Group income statement

Year ended 31 March 2021

	Notes	2021 £m	2020 £m
Continuing operations			
Revenue	4	**1,304.7**	1,132.3
Operating costs	5	**(1,230.4)**	(971.6)
Share of results of equity accounted investments	18	**(2.5)**	(2.1)
Operating profit		**71.8**	158.6
Investment income	8	**0.4**	0.5
Finance costs	9	**(25.0)**	(21.2)
Adjusted profit before tax		**191.3**	181.0
Amortisation of acquisition intangibles	5	**(45.0)**	(35.5)
Certain transaction related costs	7	**(6.7)**	—
Exceptional items	7	**(92.4)**	(7.6)
Profit before tax		**47.2**	137.9
Tax	10	**(15.4)**	(32.1)
Profit for the year		**31.8**	105.8

		2021 £m	2020 £m
Attributable to:			
Equity holders of the parent		**31.1**	106.0
Non-controlling interests		**0.7**	(0.2)
		31.8	105.8

	Notes	2021	2020
Dividends per share, paid and proposed	11	**26.0p**	23.6p
Earnings per share			
Basic	12	**9.3p**	31.7p
Diluted	12	**9.2p**	31.5p

Group statement of comprehensive income
Year ended 31 March 2021

	Notes	2021 £m	2020 £m
Profit for the year		**31.8**	105.8
Items that will not be reclassified subsequently to profit and loss:			
Re-measurement (loss)/gain on defined benefit pension schemes	33	(4.5)	1.6
Deferred tax credit/(charge) relating to re-measurements	10	0.9	(0.3)
Fair value gain/(loss) on "fair value through other comprehensive income" (FVTOCI) investments in equity instruments	17	4.6	(3.7)
Deferred tax (charge)/credit relating to fair value movements on FVTOCI investments in equity instruments	10	(1.3)	0.8
		(0.3)	(1.6)
Items that may be reclassified subsequently to profit and loss:			
Exchange movements on translation of foreign operations		(26.4)	14.1
Exchange movements on non-controlling interests		(1.1)	–
		(27.5)	14.1
Total other comprehensive (expense)/income		**(27.8)**	12.5
Total comprehensive income for the year		**4.0**	118.3
Attributable to:			
Equity holders of the parent		4.4	118.5
Non-controlling interests		(0.4)	(0.2)
		4.0	118.3

Group balance sheet

31 March 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Goodwill	13	**564.3**	509.9
Other intangible assets	14	**391.3**	497.1
Contract costs	4	**8.2**	16.8
Right-of-use assets	26	**48.6**	56.8
Property, plant and equipment	15	**41.7**	42.0
Equity accounted investments	18	**0.8**	4.0
Other investments	17	**12.9**	5.6
Other financial assets	27	**1.2**	–
Deferred tax assets	10	**12.8**	6.0
Retirement benefit assets	33	**8.3**	10.3
		1,090.1	1,148.5
Current assets			
Inventories	19	**12.2**	7.9
Trade and other receivables	20	**501.0**	495.4
Current tax assets		**2.5**	–
Cash and cash equivalents	21	**171.4**	131.2
		687.1	634.5
Total assets		**1,777.2**	1,783.0
Current liabilities			
Trade and other payables	22	**(454.9)**	(410.6)
Bank and other loans	25	**(54.0)**	(40.3)
Current tax liabilities		**(9.2)**	(5.4)
Lease liabilities	25	**(12.7)**	(14.1)
Provisions	24	**(6.0)**	(2.0)
		(536.8)	(472.4)
Net current assets		**150.3**	162.1
Non-current liabilities			
Bank and other loans	25	**(579.8)**	(540.6)
Trade and other payables	23	**(31.8)**	(52.3)
Deferred tax liabilities	10	**(15.3)**	(26.2)
Lease liabilities	25	**(38.6)**	(45.2)
Retirement benefit obligations	33	**(1.2)**	–
		(666.7)	(664.3)
Total liabilities		**(1,203.5)**	(1,136.7)
Net assets		**573.7**	646.3
Equity			
Share capital	28	**9.1**	9.0
Share premium account	29	**196.4**	189.3
Share incentive reserve	29	**18.6**	21.9
Currency translation reserve	29	**10.6**	37.0
Investment revaluation reserve	29	**2.7**	(0.6)
Other reserves	29	**79.2**	79.2
Retained earnings		**247.4**	299.9
Attributable to equity holders of the parent		**564.0**	635.7
Non-controlling interests	30	**9.7**	10.6
Total equity		**573.7**	646.3

The financial statements were approved by the Board of Directors and authorised for issue on 18 May 2021. They were signed on its behalf by:

David Bower
Chief Financial Officer
18 May 2021

Group statement of changes in equity

Year ended 31 March 2021

	Share capital £m	Share premium account £m	Share incentive reserve £m	Currency translation reserve £m	Investment revaluation reserve £m	Other reserves[1] £m	Retained earnings £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2020	9.0	189.3	21.9	37.0	(0.6)	79.2	299.9	**635.7**	10.6	**646.3**
Profit for the year	–	–	–	–	–	–	31.1	**31.1**	0.7	**31.8**
Other comprehensive expense for the year	–	–	–	(26.4)	3.3	–	(3.6)	**(26.7)**	(1.1)	**(27.8)**
Total comprehensive income	**–**	**–**	**–**	**(26.4)**	**3.3**	**–**	**27.5**	**4.4**	**(0.4)**	**4.0**
Dividends paid (note 11)	–	–	–	–	–	–	(80.5)	**(80.5)**	–	**(80.5)**
Issue of share capital (note 28)	0.1	7.1	–	–	–	–	–	**7.2**	–	**7.2**
Share-based payments	–	–	3.8	–	–	–	–	**3.8**	–	**3.8**
Share options exercised	–	–	(7.1)	–	–	–	–	**(7.1)**	–	**(7.1)**
Tax on exercised share options (note 10)	–	–	–	–	–	–	1.5	**1.5**	–	**1.5**
Deferred tax on share options (note 10)	–	–	–	–	–	–	(1.0)	**(1.0)**	–	**(1.0)**
Changes in non-controlling interests	–	–	–	–	–	–	–	**–**	(0.5)	**(0.5)**
Balance at 31 March 2021	**9.1**	**196.4**	**18.6**	**10.6**	**2.7**	**79.2**	**247.4**	**564.0**	**9.7**	**573.7**

Year ended 31 March 2020

	Share capital £m	Share premium account £m	Share incentive reserve £m	Currency translation reserve £m	Investment revaluation reserve £m	Other reserves[1] £m	Retained earnings £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2019	9.0	180.7	23.3	22.9	2.3	82.2	293.0	613.4	0.2	613.6
Profit for the year	–	–	–	–	–	–	106.0	106.0	(0.2)	105.8
Other comprehensive income for the year	–	–	–	14.1	(2.9)	–	1.3	12.5	–	12.5
Total comprehensive income	–	–	–	14.1	(2.9)	–	107.3	118.5	(0.2)	118.3
Dividends paid (note 11)	–	–	–	–	–	–	(73.5)	(73.5)	–	(73.5)
Issue of share capital (note 28)	–	8.6	–	–	–	–	–	8.6	–	8.6
Purchase of own shares	–	–	–	–	–	(3.0)	–	(3.0)	–	(3.0)
Share-based payments	–	–	7.2	–	–	–	–	7.2	–	7.2
Share options exercised	–	–	(8.6)	–	–	–	0.1	(8.5)	–	(8.5)
Tax on exercised share options (note 10)	–	–	–	–	–	–	3.0	3.0	–	3.0
Deferred tax on share options (note 10)	–	–	–	–	–	–	(1.2)	(1.2)	–	(1.2)
Changes in non-controlling interests	–	–	–	–	–	–	–	–	10.6	10.6
Obligations under put options	–	–	–	–	–	–	(28.8)	(28.8)	–	(28.8)
Balance at 31 March 2020	9.0	189.3	21.9	37.0	(0.6)	79.2	299.9	635.7	10.6	646.3

[1] Other reserves comprise the Merger, Own shares and Capital redemption reserves. Full details of these reserves are included in Note 29.

Group cash flow statement

Year ended 31 March 2021

	Notes	2021 £m	2020 £m
Net cash inflow from operating activities	31	**223.0**	192.0
Investing activities			
Interest received		**0.1**	0.5
Proceeds on disposal of fixed assets		**0.3**	0.5
Purchases of intangible assets		**(62.8)**	(74.3)
Contract costs		**(1.5)**	(3.9)
Purchases of property, plant and equipment		**(7.1)**	(8.2)
Disposal of equity accounted investment	18	**–**	8.4
Contribution to equity accounted investee	18	**(2.2)**	–
Disposal of subsidiary	16	**(3.9)**	–
Acquisition of subsidiaries	16	**(77.3)**	(140.6)
Net cash used in investing activities		**(154.4)**	(217.6)
Financing activities			
Dividends paid	11	**(80.5)**	(73.5)
Repayment of lease principal	25	**(14.8)**	(12.4)
Acquisition of non-controlling interests	7	**–**	(7.7)
Purchase of own shares	29	**–**	(3.0)
Proceeds on issue of share capital	29	**–**	0.1
New bank and other loans raised	25	**243.4**	–
Costs associated with new bank and other loans raised	25	**(2.2)**	(0.8)
Proceeds from loans and borrowings	25	**27.1**	206.6
Repayment of loans and borrowings	25	**(214.6)**	(24.0)
Net cash (used in)/generated by financing activities		**(41.6)**	85.3
Net increase in cash and cash equivalents, net of bank overdrafts		**27.0**	59.7
Cash and cash equivalents, net of bank overdrafts, at the beginning of the year		**131.2**	72.6
Impact of foreign exchange rate changes		**(8.8)**	(1.1)
Cash and cash equivalents, net of bank overdrafts, at the end of the year		**149.4**	131.2

Notes to financial statements

Year ended 31 March 2021

1. General information

HomeServe plc (the 'Company') is a public company, limited by shares and incorporated in England and Wales under the Companies Act. The address of the registered office is Cable Drive, Walsall, WS2 7BN.

These financial statements are presented in pounds sterling. Foreign operations are consolidated in accordance with the policies set out in note 2.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in note 27.

Adoption of new or revised standards

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

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

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

Changes in accounting policies

Non-IFRS measures

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

Inventory

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

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

Standards in issue but not yet effective

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

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

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

Going concern

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

The Directors have reviewed the Group's budget, forecast and cash flows for 2021 and beyond, and concluded that they are in line with their expectations with regards to the Group's strategy and future growth plans. In addition, the Directors have reviewed the Group's position in respect of material uncertainties and have concluded that there are no items that would affect going concern or that should be separately disclosed.

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

Notes to financial statements

Year ended 31 March 2021

2. Significant accounting policies (continued)

Other accounting policies

The following accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at, and for the year ended, 31 March 2020:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from the Group's equity interest. Non-controlling interests consist of those interests at the date of the original business combination and the minority's share of the changes in equity since the date of the combination.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Foreign currencies

Transactions in currencies other than a Group entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies except for those that are designated as long-term equity investments, are retranslated at the rates prevailing on the balance sheet date, with changes taken to the income statement. Foreign exchange translation movements on monetary assets that are designated as long-term equity investments are transferred to the Group's translation reserve. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Borrowings in foreign currencies are treated as monetary liabilities and are translated at the rates prevailing on the balance sheet date. Exchange rate movements on foreign currency borrowings are recognised immediately in the income statement. Foreign currency borrowings are not treated as hedges of net investments.

On consolidation, the assets and liabilities of the Group's overseas operations are translated to presentational currency at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange movements, if any, are classified as equity and transferred to the Group's translation reserve. Such cumulative exchange movements are recognised as income or expense in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Revenue recognition

The Group records revenue in accordance with the five-step recognition model outlined in IFRS 15:

1) Identify the contract with the customer
2) Identify the performance obligations in the contract
3) Determine the transaction price
4) Allocate the transaction price to the performance obligations
5) Recognise revenue when (or as) each performance obligation is satisfied.

Revenue is recognised, net of discounts, VAT, Insurance Premium Tax and other sales related taxes, either at the point in time a performance obligation has been satisfied or over time as control of the asset associated with the performance obligation is transferred to the customer.

For all contracts identified, the Group determines if the arrangement with the customer creates enforceable rights and obligations. For contracts with multiple components to be delivered, such as those with underwriters to sell policies on behalf of the underwriter as well as deliver claims handling and administration services, management applies judgement to consider whether those promised goods and services are:

i) distinct – to be accounted for as separate performance obligations;
ii) not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or
iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has present enforceable rights to under the contract. Where applicable, this includes management's best estimate of any variable consideration to be included in the transaction price based on the expected value or most likely amount approach, and only to the extent that it is highly probable that no significant revenue reversal will occur.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative standalone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

Where available, observable prices of goods or services are utilised, when that good or service is sold separately, to similar customers in similar circumstances. Where a standalone selling price is not directly observable the Group applies judgement to determine an appropriate estimated standalone selling price, typically using an expected cost plus margin, adjusted market assessment or residual approach.

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

i) whether allocating the variable amount entirely to part of the contract depicts the amount of consideration the Group expects to be entitled to in exchange for transferring the promised good or service to the customer; or

ii) the terms of the variable payment relate specifically to the satisfaction of an individual performance obligation.

The Group's variable consideration primarily relates to intermediary commissions received on contracts with underwriters to sell policies and provide claims handling and administration services. Amounts are typically allocated to the entire contract.

Discounts are allocated proportionally across all performance obligations in the contract unless directly observable evidence exists that the discount relates to one or more, but not all, performance obligations.

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

Revenue by category

The Group disaggregates revenue from contracts with customers between Net policy income, Repair income, Home Experts, HVAC installations and Other as management believe this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors. The following table outlines the principal activities from which the Group derives revenue and how it is recognised:

Revenue stream	Nature and timing of satisfaction of performance obligations	Significant payment terms
Membership: Net policy income – Intermediary commissions	Includes commissions received for the obligation to sell policies, handle claims and provide administration services for underwriters. The Group satisfies its obligation to sell policies over time, recognising revenue as each policyholder is contracted on behalf of the Group's customers, the underwriters. The transaction prices of the Group's arrangements with underwriters are entirely variable and measured based on the commission due to the Group for the number of policies sold, net of a refund liability. This refund liability reflects management's best estimate of mid-term policy cancellations ensuring that a significant reversal of revenue will not arise in the future (see note 3). Claims handling and administration service obligations are satisfied over the term of a policy, which is typically 12 months. The portion of the total transaction price allocated to these performance obligations is deferred, as a deferred income contract liability, and recognised as revenue over the profile of claims throughout the policy term. The determination of the amount of transaction price to allocate to claims handling and administration services takes account of the expected numbers of claims and the estimated cost of handling those claims, which are validated through historic experience of actual costs, as well as incorporating an appropriate profit margin for the service provided to the underwriter (see note 3). Revenue associated with the commissions received for the obligation to sell policies is allocated using the residual method at the point of policy inception or renewal. Where the Group's role on behalf of the underwriter is only as an intermediary in the cash collection process, such amounts are not included in revenue. Consequently, net policy income consists of only a component of the overall policy price, representing the commission receivable for the services the Group provides to the underwriter, stated net of sales related taxes.	HomeServe receives its commission from its customer, the underwriter, in line with the payment terms of the underlying individual policyholder which are typically either billed and paid upfront or over the term of the contract.
Membership: Net policy income – Home assistance	Includes arrangements whereby the Group contracts directly with the end user to provide home assistance services (such as repair network access, emergency assistance and non-urgent engineer visits). Revenue is recognised rateably over the life of the member's contract.	Billed and paid over the term of the contract.
Membership: Repair income	Includes repair services provided to third parties, including underwriters and insurance companies, subject to separate contractual arrangements. Revenue is recognised over time as each repair job is completed.	Billed and paid upon completion of the job.
Home Experts – Web and directory	Includes website subscriptions and directory advertising fees from contracted members (tradespeople). For website subscriptions revenue is recognised evenly over the contractual term, for directory membership fees revenue is recognised as each directory is delivered throughout the contractual term.	Billed and paid over the term of the contract.

