48.5**	**5.4**
Statutory operating profit/(loss)	**21.8**	**7.7**	**3.1**	**3.3**	**(2.5)**	**(2.5)**	**2.9**	**(1.7)**
Operating Margin %	*9%*	*6%*	*5%*	*3%*	-	-	*6%*	-
Adjusting items								
Amortisation of acquisition intangibles	**9.3**	**1.7**	**3.6**	**1.3**	**-**	**2.3**	**2.9**	**0.5**
Certain transaction related costs	**1.4**	**-**	**0.3**	**-**	**-**	**-**	**0.3**	**(1.0)**
Total adjusting items	**10.7**	**1.7**	**3.9**	**1.3**	**-**	**2.3**	**3.2**	**(0.5)**
Effect on operating margin (ppts)	*4%*	*1%*	*7%*	*2%*	-	-	*7%*	-
Adjusted operating profit/(loss)	**32.5**	**9.4**	**7.0**	**4.6**	**(2.5)**	**(0.2)**	**6.1**	**(2.2)**
Adjusted operating margin %	*13%*	*7%*	*12%*	*5%*	**-**	**-**	***13%***	**-**

	Membership & HVAC	Membership & HVAC - EMEA				Home Experts		
HY21 **£million**	North America	UK	France	Spain	New Markets	UK	North America	Other
Revenue	207.4	132.4	46.4	85.3	-	17.0	47.0	4.7
Statutory operating profit/(loss)	20.5	7.4	4.3	1.6	(2.6)	(8.8)	2.2	(3.4)
Operating Margin %	*10%*	*6%*	*9%*	*2%*	-	-	*5%*	-
Adjusting items								
Amortisation of acquisition intangibles	11.5	1.7	3.5	0.7	-	2.3	3.1	0.2
Total adjusting items	11.5	1.7	3.5	0.7	-	2.3	3.1	0.2
Effect on operating margin (ppts)	*5%*	*1%*	*8%*	*1%*	-	-	*6%*	-
Adjusted operating profit/(loss)	32.0	9.1	7.8	2.3	(2.6)	(6.5)	5.3	(3.2)
Adjusted operating margin %	*15%*	*7%*	*17%*	*3%*	-	-	*11%*	-

	Membership & HVAC	Membership & HVAC - EMEA				Home Experts		
HY22 **Local currency million**	**North America** **$**	**UK** **£**	**France** **€**	**Spain** **€**	**New Markets** **£**	**UK** **£**	**North America** **$**	**Other** **€**
Revenue	**354.2**	**125.8**	**66.4**	**111.1**	**-**	**26.6**	**67.3**	**6.3**
Statutory operating profit/(loss)	**30.3**	**7.7**	**3.7**	**3.9**	**(2.5)**	**(2.5)**	**4.0**	**(2.0)**
Operating Margin %	*9%*	*6%*	*5%*	*3%*	-	-	*6%*	-
Adjusting items								
Amortisation of acquisition intangibles	**12.9**	**1.7**	**4.2**	**1.5**	**-**	**2.3**	**4.0**	**0.6**
Certain transaction related costs	**1.9**	**-**	**0.3**	**-**	**-**	**-**	**0.4**	**(1.2)**
Total adjusting items	**14.8**	**1.7**	**4.5**	**1.5**	**-**	**2.3**	**4.4**	**(0.6)**
Effect on operating margin (ppts)	*4%*	*1%*	*7%*	*2%*	-	-	*7%*	-
Adjusted operating profit/(loss)	**45.1**	**9.4**	**8.2**	**5.4**	**(2.5)**	**(0.2)**	**8.5**	**(2.6)**
Adjusted operating margin %	*13%*	*7%*	*12%*	*5%*	**-**	**-**	***13%***	**-**