Notes to financial statements

Year ended 31 March 2021

2. Significant accounting policies (continued)

Other accounting policies (continued)

Revenue stream	Nature and timing of satisfaction of performance obligations	Significant payment terms
Home Experts – Lead generation	Includes commissions received for the provision of job leads to trades. Revenue is recognised at the point in time a lead is transferred.	Either billed and paid as leads are delivered or deposits from customers received in advance then reduced as billed when leads are delivered.
HVAC installations	Includes the provision of installation services at the point in time the installation is complete.	Billed and paid upon completion of the installation.
Other	Principally includes services provided to customers who do not hold policies. Revenue is recognised at the point in time the service is complete.	Billed and paid following the performance of the services provided.

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

- Assets generated from the capitalisation of costs to obtain a contract
- Trade receivables (see financial instruments accounting policies below)
- Accrued income
- Deferred income.

Capitalisation of costs to obtain a contract

The incremental costs of obtaining a contract with the Group's direct customers are recognised as an asset if the Group expects to recover them. Primarily, such costs relate to fees payable to Affinity Partners or other third parties authorised to enter into new contracts on behalf of a Group entity. Only fees which are directly related to acquiring contracts with the Group's direct customers are capitalised as incremental contract costs under IFRS 15.

Accrued and deferred income

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

Marketing expenses

Costs incurred in respect of marketing activity, including for example, direct mail and inbound/outbound telephone costs, which is undertaken to acquire or renew a policy, are charged to the income statement in the period in which the related marketing campaign is performed.

Marketing expenses also include payments made to Affinity Partners in recognition of their support for the Group's selling and policy renewal activities. The terms of their support and related payments are included in contractual agreements with each Affinity Partner. Amounts incurred upon the sale and renewal of an individual policy by the Group, referred to as Affinity Partner Commissions, are recognised as an operating expense when individual policies incept or renew. Commissions are payable to Affinity Partners only when the Group has collected the premium due on behalf of the underwriter from the policyholder.

Operating profit

Operating profit is stated after charging or crediting all operating costs and incomes, but before investment income and finance costs.

Adjusting and exceptional items

The Group uses the following adjusted profitability performance measures:

- adjusted operating profit
- adjusted earnings before interest, taxation, depreciation and amortisation (EBITDA)
- adjusted profit before tax
- adjusted profit attributable to equity holders of the parent
- adjusted basic and adjusted diluted earnings per share

The Group believes that the consistent presentation of the above adjusted measures provide additional useful information to users on the underlying trends and comparable performance of the Group over time. The adjusted measures are used by HomeServe for internal performance analysis and incentive compensation arrangements for employees. All the adjustments made to the IFRS measures are considered exceptional and/or non-operational in nature. These terms are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures.

The term 'adjusted' refers to the relevant measure of profit or earnings being reported excluding the impact (pre and post-tax where applicable) of the following items:

Amortisation of acquisition intangibles

Acquisition intangible assets are calculated using the estimated and discounted incremental 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 operating 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 the acquisition intangible.

The on-going service and operating costs incurred by the Group in managing the acquired businesses or assets, including but not limited to print, postage, telephony, claims costs and overheads are recognised as operating costs within these adjusted measures in the reporting period in which they are incurred.

Accordingly, 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.

Certain transaction related costs

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

- Fair value movements on financial instruments generated from transaction related activity. Currently the Group's portfolio of such instruments includes contingent consideration arising on business combinations (see note 27), put options over the acquisition of non-controlling interests (see note 22 & 23) and call options over both the acquisition of additional equity in associates and the sale of equity in subsidiaries (see note 27);
- Unwinding of discount on contingent financial instruments (including options); and
- Charges associated with put options over non-controlling interests, which are expensed through the income statement over time to reflect the requirement for the recipients to remain employed in the business at the payment date. The charges are subject to fair value volatility associated with the non-controlling interest puts and are not representative of the ongoing cost of the recipient remaining in the business.

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

Exceptional items

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

Share-based payments

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses and the return on scheme assets (excluding interest) are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of comprehensive income. Re-measurements recorded in the statement of comprehensive income are not recycled.

Past service costs are recognised in the income statement in the period of scheme amendment, curtailment or when the related restructuring costs or termination benefits are recognised, if earlier. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Any retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from the calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

Notes to financial statements

Year ended 31 March 2021

2. Significant accounting policies (continued)

Taxation

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

Any tax currently payable is based on taxable profit for the year along with a small number of provisions in relation to open tax positions. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement, as incurred, in operating costs.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent or deferred consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values that qualify as measurement period adjustments are adjusted against the cost of acquisition. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs and recognised immediately in the consolidated income statement. Changes in the fair value of contingent consideration classified as equity are not recognised. Deferred consideration is subsequently measured at amortised cost. Payments of contingent and deferred consideration are reported within cash flow from investing activities in the Group statement of cash flows.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Goodwill

Goodwill arising in a business combination is recognised at cost as an asset at the date control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date. The interest of the non-controlling shareholders in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

Goodwill is not amortised but is reviewed for impairment annually, or more frequently if there is an indication that it may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs) expected to benefit from the synergies of the combination. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Intangible assets

Acquisition intangible assets

Acquired access rights relate to the contractual agreements entered into with the former owners of businesses acquired as part of a business combination; or where the former owners previously operated a business, and the Group has purchased specific access rights from the former owners. These agreements set out the contractual terms of the Affinity Partnership and provide the contractual framework within which the Group markets, sells and renews policies with the individual customers of the Affinity Partner. Acquired access rights are recorded at fair value by using the estimated and discounted incremental future cash flows resulting from the relationship.

Acquired customer databases represent the value attributable to the portfolios of renewable policies that exist at the date of acquisition and are acquired by the Group as part of a business combination; or where the former owners previously operated a business, and the Group has purchased specific customer databases from the former owners. Acquired customer databases are recorded at fair value using the estimated and discounted incremental future cash flows resulting from the future renewal of the portfolio of acquired policies over their estimated residual lives.

Other acquired intangibles include acquired brands recorded at fair value using the relief from royalty valuation method and technology assets recorded at fair value using a replacement cost approach.

Other intangible assets

Access rights arise from the contractual agreements with Affinity Partners which provide the contractual framework within which the Group markets, sells and renews policies with the individual customers of the Affinity Partner. Access rights are valued at the discounted present value of the contractually committed payments, where such payments are not related to the success or otherwise of activity under the contractual agreements.

Trademarks represent costs incurred to legally protect the established brand names of the Group. Trademarks are stated at cost.

Customer databases represent the value attributable to the portfolios of renewable policies that have been created by our Affinity Partners through their own sales and marketing activity and subsequently purchased by the Group. Such databases are recorded at their fair value based on the amount paid to the Affinity Partner.

Computer software and the related licences are stated at cost.

Amortisation

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight-line method, on the following bases:

Acquired access rights	3 - 20 years	Access rights and trademarks	up to a maximum of 20 years
Acquired customer databases	3 - 15 years	Customer databases	3 - 10 years
Other acquired intangibles	8 - 11 years	Computer software	3 - 10 years

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings and leasehold improvements	25 - 50 years
Furniture, fixtures and equipment	5 - 7 years
Computer equipment	3 - 7 years
Motor vehicles	3 years (with 25% residual value)

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised as income immediately.

Leases

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

Notes to financial statements

Year ended 31 March 2021

2. Significant accounting policies (continued)

Leases (continued)

Lease liabilities

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

- fixed lease payments (including in substance fixed payments), less any lease incentives;
- fixed service costs associated with the Group's property and vehicle lease portfolios (as the Group has elected to apply the expedient available under paragraph 15 of IFRS 16 not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement);
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease liabilities are subsequently measured at amortised cost using the effective interest method by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the change in lease payments is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

Right-of-use assets

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

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset.

Variable rents

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

Interests in equity accounted investments

The results and assets and liabilities of associates and joint ventures are incorporated into these financial statements using the equity method of accounting. Under the equity method, investments are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit and loss and other comprehensive income of the investee. If the Group's share of the profit or loss exceeds the Group's interest in the investee, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

On acquisition of equity accounted investment interests, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included in the carrying amount of the investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment.

The Group discontinues the use of the equity method of accounting if the investment becomes a subsidiary. Upon becoming a subsidiary, the Group accounts for the entity in accordance with the business combinations policy above. Any fair value gain or loss on re-measurement of an equity accounted investee on acquisition of control is taken to the profit and loss account at the date of acquisition.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted to present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Financial instruments

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

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

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

Trade receivables

Trade receivables do not carry any interest and are stated at amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts, as the business model of the Group is to collect contractual cash flows and the debt meets the SPPI criterion. They are recognised when the Group's right to consideration is only conditional on the passage of time. Allowances incorporate an expectation of life-time credit losses from initial recognition and are determined using an expected credit loss approach.

Cash and cash equivalents

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

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

Other investments

At each balance sheet date the Group conducts a fair value assessment of its investments, the difference between the fair value and carrying value is charged or credited to the Statement of Comprehensive Income accordingly and held in the investment revaluation reserve.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Borrowings

Interest-bearing loans and overdrafts are stated at amortised cost and are recorded at the notional amount of the proceeds received, net of direct issue costs. Interest-bearing loans are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. For the Group's floating Revolving Credit Facilities (RCFs), the Group has started discussions with respective counterparties to amend the agreements to reflect the cessation of LIBOR. For reference to GBP and USD LIBOR, the Group will begin a dialogue with counterparties in FY22 to propose amendments to move from GBP/USD LIBOR to SONIA and SOFR respectively.

Trade payables

Trade payables are non interest-bearing and are stated at amortised cost.

Equity instruments

Equity instruments issued by the Company are recorded at the notional amount of the proceeds received, net of direct issue costs.

'Put' options over the equity of subsidiary companies

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities. The amounts that may become payable under the option on exercise are initially recognised at the present value of the expected gross obligation with the corresponding entry being recognised in retained earnings. Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. The present value of the expected gross obligation is reassessed at the end of each reporting period and any changes are recorded in the income statement. In the event that an option expires unexercised, the liability is derecognised with a corresponding adjustment to retained earnings.

Other 'put' and 'call' options

Other put and call options are recognised at fair value with any associated benefit being recognised directly in the income statement.

Notes to financial statements

Year ended 31 March 2021

3. Accounting judgements and key sources of estimation uncertainty

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

Where sensitivity analyses have been prepared below, management determine reasonably possible increases/decreases to primary inputs at appropriate thresholds to illustrate the potential impact on profit in the year. Currently these sensitivities reflect the potential increased volatility and uncertainty of forward looking judgements and estimates when operating during the COVID pandemic, particularly in the short-term.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The nature of the principal assumptions underlying sources of estimation uncertainty and other areas of focus remain consistent with the prior year.

Critical accounting judgements

Present ownership interest

Acquisition transactions are reviewed to determine whether they give the Group a present ownership interest when subsidiaries are acquired with non-controlling interests subject to put options that are mandatorily exercisable at a final exercise date. Factors taken into account include considering whether there are any restrictions on voting rights, dividend rights and decision making for the non-controlling interests. Furthermore consideration is given to the extent to which non-controlling interests are able to participate in any increase in value over the period to the exercise date. On the basis that there are no restrictions on voting rights, dividend rights or decision making and that non-controlling interests are able to participate in any increases in value over the period to the exercise date, the Directors' judgement is that the Group does not have a present ownership interest over the remaining 21% equity interest of eLocal Holdings LLC (see note 30).

Key sources of estimation uncertainty

Claims handling obligations

Regarding revenue recognition, a proportion of revenue is deferred to cover the Group's future obligations in respect of handling future claims arising on those policies that are on risk at the year end.

The key sources of estimation uncertainty in determining an appropriate proportion of revenue to defer are the assumptions made with regards to claims frequency and the estimated cost of handling a claim. The Group uses historical experience of claim volumes and forecast activity levels to estimate these assumptions. The total amount of revenue deferred at 31 March 2021 in respect of the Group's future claim handing obligations is £40.7m (FY20: £38.0m). If either of these assumptions were individually 15% higher or lower, which reflects management's judgement based on historical experience, the impact to the profit in the year would be £6.1m (FY20: £5.7m).

Impairment of goodwill and acquisition intangible assets

The annual impairment assessment in respect of goodwill and acquisition intangibles requires estimates of the value in use (or fair value less costs to sell) of the CGU to which goodwill and acquisition intangibles have been allocated. CGUs are aligned to the lines of business within each geographic territory in which the Group operates. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows. Where significant investment is planned in a CGU during the typical three year plan period approved by the Directors, a period of actual cash flows deviating from the standard period may be deemed more appropriate for purposes of impairment testing.

The carrying value of goodwill is £564.3m (FY20: £509.9m). The carrying value of acquisition intangibles is £253.2m (FY20: £292.3m). Following the FY21 annual impairment review, no impairment charges were recorded (FY20: £0.5m and £0.7m against the goodwill and acquisition intangibles associated with the acquisition of Somgas Hogar S.L). See notes 13 and 14.

As set out in note 13, changes in respect of commercial outcomes around sales volumes, prices, margins and discount rates can impact the recoverable value.

All businesses have modelled scenarios with varying levels of severity as a result of the COVID pandemic, considering different timelines for emerging from lockdowns and the resultant impacts on customer, employee and supplier mobility and how this impacts profits and cash flows. In addition, all businesses have also considered potential upside factors such as increased demand as situations ease. The analyses, which management believe are based on reasonably plausible assumptions, do not result in the carrying amount of goodwill exceeding the recoverable amount.

At 31 March 2021 all CGUs have recoverable amounts that exceed the carrying value of goodwill by more than 40%, with the exception of the Habitissimo CGU which exceeds the carrying value of the attributable goodwill by 14% (FY20: all CGUs by more than 40%). No reasonably possible change in assumptions would result in a material impairment in the Habitissimo CGU.

With respect to Checkatrade, although the recoverable amount of the CGU exceeds the carrying value by 75%, the business model sees us move towards profitability in FY23 with substantial growth thereafter and, as a result, we have applied a number of sensitivities to understand the impact of reasonably possible changes to future cash flows and discount rates over the period. With respect to changes in cash flows, a reduction in the year 3 modelled cash flows of 40%, reflecting management's judgement of the highest level of reasonably possible potential uncertainty which could arise as a result of COVID, would result in an impairment of £12.4m. No reasonably possible changes in discount rate resulted in an impairment.

Retirement benefit obligations

In the UK, the Group participates in a defined benefit scheme, the Water Companies Pension Scheme, which is closed to new members. This is a sectionalised scheme and the Group participates in the HomeServe plc Section of the Scheme. Although the HomeServe plc Section is in a net £8.3m (FY20: £10.3m) surplus position, the position is subject to actuarial risks including, but not limited to: longevity risk, interest risk and inflationary risk. Sensitivities covering life expectancy, discount rates and inflation are included in note 33.