	Membership & HVAC	Membership & HVAC - EMEA				Home Experts		
HY21 Local currency million	North America $	UK £	France €	Spain €	New Markets £	UK £	North America $	Other **€**
Revenue	262.8	132.4	51.7	94.9	-	17.0	59.4	5.2
Statutory operating profit/(loss)	26.1	7.4	4.7	1.7	(2.6)	(8.8)	2.8	(3.8)
Operating Margin %	*10%*	*6%*	*9%*	*2%*	-	-	*5%*	-
Adjusting items								
Amortisation of acquisition intangibles	14.5	1.7	3.9	0.8	-	2.3	4.0	0.2
Total adjusting items	14.5	1.7	3.9	0.8	-	2.3	4.0	0.2
Effect on operating margin (ppts)	*5%*	*1%*	*8%*	*1%*	-	-	*6%*	-
Adjusted operating profit/(loss)	40.6	9.1	8.6	2.5	(2.6)	(6.5)	6.8	3.6
Adjusted operating margin %	*15%*	*7%*	*17%*	*3%*	**-**	-	*11%*	-

Leverage

The Group targets net debt in the range of 1.0 to 2.0x 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 finance leases for the year ended 31 March 2021.

The closing balances at 30 September were as follows:

£million	**HY22**	HY21
Current liabilities from borrowings and leases		
Lease liabilities	**13.3**	14.1
Bank and other loans	**72.0**	30.5
	85.3	44.6
Non-current liabilities from borrowings and leases		
Lease liabilities	**34.7**	43.0
Bank and other loans	**658.6**	600.2
	693.3	643.2
Total liabilities from borrowings and leases	**778.6**	687.8
Cash and cash equivalents	**(153.5)**	(101.1)
Net Debt	**625.1**	586.7
Adjusted EBITDA	**88.8**	83.8
Leverage	**2.1x**	2.0x

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 cash flows 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 tax, interest obligations and capital expenditure 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	HY22	HY21
Adjusted operating profit	**54.7**	44.2
Certain transaction related costs	**(1.0)**	-
Amortisation of acquisition intangibles	**(21.6)**	(23.0)
Operating profit	**32.1**	21.2
Depreciation and amortisation	**55.7**	62.6
Impact of certain transaction related costs	**1.0**	-
Non-cash items	**4.4**	6.3
Decrease in working capital	**4.1**	6.1
Cash generated from operations	**97.3**	96.2
Net interest and associated borrowing costs	**(11.6)**	(9.8)
Repayment of lease principal	**(6.5)**	(7.3)
Taxation	**(24.6)**	(15.4)
Capital expenditure – ordinary	**(36.6)**	(34.5)
Capital expenditure – acquisitions of policy books	**-**	(0.6)
Free cash flow	**18.0**	28.6

Due to the seasonality of the business, HomeServe does not report a half year cash conversion figure. Cash conversion for the prior financial year is shown below.

£million	FY21
Adjusted operating profit	214.3
Cash generated by operations	277.7
Cash conversion	129%

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 illustrates ability to grow the product line through customer focus and innovation.
Income per customer measures ability to design and market increasingly valuable products, and sell them efficiently. Due to currency differences, this measure is tracked at a geographic level. Income per customer is calculated as the last 12 months' net policy income divided by customers.
Trades are customers in the Home Experts business. Growing the network of vetted and reviewed trades will enable HomeServe to meet consumer needs and grow its business.
Adjusted profit before tax is the 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

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

This is different, however, from how the Group markets and communicates the value of its products and services to end consumers. Here, the businesses strategy and communications (both internally and externally) refer to the end consumer as the customer. As a result, for the purposes of describing the strategy and operational performance of the business, the 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:

<table>
<tr><th>Revenue Stream</th><th>IFRS 15 'contracted' customer</th><th>Customer as referred to in the Business and Operating Reviews</th></tr>
<tr><td>Policy Income – insurance intermediary commissions</td><td>Underwriters</td><td>End user of the service</td></tr>
<tr><td>Policy Income - repairs</td><td colspan="2">Underwriters or other B2B contracted parties</td></tr>
<tr><td>Policy Income – home assistance</td><td colspan="2" rowspan="4">End user of the service</td></tr>
<tr><td>Home Experts</td></tr>
<tr><td>HVAC installations</td></tr>
<tr><td>Other</td></tr>
</table>

ENDS