Other areas of focus

Whilst not considered to be critical accounting judgements or key sources of estimation uncertainty, the following are areas of focus for management.

Valuation of acquisition intangible assets

When acting as the acquirer in a business combination, the Group is required to recognise separately from goodwill all intangibles that are either separable or arise from contractual or other legal rights. The Group's acquired access rights, acquired customer databases and other acquired intangibles are principally valued using the multiple period excess earnings method. This valuation approach can include a variety of judgemental assumptions including, but not limited to, estimates of expected future cash flows, retention or attrition rates and discount rates.

In FY21 the Group identified intangible assets associated with business combinations totalling £28.6m (FY20: £80.5m). If the various judgements the Group takes in valuing these assets deviated such that the total acquired fair value of FY21 acquisition intangibles was 15% different to the recorded value, the impact of the variance would be recorded against goodwill in the balance sheet and would unwind through the income statement via the revised carrying value of the intangibles, over their useful lives. Based on an average useful economic life of 6.8 years for in-year acquired intangibles, this would cause a per annum impact of +/- £0.6m to the income statement (FY20: average useful economic life of 9.5 years, +/- £1.3m).

Valuation of put options over non-controlling interests

On acquisition of a subsidiary the Group records any associated put options over non-controlling interests at the expected gross present value of the obligations. Subsequent changes in the present value of the expected gross obligation are recorded in the income statement at the end of each reporting period. Determining the value of the obligations, both at initial recognition and subsequent reporting dates requires that management make assumptions and utilise techniques that are key sources of estimation uncertainties. Key assumptions include using Monte Carlo simulations, to determine the expected performance of the acquired business over a period of up to five years as well as the probability of a range of actions available to the non-controlling interests regarding the timing of exercise. Initial estimates of expected performance are made by the Directors responsible for completing the acquisition and form a key component of the financial due diligence that takes place prior to completion. Subsequent measurement is based on the Directors' appraisal of the acquired business' performance in the post-acquisition period with any required adjustments to the amount payable recognised in the income statement.

The Monte Carlo simulation utilised by the Group to value its obligations contains a number of variable inputs, including estimates of future business performance (revenue, EBITDA and net debt projections), discount rates as well as certain volatility and correlation assumptions. The most consequential of these variables to the valuation of the instruments is the estimates of future business performance. Consequently, sensitivities of the carrying value to reasonably possible 'downside' and 'upside' forecast scenarios were performed. In the upside forecast scenario the carrying value of the obligations at 31 March 2021 increased from the amount recorded (£34.3m, see note 22 and 23) by £1.6m. In the downside forecast scenario the carrying value of the obligations at 31 March 2021 decreased by £2.1m.

Policy cancellations

Policies may be cancelled by the policyholder part way through the contractual term, which will affect the economic benefits that flow to the Group. Consequently, in accordance with IFRS 15, a refund liability is recognised to ensure that the related revenue is appropriately constrained at the point that the policy incepts in order to ensure that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once the uncertainty associated with the possibility of cancellation is resolved. The total amount of revenue deferred at 31 March 2021 in respect of potential future cancellations is £23.6m (FY20: £24.3m).

The Group uses historical experience to ensure revenue is appropriately constrained analysing expected mid-term cancellation percentages and the period of cover remaining on the policy at the point of cancellation. The most significant estimation uncertainty within this judgement is the mid-term cancellation percentage (or, inversely, the rate at which policyholders are retained).

In the most recent ten-year period the Group retention rate has not deteriorated from its current level, 83%, by more than 2 ppts, making it highly probable that a significant reversal of cumulative revenue will not occur. Consequently the 'reasonably probable' sensitivity analysis has focused on the 'upside' scenario only. Were cancellation rates to be 15% lower, which reflects management's judgement based on historical experience, the impact to profit in the year would be £3.5m (FY20: £3.6m).

4. Segmental information and revenue from contracts with customers

Segment revenues and results

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

The two 'Membership & HVAC' divisions incorporate the Group's net policy, repair, HVAC installations and other revenue streams. The Membership & HVAC – North America division represents a separate segment based on the IFRS 8 criteria outlined above. The Membership & HVAC – EMEA division splits into four geographic segments: UK, France, Spain and New Markets (including the Group's Membership & HVAC international development initiatives, its Japanese joint venture and its former Italian associate which was disposed of on 1 August 2019, see notes 7 and 18).

Notes to financial statements

Year ended 31 March 2021

4. Segmental information and revenue from contracts with customers (continued)

Segment revenues and results (continued)

The Home Experts division, which represented one IFRS 8 segment in FY20, splits into three geographic IFRS 8 segments in FY21 with the inclusion of the first full year of eLocal results. The results of Home Experts – UK and Home Experts – North America are both separately assessed by the CODM. Consequently, the FY21 IFRS 8 segments of the Home Experts division are: UK (including the results of Checkatrade), North America (including the results of eLocal) and Other (including the results of Habitissimo (Spain), Preventivi (Italy) (since acquisition on 30 December 2020, see note 16) and Home Experts France (until the point of disposal on 15 May 2020, see note 16)). 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 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.

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

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

[1] Adjusted operating profit is defined in the Glossary to the Annual Report & Accounts see page 209.

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

Segment information

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

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

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

In FY21 these figures include £84.7m (FY20: £14.3m in relation to HomeServe Labs) of impairment charges booked in the Membership & HVAC – EMEA UK segment in relation to eServe and other intangible software assets (see note 7) and £0.1m of non-exceptional impairment charges booked in the Home Experts UK segment in relation to contract costs. In FY20 £1.2m of impairment charges were also booked in the Membership & HVAC – EMEA Spain segment in relation to the acquisition of Somgas Hogar S.L. (see notes 13 & 14).

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Year ended 31 March 2021

4. Segmental information and revenue from contracts with customers (continued)

Information about major customers

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

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

Geographical information

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

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

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

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

Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) on the Group's multi-year arrangements with underwriters to sell policies, is £62.2m (FY20: £51.7m), related to all ancillary obligations delivered after any given policy is sold. The obligations associated with the outstanding transaction price are expected to be fulfilled, and revenue fully recognised, within the next 12 months.

All other contracts with customers have an original expected duration of one year or less. No consideration from these contracts has been excluded from the transaction price. Applying the practical expedient of paragraph 121 of IFRS 15, information about remaining performance obligations on these contracts has not been disclosed.

Contract balances

An analysis of the Group's contract balances is as follows:

	2021 £m	2020 £m
Current assets		
Amounts receivable for the provision of services (see note 20)	**424.0**	427.3
Accrued income	**18.1**	16.9
Current liabilities		
Deferred income	**62.2**	51.7

All contract balances are classified as current. Accrued income contract assets primarily relate to services performed for customers in our Spanish claims operations in advance of payment being received, or falling due. Accrued income contract assets are transferred to trade receivables when the right to consideration becomes unconditional. Deferred income contract liabilities principally relate to advance consideration received from customers, for which revenue is recognised as the associated performance obligation is satisfied. Significant deferred income contract liabilities are recorded across the Group in the Membership and Home Experts businesses.

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

	Accrued Income £m	Deferred Income £m
At 1 April 2019	15.1	49.3
Transfers to receivables	(14.6)	—
Revenue recognised from the opening balance	—	(50.1)
Revenue deferred not yet earned	—	47.5
Revenue earned not yet due	16.1	—
Business combinations	—	3.7
Foreign exchange	0.3	1.3
At 1 April 2020	16.9	51.7
Transfers to receivables	(14.6)	—
Revenue recognised from the opening balance	—	(44.9)
Revenue deferred not yet earned	—	54.6
Revenue earned not yet due	16.3	—
Business combinations	—	4.0
Foreign exchange	(0.5)	(3.2)
At 31 March 2021	**18.1**	**62.2**

Revenue deferred not yet earned is presented net of amounts created and released within the same reporting period. Revenue recognised in 2021 and 2020 in relation to performance obligations satisfied (or partially satisfied) in previous periods was immaterial.

Contract costs	£m
At 1 April 2019	27.5
Additions	2.3
Disposals	(1.6)
Amortisation	(11.8)
Impairment	(0.1)
Foreign exchange	0.5
At 1 April 2020	16.8
Additions	0.6
Amortisation	(9.0)
Impairment	(0.1)
Foreign exchange	(0.1)
At 31 March 2021	**8.2**

Contract costs primarily represent the value attributable to the portfolio of renewable customers created by Affinity Partners through their own sales and marketing activity, subsequently purchased by the Group. Where these capitalised commission costs are incremental to the cost of obtaining the contract with the Group's direct customer they are capitalised under IFRS 15. Management anticipate these costs to be recoverable over the expected life of the associated customer relationship, over which they will be amortised.

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental cost of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

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Year ended 31 March 2021

5. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	2021 £m	2020 £m
Included in operating costs:		
Staff remuneration	389.1	339.2
Cost of inventories recognised as an expense	25.2	24.2
Depreciation of right-of-use assets	15.2	14.2
Depreciation of property, plant and equipment	9.9	9.3
Amortisation of acquisition intangible assets	45.0	35.5
Amortisation of other intangible assets	44.4	38.3
Amortisation of contract costs	9.0	11.8
Loss/(gain) on disposal of property, plant and equipment, intangibles and contract costs	1.1	(0.8)
Loss on disposal of associate	2.1	–
Loss on disposal of subsidiary	0.1	–
Net amounts written off on trade receivables and contract assets (see note 20)	2.1	4.1
Impairment of goodwill, acquired intangibles and contract costs	0.1	1.2
Exceptional items (see note 7)	92.4	7.6
Expenses relating to variable lease payments not included in the measurement of lease liabilities	1.4	1.9
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	0.4	0.1
Expenses relating to short-term leases	0.7	0.9

The analysis of auditor's remuneration is as follows:	2021 £'000	2020 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	202	153
The audit of the Company's subsidiaries pursuant to legislation	1,137	1,161
Total audit fees	1,339	1,314
Audit-related assurance services	66	55
Total non-audit fees	66	55
Total auditor's remuneration	1,405	1,369

Audit related assurance services are in respect of the review of the interim financial information and regulatory legal dividend reporting requirements in France.

Fees payable to Deloitte LLP and their member firms for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

A description of the work of the Audit and Risk Committee is set out in the Corporate Governance report and includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by the auditor.

6. Staff remuneration

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

	2021 number	2020 number
UK (including Head Office)	**3,068**	3,397
Continental Europe	**2,271**	1,821
North America	**2,108**	1,614
	7,447	6,832

	2021 £m	2020 £m
Their aggregate remuneration comprised:		
Wages and salaries	**337.7**	294.2
Social security costs	**40.9**	36.9
Other pension costs (see note 33)	**7.7**	7.1
Other long-term benefits	**2.8**	1.0
	389.1	339.2

Other long-term benefits relate to costs accrued in association with options held by employees of eLocal Holdings LLC to put their non-controlling interest equity to the Group.

The Company only staff numbers and remuneration amounts for HomeServe plc are disclosed in note 37 to the parent company financial statements.

7. Adjusting and exceptional items

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

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

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

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

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

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Year ended 31 March 2021

7. Adjusting and exceptional items (continued)

Year ended 31 March 2021

Impairment and associated charges

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

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

Restructuring costs

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

Year ended 31 March 2020

Acquisition of subsidiary non-controlling interests

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

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

Disposal of interest in associate

See note 18.

Impairment and restructuring charges associated with HomeServe Labs

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

8. Investment income

	2021 £m	2020 £m
Interest on bank deposits	0.1	0.5
Other interest	0.3	–
	0.4	0.5

9. Finance costs

	2021 £m	2020 £m
Interest on bank and other loans	**20.3**	17.7
Interest on lease liabilities	**1.4**	1.5
Unwinding of discount on deferred consideration	**0.8**	0.8
Unwinding of discount on contingent consideration	**0.6**	0.2
Unwinding of discount on obligations under put options	**1.0**	0.5
Other interest	**0.8**	–
Exchange movements	**0.1**	0.5
	25.0	21.2

10. Taxation

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

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

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

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

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

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

Notes to financial statements

Year ended 31 March 2021

10. Taxation (continued)

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

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

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

Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Group and the movements during the current and prior year:

Asset/(liability)	Timing differences £m	Elected goodwill deductions £m	Retirement benefit obligations £m	Share schemes £m	Acquired intangible assets £m	Unutilised losses £m	Investment revaluation reserve £m	**Total £m**
At 1 April 2019	(3.3)	–	(1.2)	6.0	(25.9)	6.2	(0.8)	**(19.0)**
(Charge)/credit charge to Income	(4.8)	(0.8)	(0.4)	(0.3)	7.7	(1.6)	–	**(0.2)**
Charge to equity	–	–	–	(1.2)	–	–	–	**(1.2)**
Credit/(charge) to Comprehensive Income	–	–	(0.3)	–	–	–	0.8	**0.5**
Acquisition of subsidiaries	–	–	–	–	(0.1)	–	–	**(0.1)**
Exchange movements	0.1	–	–	0.1	(0.6)	0.2	–	**(0.2)**
At 1 April 2020	(8.0)	(0.8)	(1.9)	4.6	(18.9)	4.8	–	**(20.2)**
Credit/(charge) to Income	15.7	(1.0)	(0.4)	(1.0)	10.7	(0.9)	–	**23.1**
Charge to equity	–	–	–	(1.0)	–	–	–	**(1.0)**
(Charge)/credit to Comprehensive Income	–	–	0.9	–	–	–	(1.3)	**(0.4)**
Acquisition of subsidiaries	–	(0.3)	–	–	(3.5)	–	–	**(3.8)**
Transfers	(0.6)	0.1	0.1	–	0.3	0.1	–	**–**
Exchange movements	–	0.1	–	(0.1)	0.2	(0.4)	–	**(0.2)**
At 31 March 2021	**7.1**	**(1.9)**	**(1.3)**	**2.5**	**(11.2)**	**3.6**	**(1.3)**	**(2.5)**

The £15.7m credit in FY21 under timing differences relates to the exceptional write down of intangible assets (see note 7), whereby the Group do not get an immediate current tax deduction but can claim capital allowance deductions in future tax years and, as a consequence, have recognised a deferred tax asset. The majority of the FY21 credit within acquired intangible assets is driven by acquisitions in our Membership & HVAC – North America segment whereby tax deductions are claimed over longer useful economic lives when compared to the associated accounting expense, resulting in deferred tax assets being recognised. The majority of unutilised losses are expected to be utilised within two years.

Certain deferred tax assets and liabilities have been offset in the table above. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

2021	UK £m	France £m	Spain £m	Italy £m	Germany £m	North America £m	**Total £m**
Deferred tax assets	4.6	—	0.9	—	—	7.3	**12.8**
Deferred tax liabilities	—	(13.7)	—	(0.3)	(1.3)	—	**(15.3)**
Net deferred tax (liabilities)/assets	**4.6**	**(13.7)**	**0.9**	**(0.3)**	**(1.3)**	**7.3**	**(2.5)**

2020	UK £m	France £m	Spain £m	Italy £m	Germany £m	North America £m	Total £m
Deferred tax assets	—	—	3.6	—	—	2.4	6.0
Deferred tax liabilities	(11.8)	(14.4)	—	—	—	—	(26.2)
Net deferred tax (liabilities)/assets	(11.8)	(14.4)	3.6	—	—	2.4	(20.2)

Deferred tax has not been recognised on £13.2m (FY20: £13.2m) of unused losses in Help-Link UK Limited due to the uncertainty over the timing of future recovery. There are no expiry dates in respect of the unrecognised tax losses in either year.

11. Dividends

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

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

12. Earnings per share

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

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

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

Earnings	**2021 £m**	2020 £m
Profit for the year attributable to equity holders of the parent	**31.1**	106.0
Amortisation of acquisition intangibles	**45.0**	35.5
Certain transaction related costs (note 7)	**6.7**	—
Exceptional items (note 7)	**92.4**	7.6
Tax impact arising on adjusting and exceptional items	**(29.7)**	(11.0)
Non-controlling interests' share of adjusting items	**(2.1)**	—
Adjusted profit for the year attributable to equity holders of the parent	**143.4**	138.1

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Year ended 31 March 2021

12. Earnings per share (continued)

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

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

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

13. Goodwill

	£m
Cost	
At 1 April 2019	407.9
Recognised on acquisition of subsidiaries	92.8
Impairment	(0.5)
Adjustment related to prior year acquisition	0.3
Exchange movements	9.4
At 1 April 2020	509.9
Recognised on acquisition of subsidiaries	72.3
Adjustments related to prior year acquisitions	4.1
Exchange movements	(22.0)
At 31 March 2021	**564.3**

Adjustments to provisional balances

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

FY20 Impairment of goodwill associated with the acquisition of Somgas Hogar S.L.

During the period between acquisition on 25 July 2019 and 31 March 2020 a significant revenue generating contract of Somgas Hogar S.L., a Group company, ceased. In light of these circumstances and due to the recent nature of the acquisition, it was considered appropriate to perform a separate impairment review of the Somgas business, resulting in an impairment to goodwill of £0.5m. The recoverable amount of goodwill associated with Somgas at 31 March 2020 was £2.8m based on its value in use. The financial performance and position of Somgas is reported within the Group's "Spain" segment and in the "HVAC" business line. The discount rate used to perform the impairment assessment was consistent with that of the "Spain" CGU disclosed below.

Impairment testing methodology and goodwill allocation

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group's CGUs are defined as the lines of business within each geographic territory in which the Group operates, because they represent the smallest identifiable group of assets that generate cash flows. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations.

The key assumptions for the value in use calculations are those regarding growth rates, discount rates and expected changes to selling prices and direct costs during the period. The Group prepares cash flow forecasts derived from the most recent financial budgets and plans for the next three years approved by the Directors and extrapolates the annual cash flows using estimated, long-term growth rates.

The growth rates are based on detailed business plans and although long-term growth rate forecasts may be higher in certain territories, the lowest rate across the Group has been applied to reduce the risk that value in use calculations are overstated. The long-term growth rate utilised is 2% (FY20: 2%). Changes in selling prices and direct costs are based on expectations of future changes in the market.

Where significant investment is planned in a CGU during the typical three year plan period approved by the Directors, a period of actual cash flows deviating from the standard period may be deemed more appropriate for purposes of impairment testing.

Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money. The pre-tax cost of capital rates used to discount the forecast pre-tax cash flows are different for each CGU and are as follows:

Segment	CGUs	2021	2020
Membership & HVAC – North America	North America	**10.9%**	10.3%
Membership & HVAC – EMEA UK	UK	**10.4%**	9.8%
Membership & HVAC – EMEA France	France	**9.5%**	9.5%
Membership & HVAC – EMEA Spain	Spain	**10.2%**	10.4%
Home Experts - UK	Checkatrade	**11.8%**	11.6%
Home Experts - North America	eLocal	**12.5%**	12.2%
Home Experts - Other	Habitissimo	**11.6%**	12.8%

Pre-tax cost of capital rates reflect the latest cost of debt and equity for a sample of comparable companies in accordance with the market participant premise detailed in IAS 36.

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

Having performed this analysis, for all CGUs other than Checkatrade and Habitissimo, the Group believes that there are no reasonably possible changes to the key assumptions in the next year which would result in the carrying amount of goodwill exceeding the recoverable amount. This view is based upon inherently judgemental assumptions, although the judgements taken are prudent and reasonable and also takes account of the headroom in the value in use calculation versus the current carrying value. In Habitissimo, with all other assumptions held static, the relevant discount rate within the value in use calculation would need to increase by 0.8ppts (to 12.4%) for headroom to reduce to £nil. No reasonably possible change in discount rate would reduce headroom in the Checkatrade CGU to £nil. Performing the same sensitivities on the terminal free cash flow assumption would require reductions of 35% (Checkatrade) and 10% (Habitissimo) respectively to reduce headroom to £nil.

The carrying amount of goodwill has been allocated, by CGU, as follows:

	2021 £m	2020 £m
North America	**94.3**	76.8
UK	**183.8**	183.6
France	**103.4**	93.6
Spain	**53.6**	23.7
Checkatrade	**58.6**	58.6
eLocal	**58.2**	62.3
Habitissimo	**12.4**	11.3
	564.3	509.9

The Group's CGUs do not contain any intangible assets with indefinite useful economic lives.

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14. Other intangible assets

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

[1] The carrying value of acquired intangible assets relating to prior year acquisitions have been adjusted during the associated re-measurement periods reducing the value of acquired access rights by £1.2m, other intangibles by £0.2m and increasing goodwill by £1.4m. See note 13 for further details.

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

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

Year ended 31 March 2021

Impairment

At 31 March 2021 the carrying value of the eServe customer relationship management system and associated intangibles within the UK Membership business were reviewed for impairment resulting in impairment charges of £82.6m being recorded within software assets, bringing the post impairment carrying value of the eServe CRM system to £nil (FY20: £81.8m). In addition, an impairment of £2.1m was recognised in association with other intangible software assets, bringing the post impairment carrying value of the asset to £nil. Total impairment charges of £84.7m have been treated as exceptional due to their size, nature and incidence (see note 7).

Year ended 31 March 2020

Impairment

At 31 March 2020 the carrying value of intangible assets associated with HomeServe Labs were reviewed for impairment resulting in charges being recorded in association with the software assets (£11.9m) and trademarks & access rights (£1.0m) of the business. The total impairment charges of £12.9m associated with HomeServe Labs related intangible assets were treated as exceptional due to their size, nature and incidence (see note 7). Post impairment the carrying value of the impaired intangibles was £nil.

Additionally, during the period between acquisition on 25 July 2019 and 31 March 2020 a significant revenue generating contract of Somgas Hogar S.L., a Group company, ceased. In light of these circumstances and due to the recent nature of the acquisition, it was considered appropriate to perform a separate impairment review of the Somgas business, resulting in an impairment to acquired customer databases of £0.7m. For additional detail on the impairment review of the Somgas business see note 13.

15. Property, plant and equipment

	Land & buildings £m	Furniture, fixtures & equipment £m	Computer equipment £m	Motor vehicles £m	**Total £m**
Cost					
At 1 April 2019	37.8	13.7	32.0	8.5	**92.0**
Transfers [1]	0.4	(0.5)	(0.3)	(6.1)	**(6.5)**
Additions	2.3	1.6	3.3	1.3	**8.5**
Disposals	(0.4)	(0.2)	(0.3)	(0.5)	**(1.4)**
Acquisition of subsidiaries	0.4	0.1	0.2	1.2	**1.9**
Exchange movements	0.3	0.2	0.6	0.3	**1.4**
At 1 April 2020	40.8	14.9	35.5	4.7	**95.9**
Additions	0.5	0.7	4.2	1.7	**7.1**
Disposals	(0.2)	(0.1)	(1.9)	(0.3)	**(2.5)**
Acquisition of subsidiaries	0.7	0.3	0.3	2.9	**4.2**
Exchange movements	(0.6)	(0.4)	(1.3)	(0.6)	**(2.9)**
At 31 March 2021	**41.2**	**15.4**	**36.8**	**8.4**	**101.8**
Accumulated depreciation					
At 1 April 2019	15.5	9.3	20.0	4.4	**49.2**
Transfers [1]	–	(0.9)	(0.3)	(3.1)	**(4.3)**
Charge for the year	1.7	2.1	5.1	0.4	**9.3**
Disposals	(0.2)	(0.2)	(0.3)	(0.4)	**(1.1)**
Exchange movements	0.2	0.1	0.4	0.1	**0.8**
At 1 April 2020	17.2	10.4	24.9	1.4	**53.9**
Charge for the year	2.1	1.5	4.9	1.4	**9.9**
Disposals	(0.2)	(0.1)	(1.5)	(0.2)	**(2.0)**
Exchange movements	(0.4)	(0.3)	(0.9)	(0.1)	**(1.7)**
At 31 March 2021	**18.7**	**11.5**	**27.4**	**2.5**	**60.1**
Carrying amount					
At 31 March 2021	**22.5**	**3.9**	**9.4**	**5.9**	**41.7**
At 31 March 2020	23.6	4.5	10.6	3.3	42.0

[1] Included within transfers in FY20 is a carrying book value of £1.7m in respect of assets held under finance leases at 31 March 2019. At 1 April 2019, on transition to IFRS 16, these amounts were transferred to right of use assets. See note 26.

At the balance sheet date, there are no contractual commitments for the purchase of property, plant and equipment (FY20: £nil).

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Year ended 31 March 2021

16. Acquisitions and Disposals

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

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

- On 26 June 2020, HomeServe Spain S.L.U., a Group company, acquired 99.45% of the issued share capital and obtained control of Solusat Asistencia Técnica S.L., (hereafter 'Solusat'). On 26 March 2021, the remaining 0.55% of the issued share capital of Solusat was acquired. The acquisition of Solusat enhances the scale and scope of the Group's HVAC capabilities in Spain.
- On 10 August 2020, HomeServe Asistencia Spain S.A.U, a Group company, acquired 100% of the issued share capital and obtained control of Mesos Gestión y Servicios S.L., (hereafter 'Mesos'). Mesos has a 100% shareholding of Mesos Portugal Unipessoal LDA and therefore was obtained indirectly by HomeServe Asistencia Spain S.A.U. The acquisition of Mesos continues to expand the Group's home assistance services and increases the opportunity for future growth in this market.

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

HVAC

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

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

Other acquisitions

- On 1 June 2020, HomeServe SEM LLC, a Group company, acquired a group of assets constituting a business under IFRS 3 from Vincodo LLC.
- On 30 December 2020, Habitissimo S.L, a Group company, acquired 100% of the issued share capital and obtained control of Preventivi SRL.

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

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

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

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

The goodwill arising on the excess of consideration over the fair value of the assets and liabilities acquired represents the expectation of future growth, synergistic benefits and efficiencies. Where elections are made to treat an acquisition that is in scope of US tax legislation as an asset purchase for tax, goodwill is deemed deductible for tax purposes. Where goodwill arises on consolidation within the Group it is not deductible for tax purposes, but tax deductions on goodwill amortisation may arise at a local level in certain territories, subject to specific local rules. Deferred tax liabilities associated with elected goodwill deductions are disclosed in note 10. The gross contracted amounts due are equal to the fair value amounts stated above for trade and other receivables.

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

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

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

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

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16. Acquisitions and Disposals (continued)

Disposal of subsidiary – Home Experts France

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

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

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

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

As a result of the above transaction, HFH acquired a call option exercisable in April 2022 which provides the opportunity to acquire a further 24.17% equity stake of Maison.fr for a fixed price of €3.7m/£3.3m. The fair value of the option has been established using a Black-Scholes pricing model resulting in a fair value at initial recognition of £1.2m which has been treated as an element of the consideration received for the 80% interest disposed of. The option carrying value is held within other financial assets on the balance sheet. Subsequent changes in the fair value of the option will be recorded in the income statement. For the period from initial recognition to 31 March 2021 the change in fair value, before the impact of foreign exchange, was £0.1m, see note 27 for further details.

17. Other investments

Equity investments carried at fair value through other comprehensive income	£m
At 1 April 2019	9.2
Fair value loss on FVTOCI investment	(3.7)
Exchange movements	0.1
At 1 April 2020	5.6
Additions (see note 16)	2.9
Fair value gain on FVTOCI investments	4.6
Exchange movements	(0.2)
At 31 March 2021	**12.9**

On 15 May 2020, HomeServe France Holdings SAS ('HFH'), a Group company disposed of 80% of its 100% interest in HomeServe Home Experts SAS, subsequently renamed Groupe Maison.fr SAS. HFH retained a 20% holding in Groupe Maison.fr SAS, which is treated as a non-controlling interest and has been accounted for under IFRS 9. The Group has elected to classify the instrument as an investment recorded at fair value through other comprehensive income. See note 16 for further details on the disposal. For the period from initial recognition to 31 March 2021 the change in fair value recorded in other comprehensive income was £0.2m.

At 31 March 2021 the fair value of the Group's investment held in a manufacturer of smart thermostat connected home technology was reassessed in light of the valuation indicated by the investee's latest equity funding round. The result of this reassessment increased the fair value of the Group's investment by £4.4m. This movement, net of the recognition of a £1.3m associated deferred tax liability, (see note 10) was recorded in the investment revaluation reserve.

18. Equity accounted investments

A list of equity accounted investments, including the name, address, country of incorporation, and proportion of ownership is given in note 50 to the Company's separate financial statements.

The Group made additional contributions to its joint venture investment in HomeServe Japan Corporation during the year of £2.2m. (FY20: £nil).

Year ended 31 March 2021

Acquisition of interest in associate

On 22 February 2021, HomeServe France Holdings, a Group company, acquired a 20% holding in Mouse Holding SAS for €2,000.

Disposal of interest in associate

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

Year ended 31 March 2020

Disposal of interest in associate

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

Summary Financial Information

The following amounts relate to the combined results of the Group's associate interests in Centriq (until date of disposal), Assistenza Casa S.R.L (until date of disposal) as well as its joint venture interest in HomeServe Japan Corporation:

	2021 £m	2020 £m
Loss after tax	**(5.5)**	(5.9)
Total comprehensive expense	**(5.5)**	(5.9)
Amounts recognisable	**(2.5)**	(2.1)

The proportion of the Group's ownership interest in equity accounted investments is equal to their carrying amounts in the consolidated balance sheet.

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Year ended 31 March 2021

19. Inventories

	2021 £m	2020 £m
Consumables	**12.2**	7.9

20. Trade and other receivables

	2021 £m	2020 £m
Amounts receivable for the provision of services	**424.0**	427.3
Other receivables	**44.7**	33.6
Accrued income	**18.1**	16.9
Prepayments	**14.2**	17.6
	501.0	495.4

Credit risk

Where the Group contracts directly with the consumer of its services, the counterparty to the financial asset in question (the tradesperson or policyholder) is the primary driver of the Group's credit exposure. Where the Group acts as an insurance intermediary, the counterparty to the financial asset in question (the underwriter) is not the primary driver of the Group's credit exposure, rather the risk derives from the creditworthiness of the underlying policyholder. In both instances the relevant credit risk pools are numerous and diverse, thereby mitigating the significance of the Group's exposure to any single pool of risk. Of the at risk balance at the end of the year there is no significant concentration of credit risk within an individual pool, with risk exposure spread across a large number of policyholders or tradespersons. There are no risk exposures that represent more than 5% of the total balance at risk. Note 3 contains further detail regarding the potential risk if policy cancellations were to be higher than expected.

Risks associated with the environments in which customers and policyholders operate may also influence the credit risk. Credit quality of customers is assessed by taking into account the current financial position of the counterparty, past experience and forward looking factors, including economic outlook. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality from the date credit was initially granted up to the reporting date. The Group's exposures are further reduced by its ability, in the event of default, to cease providing member services or to take policyholders "off risk". A default on a trade receivable is when the counterparty fails to make contractual payments within the stated payment terms. Balances are written off when there is no reasonable expectation of recovery and carrying amounts represent the maximum potential credit exposure.

Trade receivables and accrued income are subject to impairment using the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. Consequently the IFRS 9 concept of a significant increase in credit risk is not applicable to the Group's expected credit loss calculations. To assess expected credit losses, balances are either assessed individually or grouped based on similar credit risk characteristics (e.g. type of customer or days past due). Expected losses are then measured using a provisioning matrix approach adjusted, where applicable, to take into account current macro-economic factors or counterparty specific considerations.

The Group trades only with creditworthy third parties and maintains a policy that, with the exception of our membership policyholders, customers who wish to trade on credit terms are reviewed for financial stability. The Group has provided fully for those balances that it does not expect to recover. This assessment has been undertaken by reviewing the status of all at risk balances in line with the process described above. The Directors believe that there is no further credit provision required in excess of the expected credit loss provision.

Included in the Group's exposure are balances with a carrying amount of £34.5m (FY20: £26.8m) which are past due at the reporting date but for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of balances past due net of expected credit losses:

	2021 £m	2020 £m
1 - 30 days	**19.3**	12.5
31 - 60 days	**7.9**	6.5
61 - 90 days	**2.5**	4.7
91 days +	**4.8**	3.1
Balance at 31 March past due	**34.5**	26.8
Current/not yet due	**389.5**	400.5
At 31 March	**424.0**	427.3

Movement in expected credit losses:

	2021 £m	2020 £m
At 1 April	**3.8**	1.6
Impairment losses recognised	**2.4**	4.9
Amounts written off	**(1.7)**	(2.3)
Amounts recovered	**(0.3)**	(0.8)
Acquisition of subsidiaries	**0.6**	0.3
Transfers	**1.2**	–
Exchange movements	**(0.1)**	0.1
At 31 March	**5.9**	3.8

Of the provision total £nil relates to accrued income (FY20: £nil).

Ageing of impaired balances:

	2021 £m	2020 £m
1 - 30 days	**0.2**	0.3
31 - 60 days	**0.5**	0.6
61 - 90 days	**0.7**	0.1
91 days +	**2.4**	0.6
Current/not yet due	**2.1**	2.2
At 31 March	**5.9**	3.8

Other receivables

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

21. Cash and cash equivalents

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

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 £19.3m (FY20: £14.5m) is not available for use by the Group due to the restrictions stipulated within the Group's contractual relationships with underwriters. These balances principally relate to advances from underwriters received to fund claims payments. No client monies as defined under CASS 5 of the FCA Handbook are held.

With respect to credit risk arising from cash and cash equivalents, the Group's exposure arises from the probability of default of the counterparty. The Group manages the risk associated with cash and cash equivalents through depositing funds only with reputable and creditworthy banking institutions.

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Year ended 31 March 2021

22. Trade and other payables – current

	2021 £m	2020 £m
Trade payables and accruals	**158.9**	155.5
Contingent consideration	**17.0**	0.9
Deferred consideration	**4.0**	4.7
Obligations under put options	**24.6**	–
Deferred income	**62.2**	51.7
Refund liabilities	**23.6**	24.3
Taxes and social security, excluding current tax	**13.2**	14.3
Amounts related to policyholders to be remitted to underwriters	**82.1**	92.7
Other payables	**69.3**	66.5
	454.9	410.6

Trade payables, other payables and accruals principally comprise amounts outstanding for trade purchases and other ongoing costs.

Deferred and contingent consideration relate to future amounts payable, or potentially payable, on business combinations and asset purchases.

Obligations under put options relate to the obligation to acquire the remaining 21% non-controlling interest in eLocal Holdings LLC, following HomeServe USA Holdings Corp's initial 79% acquisition in FY20. Put options classified as current are exercisable by the holder from July 2021.

Deferred income represents revenue where an obligation exists to provide future services. An appropriate proportion of monies received in advance are treated as deferred income and recognised over the relevant period (see note 4).

Refund liabilities are made in respect of those policies that may be cancelled by the policyholder part way through the contractual term, which will affect the economic benefits that flow to the Group. The liability is made to ensure that the related revenue is not recognised at the point that the policy incepts.

Amounts related to policyholders to be remitted to underwriters principally relate to the cost of underwriting and Insurance Premium Tax for cash collected or cash to be collected from policyholders for the provision of services, not yet transmitted.

23. Trade and other payables – non-current

	2021 £m	2020 £m
Contingent consideration	**12.8**	10.5
Deferred consideration	**6.8**	8.8
Obligations under put options	**9.7**	31.3
Other non-current payables	**2.5**	1.7
	31.8	52.3

Deferred and contingent consideration relate to future amounts payable, or potentially payable, on business combinations and asset purchases.

Obligations under put options relate to the obligation to acquire the remaining 21% non-controlling interest in eLocal Holdings LLC, following HomeServe USA Holdings Corp's initial 79% acquisition in FY20. Put options classified as non-current are exercisable by the holder between July 2023 and July 2025.

24. Provisions

Movements in provisions during the years ended 31 March 2021 and 31 March 2020 are disclosed below:

	Restructuring costs £m	Other £m	Total £m
At 1 April 2019	3.9	1.8	**5.7**
Created	1.6	0.8	**2.4**
Utilised	(4.5)	(1.2)	**(5.7)**
Transferred	–	(0.4)	**(0.4)**
At 1 April 2020	1.0	1.0	**2.0**
Created	1.1	5.5	**6.6**
Acquired on business acquisition	–	0.1	**0.1**
Utilised	(1.7)	(1.9)	**(3.6)**
Released	(0.2)	(0.8)	**(1.0)**
Transferred	–	2.0	**2.0**
Foreign exchange	–	(0.1)	**(0.1)**
At 31 March 2021	**0.2**	**5.8**	**6.0**

Where material, provisions are discounted based on an approximation for the time value of money. The amount and timing of the cash outflows are subject to variation. Provisions are principally expected to be utilised over the next 12 months.

Restructuring costs

Movements on provisions for restructuring during the year principally relate to the costs associated with programs in the Group's UK and HomeServe Labs businesses as discussed in note 7. The closing balance of £0.2m relates to restructuring charges in our Home Experts businesses.

Other

Principal movements on other provisions during the period related to:

- Provisions created of £2.5m related to the costs associated with a customer re-contact exercise in the UK Membership business which was completed during the year, with a utilisation of £1.8m and subsequent release of £0.7m.
- Provisions created in the UK Membership business of £2.2m for onerous contracts associated with eServe intangible assets, which were impaired during the year (see note 7).

25. Borrowings

Bank and other loans

	2021 £m	2020 £m
Sterling denominated	**40.1**	27.5
US dollar denominated	**2.3**	1.6
Euro denominated	**11.6**	11.2
Due within one year	**54.0**	40.3
Sterling denominated	**242.8**	245.2
US dollar denominated	**280.5**	267.9
Euro denominated	**56.5**	27.5
Due after one year	**579.8**	540.6
Total bank and other loans	**633.8**	580.9

Bank and other loans due within one year includes bank facilities due within one year (£26.4m), overdrafts in relation to our cash pooling arrangements (£22.0m) and interest due on borrowings (£5.6m).

The US Dollar and Euro denominated borrowings are used to provide debt funding to the North America and Continental Europe operations respectively. Foreign currency borrowings are drawn in the UK and passed to the overseas subsidiaries of the Group by way of intercompany loans, denominated in the same currencies. These external borrowings and the equivalent intercompany receivable loans are treated as monetary liabilities and assets respectively and, as such, the Group's foreign currency exposure risk is minimised.

Notes to financial statements

Year ended 31 March 2021

25. Borrowings (continued)

The weighted average interest rates paid on bank and other loans were as follows:

	2021			2020		
	£ %	€ %	$ %	£ %	€ %	$ %
Fixed	**3.2**	**—**	**4.1**	3.2	—	5.0
Floating	**1.2**	**1.1**	**1.2**	1.7	1.0	2.9

All of the Group's borrowings are unsecured. The currencies in which the Group's borrowings are denominated reflect the geographical segments for which they have been used.

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

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

The principal features of the Group's other borrowings are as follows:

- The Group has a £400m revolving credit facility with seven banks. This facility was taken out on 1 August 2017 and has an initial term of five years with the option to extend the term twice, by one year, up to a maximum of seven years. On 1 August 2019 the second one year option was exercised to extend the facility to 2024. The financial covenants associated with the facility are 'net debt to EBITDA of less than 3.0 times' (FY20: 3.0 times) and 'interest cover greater than 4.0 times EBITDA' (FY20: 4.0 times). Interest is charged at floating rates at margins of between 1.05% and 1.15% (FY20: 1.05% and 1.15%) above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk. At 31 March 2021, the Group had available £346.9m (FY20: £146.6m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

- In FY21 the Group secured a £35m revolving credit facility with one bank. This facility was taken out on 20 November 2020 with termination date of 19 November 2021. HomeServe has the option to extend the facility by 6 months, twice. The financial covenants associated with the facility are the same as the £400m revolving credit facility. Interest will initially be charged at a floating margin of 1.5% above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk. At 31 March 2021, the Group had available £35m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

- The Group has a £50m revolving credit facility with one bank. This facility was taken out on 30 March 2020 with a termination date of 15 July 2024. The financial covenants associated with the facility are the same as the £400m revolving credit facility. Interest will initially be charged at a floating margin of 1.15% above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk. At 31 March 2021, the Group had available £40.6m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

- The Group has £282m of US Private Placements (FY20: £292m) consisting of: a combined £172m USD and GBP denominated notes taken out in December 2018 at a weighted average interest rate of 4.25%; a £60m placement taken out on 6 March 2017 with a fixed interest rate of 2.59% and a £50m placement taken out on 7 October 2015 with a fixed interest rate of 3.44%. These notes vary in maturity from 7, 10 and 12 years from date of issue and the financial covenants are the same as the £400m revolving credit facility.

- The Group renewed a £25m (FY20: £25m) short term loan in FY21 through to July 2021. The financial covenants associated with the facility are 'net debt to EBITDA of less than 3.0 times' (FY20: 2.0 times) and 'interest cover greater than 4.0 times EBITDA' (FY20: 4.0 times). Interest is charged at floating rates at margins of 1.10% (FY20: 0.67%) above the relevant reference rate, thus exposing the Group to cash flow and interest rate risk.

- The Group has a $5m facility in the USA, of which $2.6m/£1.9m (FY20: $0.2m/£0.2m) was drawn at 31 March 2021. The weighted average interest rate was 1.5% (FY20: 1.5%).

The Group incepted new loan agreements during the year in the UK of £4.2m (FY20: £nil). The weighted average interest rate was 2.0% (FY20: n/a).

The Group has complied with all covenant requirements in the current and prior year. Information about liquidity risk is presented in note 27. For the Group's floating Revolving Credit Facilities (RCFs), the Group has started discussions with respective counterparties to amend the agreements to reflect the cessation of LIBOR. For reference to GBP and USD LIBOR, the Group will begin a dialogue with counterparties in FY22 to propose amendments to move from GBP/USD LIBOR to SONIA and SOFR respectively.

Reconciliation of movements in liabilities arising from financing

	Current liabilities		Non-current liabilities		
	Lease liabilities £m	Bank and other loans £m	Lease liabilities £m	Bank and other loans £m	Total £m
At 1 April 2019	0.5	39.7	0.7	336.4	**377.3**
Proceeds from additional borrowings on existing facilities	–	–	–	206.6	**206.6**
Repayment of borrowings	–	(11.1)	–	(12.9)	**(24.0)**
Repayment of lease principal	(12.4)	–	–	–	**(12.4)**
Interest paid	(1.5)	(4.4)	–	(12.3)	**(18.2)**
Costs associated with new bank and other loans raised	–	–	–	(0.8)	**(0.8)**
Total changes from cash flows	(13.9)	(15.5)	–	180.6	**151.2**
Non-cash movements					
Transition on adoption of IFRS 16	11.5	–	41.1	–	**52.6**
Foreign exchange	0.5	0.3	0.6	9.9	**11.3**
Interest expense	0.5	4.6	1.0	13.1	**19.2**
Additions	3.2	–	11.5	–	**14.7**
Disposals	(0.3)	–	(1.0)	–	**(1.3)**
Acquisition of subsidiaries	0.8	–	2.6	11.8	**15.2**
Transfers to/(from)	11.3	11.2	(11.3)	(11.2)	**–**
At 1 April 2020	14.1	40.3	45.2	540.6	**640.2**
Proceeds from new loans and borrowings	–	–	–	243.4	**243.4**
Proceeds from additional borrowings on existing facilities	–	–	–	27.1	**27.1**
Repayment of borrowings	–	(11.1)	–	(203.5)	**(214.6)**
Repayment of lease principal	(14.8)	–	–	–	**(14.8)**
Interest paid	(1.4)	(4.4)	–	(13.8)	**(19.6)**
Costs associated with new bank and other loans raised	–	–	–	(2.2)	**(2.2)**
Total changes from cash flows	(16.2)	(15.5)	–	51.0	**19.3**
Non-cash movements					
Foreign exchange	(0.5)	(0.1)	(2.1)	(33.3)	**(36.0)**
Interest expense	0.4	5.2	1.0	15.1	**21.7**
Additions	2.6	0.9	3.9	3.3	**10.7**
Disposals	(0.4)	–	(0.7)	–	**(1.1)**
Acquisition of subsidiaries	1.6	0.8	2.4	3.5	**8.3**
Transfers to/(from)	11.1	0.4	(11.1)	(0.4)	**–**
Total changes from non-cash movements	14.8	7.2	(6.6)	(11.8)	**3.6**
Bank overdrafts included within bank and other loans	–	22.0	–	–	**22.0**
At 31 March 2021	**12.7**	**54.0**	**38.6**	**579.8**	**685.1**

Notes to financial statements

Year ended 31 March 2021

26. Leasing

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

Right of use assets

	Properties £m	Motor vehicles £m	Other £m	Total £m
Cost				
Additions on transition to IFRS 16	43.3	7.6	0.2	**51.1**
Transfers from property, plant and equipment on transition to IFRS 16	–	4.9	–	**4.9**
Additions	6.7	8.0	–	**14.7**
Disposals	(1.0)	(0.7)	–	**(1.7)**
Acquisition of subsidiaries	3.2	0.2	–	**3.4**
Exchange movements	1.4	0.3	–	**1.7**
At 1 April 2020	53.6	20.3	0.2	**74.1**
Additions	2.8	3.6	0.1	**6.5**
Disposals	(1.6)	(1.1)	–	**(2.7)**
Acquisitions of subsidiaries	3.5	0.5	–	**4.0**
Exchange movements	(3.0)	(0.7)	–	**(3.7)**
At 31 March 2021	**55.3**	**22.6**	**0.3**	**78.2**
Accumulated depreciation				
At 1 April 2019	–	–	–	**–**
Transfers from property, plant and equipment on transition to IFRS 16	–	3.2	–	**3.2**
Charge for the year	8.5	5.6	0.1	**14.2**
Disposals	–	(0.4)	–	**(0.4)**
Exchange movements	0.1	0.2	–	**0.3**
At 1 April 2020	8.6	8.6	0.1	**17.3**
Charge for the year	9.5	5.6	0.1	**15.2**
Disposals	(0.6)	(1.0)	–	**(1.6)**
Exchange movements	(0.8)	(0.5)	–	**(1.3)**
At 31 March 2021	**16.7**	**12.7**	**0.2**	**29.6**
Carrying amount				
At 31 March 2021	**38.6**	**9.9**	**0.1**	**48.6**
At 31 March 2020	45.0	11.7	0.1	56.8

Amounts recognised in the consolidated income statement are disclosed in notes 5 and 9 respectively. A maturity analysis of the contractual undiscounted cash flows associated with lease liabilities is provided in note 25. The total cash outflow for leases for the year ended 31 March 2021 was £16.2m (FY20: £13.9m), representing £14.8m (FY20: £12.4m) of principal repayments and £1.4m (FY20: £1.5m) of interest charges on outstanding lease liabilities.

27. Financial instruments

Classification

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

Financial instruments subsequently measured at fair value

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

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

The Group has no financial instruments with fair values that are determined by reference to Level 1 and there were no transfers of assets or liabilities between levels during the year. There are no non-recurring fair value measurements. The Group held the following Level 2 and 3 financial instruments at fair value:

	2021 £m	2020 £m
Level 2		
Assets classified as fair value through other comprehensive income		
Other investments (note 17)	**12.9**	5.6
Level 3		
Assets classified as fair value through profit and loss		
Other financial assets	**1.2**	–
Contingent consideration at fair value through profit and loss		
Current liabilities	**17.0**	0.9
Non-current liabilities	**12.8**	10.5

The fair value of other investments has been determined by analysing the future outlook of the investee as well as reviewing valuations associated with recent comparable market transactions. The fair value of contingent consideration liabilities has been determined using forecasts of future performance of acquisitions discounted to present value. The movement in other investments versus the prior year primarily relates to the £2.9m addition of the 20% interest retained in Groupe Maison.fr (see notes 16 and 17) and the fair value movement recorded on the Group's investment in a smart thermostat manufacturer (see note 17).

The table below presents a reconciliation of recurring Level 3 fair value measurements:

	2021		2020	
	Other financial assets £m	Contingent consideration £m	Other financial assets £m	Contingent consideration £m
At 1 April	**–**	**11.4**	–	–
Additions (note 16)	**1.2**	**20.4**	–	13.2
Payments	**–**	**(1.1)**	–	(1.1)
Re-measurement adjustment related to prior year acquisition	**–**	**1.0**	–	–
Unwinding of discount rate through the income statement	**–**	**0.6**	–	0.2
Transfer to trade and other payables [1]	**–**	**(0.3)**	–	–
Other fair value re-measurement gain	**0.1**	**–**	–	(1.5)
Foreign exchange	**(0.1)**	**(2.2)**	–	0.6
At 31 March	**1.2**	**29.8**	–	11.4

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

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 £0.3m/decrease by £0.2m. If the volatility assumption increased/decreased by 10%, then the carrying amount would increase/decrease by £0.1m.

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27. Financial instruments (continued)

Financial instruments subsequently measured at fair value (continued)

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 (FY20: £0.3m). The undiscounted range of outcomes associated with the contingent consideration payments has a floor of £1.6m (FY20: £1.8m). 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.

Year ended 31 March 2021

HomeServe France Holding SAS ("HFH") call option over equity in Maison.fr

As a result of the disposal of an 80% interest in HomeServe Home Experts SAS (subsequently renamed Groupe Maison.fr), HFH acquired a call option exercisable in April 2022 which provides the opportunity to acquire a further 24.17% equity stake of Groupe Maison.fr SAS for a fixed price of €3.7m/£3.3m. The option has been fair valued using a 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 fair value of the option at initial recognition was £1.2m. For the period from initial recognition to 31 March 2021 the change in fair value, before the impact of foreign exchange, was £0.1m.

Eneco Belgium NV call option over equity in HomeServe Belgium

On 27 January 2021 HomeServe France Holding SAS wrote a call option giving an unrelated third party, Eneco Belgium NV ('Eneco'), the ability to acquire 50% of the equity in HomeServe Belgium SRL, a wholly owned subsidiary of HFH, at any time between the first and third anniversaries of the signing date of the call option agreement. At 31 March 2021 the Group have compared the forecast exercise price to Eneco throughout the exercise period to the forecast fair value of 50% of the equity in HomeServe Belgium SRL and concluded that the option has no significant fair value at the balance sheet date.

Year ended 31 March 2020

During the period between acquisition on 25 July 2019 and 31 March 2020 a significant revenue generating contract of Somgas Hogar S.L., a Group company, ceased. In light of these circumstances the fair value of the contingent consideration associated with the acquisition of Somgas was reduced by £1.5m.

Capital risk management

The Group manages its capital to ensure that entities in the Group are able to continue as going concerns while maximising the return to stakeholders through the appropriate balance of debt and equity. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 25, cash and cash equivalents in note 21 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 28, 29 and the Group Statement of Changes in Equity.

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

	2021 £m	2020 £m
Attributable to equity holders of the parent	**564.0**	635.7
Cash and cash equivalents	**171.4**	131.2
Bank and other loans	**633.8**	580.9

Certain of the entities in the Group are subject to externally imposed capital requirements from the Financial Conduct Authority. Where such requirements exist, the Group manages the risk through the close monitoring of performance and distributable capital within the entities impacted by the regulations. The Group has complied with all such arrangements throughout the current and preceding year.

Financial risk management objectives

The Group principally utilises cash and cash equivalents and bank and other loans for the purpose of raising finance for its operations. The Group also has various other financial instruments such as trade receivables and trade payables which arise directly from its operations.

Financial risk management is overseen by the Board according to objectives, targets and policies set by the Board. Treasury risk management, including management of currency risk, interest rate risk and liquidity risk is carried out by a central Group Treasury function in accordance with objectives, targets and policies set by the Board. Treasury is not a profit centre and does not enter into speculative transactions.

Classification of financial instruments

The Group's financial assets and liabilities are disclosed in notes 20-23 and note 25. The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Foreign currency risk is minimised by the treasury borrowing approach set out in note 25.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's long-term debt requirements with floating interest rates. The Group's policy is to manage its interest rate risk using a mix of fixed and variable rate debts.

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

The following table demonstrates the sensitivity to a reasonably possible increase of 100bps in the cost of borrowing, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	2021	2020
Increase in cost of borrowing	**100bps**	100bps
Reduction in profit before tax (£m)	**0.7**	2.6

Credit risk

Credit risk associated with trade receivables and accrued income contract assets is discussed in note 20. Credit risk related to cash and cash equivalents is discussed in note 21.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Group's Board which sets the framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecast and actual cash flows. Included in note 25 are details of the undrawn facilities that are available to the Group to reduce liquidity risk further, along with the weighted average interest rates paid on bank and other loans.

The maturity profile of the Group's financial liabilities based on contractual maturities, is provided in the table below. Interest is payable on all bank and other loans. All cash flows are presented on an undiscounted basis.

	Bank and other loans £m	Trade payables £m	Other payables £m	Deferred and contingent consideration £m	Lease liabilities £m	Obligations under put options £m	**Total £m**
2021							
Under 2 months	24.6	97.2	39.3	6.1	2.5	–	**169.7**
Between 2 and 12 months	44.4	61.7	109.9	17.0	11.6	26.7	**271.3**
Between 1 and 2 years	72.2	0.1	1.5	3.9	12.1	–	**89.8**
Between 2 and 5 years	229.5	0.1	0.1	10.9	20.6	15.8	**277.0**
After 5 years	405.3	0.7	–	6.5	7.7	–	**420.2**
Total	**776.0**	**159.8**	**150.8**	**44.4**	**54.5**	**42.5**	**1,228.0**

	Bank and other loans £m	Trade payables £m	Other payables £m	Deferred and contingent consideration £m	Lease liabilities £m	Obligations under put options £m	Total £m
2020							
Under 2 months	2.5	98.0	27.5	0.8	2.0	–	130.8
Between 2 and 12 months	49.7	57.5	130.2	5.8	12.9	–	256.1
Between 1 and 2 years	16.1	–	0.6	6.4	12.4	23.8	59.3
Between 2 and 5 years	404.2	–	0.1	8.3	26.2	18.9	457.7
After 5 years	213.4	–	1.0	9.0	9.8	–	233.2
Total	685.9	155.5	159.4	30.3	63.3	42.7	1,137.1

The revolving credit facility is drawn down and associated interest is settled on a monthly basis. The principal is included in the above maturity profile tables when the facility is due to expire.

Notes to financial statements

Year ended 31 March 2021

28. Share capital

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

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

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

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

29. Reserves

Share premium

The share premium account represents consideration received or amounts, based on fair value, allocated to LTIP and One Plan participants on exercise for authorised and issued shares in excess of the nominal value of 2 9/13p (FY20: 2 9/13p).

Share incentive reserve

The share incentive reserve represents the cumulative charges to income under IFRS 2 'Share-based payments' on all share options and schemes granted, net of share option exercises.

Currency translation reserve

The currency translation reserve represents the cumulative foreign currency translation movement on the assets and liabilities of the Group's international operations at year end exchange rates.

Investment revaluation reserve

The investment revaluation reserve represents the movement on revaluation of the Group's fair value through other comprehensive income investments disclosed in note 17.

Other reserves

The movement on other reserves during the current and preceding years is set out in the table below:

	Capital redemption reserve £m	Merger reserve £m	Own shares reserve £m	**Total other reserves £m**
At 1 April 2019	1.2	81.0	–	**82.2**
Purchase of own shares	–	–	(3.0)	**(3.0)**
At 1 April 2020 and 31 March 2021	**1.2**	**81.0**	**(3.0)**	**79.2**

The capital redemption reserve arose on the redemption of 1.2m £1 redeemable preference shares on 1 July 2002.

Merger reserve

The merger reserve represents:

- the issue on 6 April 2004 of 11.6m new shares relating to the acquisition of the minority interest held in the Group at that date. The reserve reflects the difference between the nominal value of shares at the date of issue of 12.5p and the share price immediately preceding the issue of 624.5p per share; and
- the issue on 17 November 2017 of 1.2m new shares relating to the acquisition of Checkatrade. The reserve reflects the difference between the nominal value of shares at the date of issue of 2 9/13p and the share price immediately preceding the issue of 838p per share. The shares issued formed part of the consideration for the acquisition of the remaining 60% of the equity of Checkatrade (taking the Group's overall holding to 100%) and therefore qualify for merger relief.

The own shares reserve represents the cost of shares in HomeServe plc purchased in the market and held by the HomeServe plc Employee Benefit Trust. The shares are held to satisfy obligations under the Group's share option schemes and are recognised at cost. During the year no shares (FY20: 249,975) were repurchased at a cost of £nil (FY20: £3.0m) to fulfil awards made under share incentive schemes. No shares were transferred to individuals to satisfy awards (FY20: nil).

30. Non-controlling interests

Summarised financial information in respect of the Group's non-controlling interests is set out below. In FY21 and FY20, this relates to the 21% non-controlling interest in eLocal USA Holdings LLC. The summarised financial information below represents amounts before intra-group eliminations.

	2021 £m	2020 £m
Current assets	12.1	8.6
Non-current assets	52.1	64.9
Current liabilities	(14.7)	(18.5)
Non-current liabilities	(3.5)	(4.6)
Equity attributable to owners of the Company	46.0	50.4
Non-controlling interests	9.7	10.6

31. Notes to the cash flow statement

	Notes	2021 £m	2020 £m
Operating profit		71.8	158.6
Adjustments for:			
Depreciation of property, plant and equipment	15	9.9	9.3
Depreciation of right-of-use assets	26	15.2	14.2
Amortisation of acquisition intangible assets	14	45.0	35.5
Amortisation of other intangible assets	14	44.4	38.3
Amortisation of contract costs	4	9.0	11.8
Share-based payments expense		4.3	7.2
Share of equity accounted investees results		2.5	2.1
Fair value movements on options and contingent consideration		2.3	(1.5)
Costs of put options on non-controlling interests accrued over time		2.8	1.0
Loss on disposal of associate	18	2.1	–
Loss on disposal of subsidiary	16	0.1	–
Loss/(gain) on disposal of property, plant and equipment, intangible assets and contract costs		1.1	(0.8)
Non-exceptional impairment of goodwill, intangible assets and contract costs		0.1	1.2
Exceptional impairment charges and associated costs	7	86.9	14.3
Other exceptional items		5.3	(6.7)
Operating cash flows before movements in working capital		302.8	284.5
Increase in inventories		(0.8)	(1.0)
Increase in receivables		(20.0)	(46.3)
(Decrease)/increase in payables and provisions		(4.3)	3.2
Net movement in working capital		(25.1)	(44.1)
Cash generated by operations		277.7	240.4
Income taxes paid		(35.1)	(30.2)
Interest paid (inclusive of payments on lease liabilities)		(19.6)	(18.2)
Net cash inflow from operating activities		223.0	192.0

Notes to financial statements

Year ended 31 March 2021

32. Share-based payments

During the year ended 31 March 2021, the Group had three (FY20: four) share-based payment schemes, which are described below:

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

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

From July 2020, for participants with Group roles, 50% of each performance award is subject to an Earnings Per Share performance condition and 50% to comparative Total Shareholder Return performance. For business unit participants, 50% of each performance award is subject to a Cumulative Profits Measure performance condition and the remaining 50% is subject to comparative Total Shareholder Return performance. For Executives who participate in the matching element of the LTIP, from July 2020, 100% of each performance award is subject to an Earnings Per Share performance condition and each matching award is subject to Total Shareholder Return performance.

ii) Special Value Creation Plan ('SVCP')

This Plan provides for the grant of performance awards with performance conditions related to particular business units. The performance conditions include metrics such as EBIT, EBITDA, EBITA or household and customer targets. The vesting periods range from three and five years from the date of grant.

iii) Save As You Earn Scheme ('SAYE')

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

iv) One Plan

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

	LTIP	SVCP	One Plan
2021			
Number			
Outstanding at 1 April 2020	3,370,593	1,246,661	104,191
Granted	913,578	1,444,241	51,156
Lapsed	–	–	–
Forfeited	(56,769)	(550,565)	(14,806)
Exercised	(1,237,902)	–	(34,917)
Outstanding at 31 March 2021	**2,989,500**	**2,140,337**	**105,624**
Exercisable at 31 March 2021	107,877	–	–
Exercise price of options outstanding at 31 March 2021	£0.00	£0.00	£0.00
Weighted average remaining contractual life	2	3	2
Weighted average fair value of options granted	£11.20	£12.95	£11.81

	LTIP	SVCP	One Plan	SAYE
2020 Number				
Outstanding at 1 April 2019	4,822,728	–	105,756	27,338
Granted	956,713	1,246,661	40,780	–
Lapsed	(7,526)	–	–	(1,879)
Forfeited	(309,596)	–	(14,432)	–
Exercised	(2,091,726)	–	(27,913)	(25,459)
Outstanding at 31 March 2020	3,370,593	1,246,661	104,191	–
Exercisable at 31 March 2020	7,967	–	–	–
Weighted average exercise price (£)				
Outstanding at 1 April 2019	–	–	–	3.35
Granted	–	–	–	–
Lapsed	–	–	–	3.35
Forfeited	–	–	–	–
Exercised	–	–	–	3.35
Outstanding at 31 March 2020	–	–	–	–
Exercisable at 31 March 2020	–	–	–	–
Exercise price of options outstanding at 31 March 2020	£0.00	£0.00	£0.00	n/a
Weighted average remaining contractual life	2	4	2	–
Weighted average fair value of options granted	£10.59	£11.99	£11.99	n/a

The weighted average share price at the date of exercise for share options exercised during the year was £12.96 (FY20: £11.72).

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

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

Levels of early exercises and lapses are estimated using historical averages. Volatility is calculated by looking at the historical share price movements prior to the date of grant over a period of time commensurate with the remaining term for each award. In FY21 the Group recognised an IFRS 2 charge of £4.3m (FY20: £7.2m) related to equity-settled share-based payment transactions.

Notes to financial statements

Year ended 31 March 2021

33. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all UK employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. In addition to the scheme in the UK, the Group operates a defined contribution retirement benefit scheme for North American employees.

The total cost charged to income of £7.4m (FY20: £6.9m) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes. At 31 March 2021, contributions of £0.9m (FY20: £0.8m) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

Water Companies Pension Scheme (WCPS)

In the UK, the Group participates in a defined benefit scheme, the Water Companies Pension Scheme, which is closed to new members. This is a sectionalised scheme and the Group participates in the HomeServe plc Section of the Scheme. The Section is administered by a Trustee and is independent of the Group's finances. Contributions are paid to the Section in accordance with the recommendations of an independent actuary and must not fall below a minimum limit specified by the Trustee on actuarial advice as being required to provide the benefits which if the scheme was terminated would be required to be paid to and in respect of the Section members. Each member's pension at retirement is related to their pensionable service and pensionable salary, and the weighted average duration of the expected benefit payments from the Section is around 19 years (FY20: 18 years).

GMP equalisation

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

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

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

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

The scheme exposes the Group to actuarial risks including interest rate risk, longevity risk, investment risk and inflationary risk. The following table illustrates the sensitivity of the WCPS defined benefit obligation to some of the significant assumptions as at 31 March 2021, all other things being equal:

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

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

	2021 £m	2020 £m
Current service cost and section expenses	0.2	0.1
Interest income	(0.3)	(0.2)
	(0.1)	(0.1)

The actual return on scheme assets was a gain of £4.0m (FY20: loss of £2.6m). The amount included in the balance sheet arising from the Group's obligations in respect of its WCPS defined benefit retirement scheme is as follows:

	2021 £m	2020 £m
Present value of defined benefit obligations	(35.7)	(27.1)
Fair value of scheme assets	44.0	37.4
Surplus in scheme recognised in the balance sheet in non-current assets	8.3	10.3

The net asset recognised in the balance sheet has not been limited as the Group believes that a refund of the surplus assets would be available to it following the final payment to the last beneficiary of the pension scheme.

Movements in the present value of WCPS defined benefit obligations were as follows:

	2021 £m	2020 £m
At 1 April	27.1	31.1
Employer's part of the current service cost and section expenses	0.2	0.1
Interest cost	0.7	0.7
Actuarial losses/(gains) due to:		
Changes in financial assumptions	8.5	(3.7)
Changes in demographic assumptions	0.1	–
Experience adjustments on benefit obligations	(0.2)	(0.5)
Benefits paid	(0.7)	(0.6)
At 31 March	35.7	27.1

Movements in the fair value of WCPS scheme assets were as follows:

	2021 £m	2020 £m
At 1 April	37.4	37.5
Interest on Section assets	1.0	0.9
Actual return less interest on Section assets	4.0	(2.6)
Contributions from the employer	2.3	2.2
Benefits paid	(0.7)	(0.6)
At 31 March	44.0	37.4

The amount recognised outside the income statement in the statement of comprehensive income for FY21 is a loss of £4.4m (FY20: gain of £1.6m). The cumulative amount recognised outside the income statement at 31 March 2021 is a loss of £8.4m (FY20: loss of £4.0m).

Notes to financial statements
Year ended 31 March 2021

33. Retirement benefit schemes (continued)
The analysis of the fair value of WCPS scheme assets at the balance sheet date was as follows:

	2021 £m	2020 £m
Equity instruments	**17.7**	13.0
Diversified growth fund	**4.8**	4.0
Liability driven investment funds	**12.8**	20.4
Absolute return bonds	**8.6**	—
Cash	**0.1**	—
	44.0	37.4

The majority of the assets are held within instruments with quoted market prices in an active market. The HomeServe plc Section of the WCPS invests in BMO's Real Dynamic Liability Driven Investment Fund which makes use of derivative instruments to leverage its assets to more closely resemble the Scheme's liability profile. The fund helps to hedge the Section's interest rate and inflation risk which reduces the volatility of the Section's funding level.

The estimated amounts of contributions expected to be paid to the scheme during the forthcoming financial year is £2.3m (FY21: actual £2.3m) plus any Pension Protection Fund levy payable.

Indemnité de Fin de Carrière (IFC)
In France, companies are legally obligated by the labour code to provide a retirement indemnity plan or 'Indemnité de Fin de Carrière'. The IFC meets the definition of a defined benefit plan under IAS 19. Upon retiring, employees receive an end of career indemnity paid by their last employer with conditions governed by a collective agreement of each labour sector, or, in the absence of a collective agreement, by the French Law (article L. 122-14-13 al.2 of labour code). The Group's IFC obligations are not supported by any scheme assets.

At each year end, the Group must measure its anticipated obligation by assessing for each employee of in scope entities, an estimation of their date of departure, their expected gross wage as well as the estimated amount of benefits that will be paid to them. Actuarial movements associated with the obligation are recognised through other comprehensive income with all other movements recognised in the income statement.

Re-measurement of the Group's IFC obligations was performed at 31 March in accordance with IAS 19 using the following assumptions:

	Valuation at	
	2021	2020
Key assumptions used:		
Discount rate at 31 March	**0.7%**	1.2%
Employer social charges	**37 - 55%**	37% - 55%
Employee turnover rate	**14.2%**	14.2%
Expected rate of salary increases	**1.0 - 1.5%**	1.0 - 2.0%
Mortality rates	**INSEE 2019**	INSEE 2018
Legal retirement age	**60 -67yrs**	60 - 67yrs

The following table illustrates the sensitivity of IFC obligations to reasonably possible changes in discount rates at 31 March 2021, all other things being equal:

	£m
Discount rate -0.5%	**0.1**
Discount rate +0.5%	**(0.1)**

In both FY21 and FY20 amounts recognised in the income statement, within operating costs, in respect of the IFC schemes were £0.1m, principally related to current service costs.

Movements in the present value of IFC defined benefit obligations were as follows:

	2021 £m	2020 £m
At 1 April	1.0	0.9
Employer's part of the current service cost	0.1	0.1
Acquisition of subsidiaries	0.1	–
Actuarial losses due to changes in financial assumptions	0.1	–
Foreign exchange	(0.1)	–
At 31 March	1.2	1.0

In FY20 the carrying value of IFC obligations were recorded within trade and other payables – non-current on the balance sheet.

The amount recognised outside the income statement in the statement of comprehensive income for FY21 is a loss of £0.1m (FY20: £nil). The cumulative amount recognised outside the income statement at 31 March 2021 is a loss of £0.1m (FY20: £nil).

The estimated amounts of contributions expected to be paid to the scheme during the forthcoming financial year is £nil (FY21 actual: £nil).

34. Related party transactions

The Group consists of a parent Company, HomeServe plc, incorporated in England and Wales, and a number of subsidiaries and associates held directly and indirectly by HomeServe plc, which operate and are incorporated internationally. Note 50 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements (note 50).

Transactions with equity accounted investees

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

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

Other related party transactions

During the year Group companies purchased services amounting to £nil (FY20: £0.3m) from companies that are not members of the Group but that are related parties as they are controlled by or connected to Richard Harpin, Chief Executive of the Group and a Director of the parent company of the Group. These services related to the use by the Group of private aircraft, including the provision of pilots and all related operating costs that are controlled by the related parties. The provision of such services were made at arm's length prices, which were approved by the Remuneration Committee.

The specific companies that were subject to the transactions were Harpin Limited (FY21: £nil, FY20: £0.2m) and Centreline AV Limited (FY21: £nil, FY20: £0.1m). Amounts outstanding to all these companies on 31 March 2021 amounted to £nil (FY20: £nil).

Remuneration of key management personnel

The remuneration of the Directors and members of the Executive Committee, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration report.

	2021 £m	2020 £m
Short-term employee benefits	12.2	8.4
Post-employment benefits	0.4	0.3
Other long-term employee benefits	1.5	–
Share-based payments expense	1.3	5.6
Termination benefits	4.4	–
	19.8	14.3

Except as noted above, there were no other transactions with Directors requiring disclosure.

35. Post balance sheet events

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

Company statement of comprehensive income

Year ended 31 March 2021

	Notes	2021 £m	2020 £m
Profit for the year		**90.7**	80.0
Items that will not be reclassified subsequently to profit and loss:			
Actuarial (loss)/gain on defined benefit pension scheme	33	**(4.4)**	1.6
Deferred tax credit/(charge) relating to actuarial re-measurements	43	**0.8**	(0.3)
Total other comprehensive (expense)/income		**(3.6)**	1.3
Total comprehensive income for the year		**87.1**	81.3

Company balance sheet

31 March 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Other intangible assets	38	**3.0**	2.7
Property, plant and equipment	39	**0.5**	0.6
Right of use assets	45	**1.3**	1.6
Investment in subsidiaries	40	**954.6**	909.6
Amounts receivable from Group Companies	40	**4.9**	–
Retirement benefit assets	33	**8.3**	10.3
		972.6	924.8
Current assets			
Trade and other receivables	41	**72.8**	38.1
Current tax asset		**1.7**	–
Cash and cash equivalents	41	**25.4**	60.9
		99.9	99.0
Total assets		**1,072.5**	1,023.8
Current liabilities			
Trade and other payables	42	**(15.8)**	(11.0)
Current tax liabilities		**–**	(3.3)
Bank and other loans	44	**(39.1)**	(40.1)
Lease liabilities	45	**(0.5)**	(0.4)
		(55.4)	(54.8)
Net current assets		**44.5**	44.2
Non-current liabilities			
Bank and other loans	44	**(577.8)**	(540.3)
Lease liabilities	45	**(0.9)**	(1.1)
Deferred Tax liabilities	43	**(0.3)**	(0.1)
		(579.0)	(541.5)
Total liabilities		**(634.4)**	(596.3)
Net assets		**438.1**	427.5
Equity			
Share capital	28	**9.1**	9.0
Share premium account	29	**196.4**	189.3
Merger reserve	29	**81.0**	81.0
Share incentive reserve	47	**16.5**	19.8
Capital redemption reserve	29	**1.2**	1.2
Retained earnings		**133.9**	127.2
Total equity		**438.1**	427.5

As provided by s408 of the Companies Act 2006, the Company has not presented its own income statement. The Company's profit for the year was £90.7m (FY20: £80.0m).

The financial statements of HomeServe plc were approved by the Board of Directors and authorised for issue on 18 May 2021. They were signed on its behalf by:

David Bower
Chief Financial Officer
18 May 2021

Registered in England No. 2648297

Company statement of changes in equity

Year ended 31 March 2021

	Share capital £m	Share premium account £m	Merger reserve £m	Share incentive reserve £m	Capital redemption reserve £m	Retained earnings £m	**Total equity £m**
Balance at 1 April 2020	9.0	189.3	81.0	19.8	1.2	127.2	**427.5**
Profit for the year	–	–	–	–	–	90.7	**90.7**
Other comprehensive expense	–	–	–	–	–	(3.6)	**(3.6)**
Total comprehensive income	–	–	–	–	–	87.1	**87.1**
Dividends paid (note 11)	–	–	–	–	–	(80.5)	**(80.5)**
Issue of share capital	0.1	7.1	–	–	–	–	**7.2**
Share-based payments	–	–	–	3.8	–	–	**3.8**
Share options exercised	–	–	–	(7.1)	–	–	**(7.1)**
Tax on exercised share options	–	–	–	–	–	0.5	**0.5**
Deferred tax on share options	–	–	–	–	–	(0.4)	**(0.4)**
Balance at 31 March 2021	**9.1**	**196.4**	**81.0**	**16.5**	**1.2**	**133.9**	**438.1**

Year ended 31 March 2020

	Share capital £m	Share premium account £m	Merger reserve £m	Share incentive reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2019	9.0	180.7	81.0	21.2	1.2	118.6	411.7
Profit for the year	–	–	–	–	–	80.0	80.0
Other comprehensive income	–	–	–	–	–	1.3	1.3
Total comprehensive income	–	–	–	–	–	81.3	81.3
Dividends paid (note 11)	–	–	–	–	–	(73.5)	(73.5)
Issue of share capital	–	8.6	–	–	–	–	8.6
Share-based payments	–	–	–	7.2	–	–	7.2
Share options exercised	–	–	–	(8.6)	–	0.1	(8.5)
Tax on exercised share options	–	–	–	–	–	1.0	1.0
Deferred tax on share options	–	–	–	–	–	(0.3)	(0.3)
Balance at 31 March 2020	9.0	189.3	81.0	19.8	1.2	127.2	427.5

Company cash flow statement

Year ended 31 March 2021

	Notes	2021 £m	2020 £m
Net cash (outflow)/inflow from operating activities	48	(77.9)	419.2
Investing activities			
Interest received		1.4	14.1
Dividends received from subsidiary undertakings		99.8	114.0
Purchases of intangible assets		(0.4)	(2.2)
Purchases of tangible assets		(0.1)	(0.6)
Investment in subsidiary undertaking		(45.0)	(715.0)
Net cash inflow/(outflow) from investing activities		55.7	(589.7)
Financing activities			
Dividends paid	11	(80.5)	(73.5)
Proceeds on issue of share capital	29	—	0.1
Repayment of lease principal	45	(0.4)	(0.3)
Purchase of own shares		—	(3.0)
New bank and other loans raised	44	247.6	—
Costs associated with new bank and other loans raised	44	(2.2)	(0.8)
Proceeds from loans and borrowings	44	27.1	204.3
Repayment of loans and borrowings	44	(213.3)	(11.0)
Net cash (used in)/generated by financing activities		(21.7)	115.8
Net movement in cash and cash equivalents, net of bank overdrafts		(43.9)	(54.7)
Cash and cash equivalents, net of bank overdrafts at the beginning of the year		60.9	117.4
Effect of foreign currency exchange rate changes		(0.1)	(1.8)
Cash and cash equivalents, net of bank overdrafts, at the end of the year	41	16.9	60.9

Notes to Company financial statements

Year ended 31 March 2021

Company only

The following notes 36 to 50 relate to the Company only position and performance for the Year ended 31 March 2021.

36. Significant accounting policies

As provided by s408 of the Companies Act 2006, the Company has not presented its own income statement. The Company's profit for the year was £90.7m (FY20: £80.0m).

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

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except that investments in subsidiaries are stated at cost less impairment.

Furthermore, included within amounts receivable from Group companies are amounts advanced to the HomeServe plc Employee Benefit Trust for the purchase of shares. The shares held of 249,975 (FY20: 249,975) are in trust to satisfy obligations under share options schemes and are recognised at cost £3m (FY20: £3m).

None of the critical accounting judgements and key sources of estimation uncertainty disclosed in note 3 apply to the Company except for the key source of estimation uncertainty relating to retirement benefit obligations, refer to note 3 for more details. Other than the key source of estimation uncertainty relating to retirement benefit obligations, there are no other critical accounting judgements or key sources of estimation uncertainty.

37. Other information

Staff remuneration

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

	2021 number	2020 number
UK (all administrative roles)	**91**	81

	2021 £m	2020 £m
Their aggregate remuneration comprised:		
Wages and salaries	**12.3**	10.7
Social security costs	**1.6**	1.3
Other pension costs (note 33)	**0.4**	0.4
	14.3	12.4

Audit fees

	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Company's financial statements	**202**	153
Total audit fees	**202**	153

38. Other intangible assets

	Trademarks & access rights £m	Software £m	Total intangibles £m
Cost			
At 1 April 2019	2.5	6.7	**9.2**
Additions	0.4	1.8	**2.2**
Disposals	–	(3.2)	**(3.2)**
Transfers	–	0.1	**0.1**
At 1 April 2020	2.9	5.4	**8.3**
Additions	–	0.9	**0.9**
Disposals	–	(0.3)	**(0.3)**
At 31 March 2021	**2.9**	**6.0**	**8.9**
Accumulated amortisation			
At 1 April 2019	0.8	4.8	**5.6**
Charge for the year	0.3	1.9	**2.2**
Impairment	1.0	–	**1.0**
Disposals	–	(3.2)	**(3.2)**
At 1 April 2020	2.1	3.5	**5.6**
Charge for the year	0.1	0.5	**0.6**
Disposals	–	(0.3)	**(0.3)**
At 31 March 2021	**2.2**	**3.7**	**5.9**
Carrying amount			
At 31 March 2021	**0.7**	**2.3**	**3.0**
At 31 March 2020	0.8	1.9	2.7

Notes to Company financial statements

Year ended 31 March 2021

39. Property, plant and equipment

	Leasehold improvements £m	Computer equipment £m	Motor Vehicles £m	**Total tangible assets £m**
Cost				
At 1 April 2019	0.3	0.4	–	**0.7**
Additions	0.4	0.1	0.1	**0.6**
Disposals	(0.1)	(0.2)	–	**(0.3)**
Transfers	–	(0.1)	–	**(0.1)**
At 1 April 2020	0.6	0.2	0.1	**0.9**
Additions	–	0.1	–	**0.1**
At 31 March 2021	**0.6**	**0.3**	**0.1**	**1.0**
Accumulated depreciation				
At 1 April 2019	0.2	0.3	–	**0.5**
Charge for the year	0.1	–	–	**0.1**
Disposals	(0.1)	(0.2)	–	**(0.3)**
At 1 April 2020	0.2	0.1	–	**0.3**
Charge for the year	0.1	0.1	–	**0.2**
At 31 March 2021	**0.3**	**0.2**	–	**0.5**
Carrying amount				
At 31 March 2021	**0.3**	**0.1**	**0.1**	**0.5**
At 31 March 2020	0.4	0.1	0.1	0.6

40. Subsidiaries

Details of the Company's subsidiaries at 31 March 2021, including the name, address, country of incorporation and proportion of ownership interest is given in note 50

Investments in subsidiaries

	£m
Cost and net book value	
At 1 April 2019	194.6
Additions	715.0
At 1 April 2020	909.6
Additions	45.0
At 31 March 2021	**954.6**

The addition in the year of £45.0m (FY20: £715.0m) relates to an injection of capital of £45.0m (FY20: £715.0m) into HomeServe Enterprises Limited. At each balance sheet date the Company reviews the carrying amount of the investment in HomeServe Enterprises Limited to determine whether there is any indication of an impairment loss. Given that HomeServe Enterprises Limited owns directly or indirectly all subsidiaries in the HomeServe plc Group, a comparison is made between the carrying value of the investment in HomeServe Enterprises Limited and the market capitalisation of HomeServe plc. There has not been an impairment loss recorded in either the current or prior year.

Amounts receivable from Group Companies

	2021 £m	2020 £m
Amounts receivable from Group Companies (note 50)	4.9	–

The amounts receivable from Group Companies of £4.9m (FY20: £nil) represents a long-term loan due from another Group company. In determining the recoverability of the loan, the Company considers any change in the credit quality of the loan. No allowance for doubtful debts is considered necessary based on prior experience and the Directors' assessment of the current economic environment.

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

41. Financial assets

Trade and other receivables

	2021 £m	2020 £m
Amounts receivable from Group companies (note 50)	**71.5**	36.6
Other receivables	**1.1**	0.8
Prepayments and accrued income	**0.2**	0.7
	72.8	38.1

Trade receivables

The Company has a policy for providing fully for those receivable balances that it does not expect to recover. This assessment has been undertaken in accordance with the IFRS 9 expected credit loss model as explained more fully in note 20.

Ageing of past due but not impaired receivables:

	2021 £m	2020 £m
Current	**71.5**	36.6
At 31 March	**71.5**	36.6

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is mitigated through the close management and regular review of performance of the subsidiary companies.

No allowance for doubtful debts is considered necessary based on prior experience and the Directors' assessment of the current economic environment.

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

Cash and cash equivalents

Cash and cash equivalents in the balance sheet of £25.4m (FY20: £60.9m) comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

Cash and cash equivalents, net of bank overdrafts, in the cashflow of £16.9m (FY20: £60.9m) comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less and bank overdrafts. The carrying amount of these assets approximates to their fair value.

42. Financial liabilities

Trade and other payables

	2021 £m	2020 £m
Trade payables and accruals	**14.7**	9.1
Amounts payable to Group companies	**—**	0.4
Taxes and social security, excluding corporation tax	**1.1**	1.5
	15.8	11.0

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 9 days (FY20: 9 days).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Notes to Company financial statements

Year ended 31 March 2021

43. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Company and movements thereon:

	Retirement benefit obligations £m	Share schemes £m	Timing differences £m	**Total £m**
At 1 April 2019	(1.2)	2.0	0.2	**1.0**
Charge to income	(0.4)	(0.1)	–	**(0.5)**
Charge to equity	–	(0.3)	–	**(0.3)**
Charge to comprehensive income	(0.3)	–	–	**(0.3)**
At 1 April 2020	(1.9)	1.6	0.2	**(0.1)**
(Charge)/credit to income	(0.5)	(0.3)	0.2	**(0.6)**
Charge to equity	–	(0.4)	–	**(0.4)**
Credit to comprehensive income	0.8	–	–	**0.8**
At 31 March 2021	**(1.6)**	**0.9**	**0.4**	**(0.3)**

44. Bank and other loans

	2021 £m	2020 £m
Bank loans	**39.1**	40.1
Due within one year	**39.1**	40.1
Bank and other loans	**577.8**	540.3
Due after one year	**577.8**	540.3
Total bank and other loans	**616.9**	580.4

Bank and other loans due in less than one year of £39.1m (FY20: £40.1m) include the short term loan of £25m, bank overdrafts of £8.5m and other loans of £0.9m. The principal features of these loans are set out in note 25.

Bank and other loans due after more than one year comprise of the drawn loans from the revolving credit facility, the US Private Placements and other loans. The principal features of these loans are set out in note 25.

The weighted average of interest rates paid are set out in note 25.

Reconciliation of movements in liabilities arising from financing

	Current liabilities Bank and other loans £m	Non-current liabilities Bank and other loans £m	**Total £m**
At 1 April 2019	39.7	334.9	**374.6**
Proceeds from loans and borrowings	–	204.3	**204.3**
Repayment of loans and borrowings	(11.0)	–	**(11.0)**
Interest paid	(4.3)	(11.6)	**(15.9)**
Costs associated with new bank and other loans raised	–	(0.8)	**(0.8)**
Total changes from cash flows	(15.3)	191.9	**176.6**
Non-cash movements			
Foreign exchange	0.2	12.1	**12.3**
Interest expense	4.5	12.4	**16.9**
Transfers to/(from)	11.0	(11.0)	**–**
At 1 April 2020	40.1	540.3	**580.4**
New bank and other loans raised	0.9	246.7	**247.6**
Proceeds from loans and borrowings	–	27.1	**27.1**
Repayment of loans and borrowings	(11.1)	(202.2)	**(213.3)**
Interest paid	(4.4)	(13.7)	**(18.1)**
Costs associated with new bank and other loans raised	–	(2.2)	**(2.2)**
Total changes from cash flows	(14.6)	55.7	**41.1**
Non-cash movements			
Foreign exchange	(0.1)	(33.3)	**(33.4)**
Interest expense	5.2	15.1	**20.3**
Total changes from non-cash movements	5.1	(18.2)	**(13.1)**
Bank overdrafts included within bank and other loans	8.5	–	**8.5**
At 31 March 2021	**39.1**	**577.8**	**616.9**

Notes to Company financial statements

Year ended 31 March 2021

45. Leasing

The following disclosures about leases, for which the Company is a lessee, are presented in accordance with IFRS 16 for the year ended 31 March 2021.

Right of use assets	Properties £m	Motor vehicles £m	Total £m
Cost			
Additions on transition to IFRS 16	0.1	–	**0.1**
Additions	1.7	0.1	**1.8**
At 1 April 2020	1.8	0.1	**1.9**
Additions	–	0.2	**0.2**
Disposals	(0.2)	–	**(0.2)**
At 31 March 2021	**1.6**	**0.3**	**1.9**
Accumulated depreciation			
Charge for the year	0.3	–	**0.3**
At 1 April 2020	0.3	–	**0.3**
Charge for the year	0.4	–	**0.4**
Disposals	(0.1)	–	**(0.1)**
At 31 March 2021	**0.6**	**–**	**0.6**
Carrying amount			
At 31 March 2021	**1.0**	**0.3**	**1.3**
At 31 March 2020	1.5	0.1	1.6

Lease liabilities	2021 £m	2020 £m
Leases	**0.5**	0.4
Due within one year	**0.5**	0.4
Leases	**0.9**	1.1
Due after one year	**0.9**	1.1
Total lease liabilities	**1.4**	1.5

A maturity analysis of the contractual undiscounted cash flows associated with lease liabilities is provided in note 46. The total cash outflow for leases for the year ended 31 March 2021 was £0.4m (FY20: £0.3m) representing £0.4m (FY20: £0.3m) of principal repayments and £nil of interest charges in both years. Non cash movements on leases include additions of £0.2m (FY20: £1.8m) and interest expense of £0.1m (FY20: £nil).

46. Financial instruments

The tables below set out the classification of financial instruments in the statement of financial position:

Financial assets	2021 £m	2020 £m
Amortised cost	**102.9**	98.3

Financial liabilities	2021 £m	2020 £m
Other financial liabilities at amortised cost	**633.0**	591.4

Principal financial instruments

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

- cash and cash equivalents
- bank loans, revolving credit facilities, Private Placements and other loans
- trade receivables
- other receivables
- trade payables
- other payables

Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the appropriate balance of debt and equity. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 44, cash and cash equivalents disclosed in note 41 and equity comprising issued capital, reserves and retained earnings as disclosed in this note and notes 28, 29 and the Company Statement of Changes in Equity.

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

	2021 £m	2020 £m
Shareholders' funds	**438.1**	427.5
Cash and cash equivalents	**25.4**	60.9
Bank and other loans	**616.9**	580.4

Financial risk management objectives

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

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk and liquidity risk.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates primarily relates to the Company's long-term debt requirements with floating interest rates. The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Company's exposure to interest rate risk is closely aligned to that of the Group, more details of which can be found in note 25.

Foreign currency risk

The Company has exposure to fluctuations in foreign currencies due to borrowings made to fund investments in its overseas subsidiaries which are affected by foreign exchange movements.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the year end are set out in the table below.

	Assets		Liabilities	
	2021 £m	2020 £m	2021 £m	2020 £m
Euro	**37.3**	16.8	**(63.3)**	(43.3)
US dollar	**6.7**	9.8	**(286.3)**	(269.4)

Notes to Company financial statements

Year ended 31 March 2021

46. Financial instruments (continued)

The following table demonstrates the sensitivity to a reasonably possible change of 10% increase in sterling against the relevant foreign currencies, with all other variables held constant, of the Company's profit after tax and equity.

	2021	2020
Increase in £:$ exchange rate:	**10%**	10%
Effect on profit after tax (£m)	**20.6**	19.1
Effect on equity (£m)	**20.6**	19.1
Increase in £:€ exchange rate:	**10%**	10%
Effect on profit after tax (£m)	**1.9**	1.9
Effect on equity (£m)	**1.9**	1.9

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Company's Board which sets the framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecast and actual cash flows. Included in note 25 are details of the undrawn facilities that are available to the Company and the Group to further reduce liquidity risk.

The maturity profile of the Company's financial liabilities is provided in the table below. The revolving credit facility is drawn down and associated interest is settled on a monthly basis. The principal is included in the table below when the facility is due to expire. All cash flows are presented on an undiscounted basis.

	Lease liabilities £m	Bank and other loans £m	Trade, other and group payables £m	**Total £m**
2021				
Under 2 months	–	10.6	5.5	**16.1**
Between 2 and 12 months	0.5	43.6	9.2	**53.3**
Between 1 and 2 years	0.5	70.7	–	**71.2**
Between 2 and 5 years	0.5	229.0	–	**229.5**
Over 5 years	–	405.2	–	**405.2**
Total	**1.5**	**759.1**	**14.7**	**775.3**

	Lease liabilities £m	Bank and other loans £m	Trade, other and group payables £m	Total £m
2020				
Under 2 months	–	2.5	3.5	6.0
Between 2 and 12 months	0.4	49.5	5.8	55.7
Between 1 and 2 years	0.4	15.8	–	16.2
Between 2 and 5 years	0.8	404.3	–	405.1
Over 5 years	–	213.4	–	213.4
Total	1.6	685.5	9.3	696.4

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

The following table demonstrates the sensitivity to a reasonably possible increase of 100bps in the cost of borrowing, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

	2021	2020
Increase in cost of borrowing	**100bps**	100bps
Reduction in profit before tax (£m)	**0.3**	2.4

47. Share incentive reserve

	£m
At 1 April 2019	21.2
Share-based payment charges in the year	7.2
Share options exercised in the year	(8.6)
At 1 April 2020	19.8
Share-based payment charges in the year	3.8
Share options exercised in the year	(7.1)
At 31 March 2021	**16.5**

48. Notes to the cash flow statement

	2021 £m	2020 £m
Operating loss	(23.2)	(24.0)
Adjustments for:		
Amortisation of intangible assets	0.6	2.2
Depreciation of property, plant and equipment	0.2	0.1
Depreciation of right of use assets	0.4	0.3
Exceptional charges	4.1	1.0
Amounts received from subsidiary undertakings for share incentive schemes and other items	3.1	6.2
Share-based payment expense	1.1	2.4
Operating cash flows before movements in working capital	(13.7)	(11.8)
(Increase)/decrease in receivables	(43.2)	441.6
Decrease in payables	(2.6)	(0.7)
Movements in working capital	(45.8)	440.9
Cash used in operations	(59.5)	429.1
Income taxes (paid)/received	(0.3)	6.0
Interest paid	(18.1)	(15.9)
Net cash (outflow)/inflow from operating activities	(77.9)	419.2

The reduction in working capital between FY20 (inflow £441.6m) and FY21 (outflow £43.2m) arises due to the repayment of intercompany receivables in the prior year via a recapitalisation of subsidiary companies.

Notes to Company financial statements

Year ended 31 March 2021

49. Share-based payments

During the year ended 31 March 2021, the Company had three (FY20: three) share-based payment arrangements, which are described in note 32.

	LTIP	SVCP	One Plan
2021			
Number			
Outstanding at 1 April 2020	1,218,460	233,332	7,012
Granted	341,453	–	3,234
Transfer	8,460	–	1,513
Forfeited	(5,137)	–	(48)
Exercised	(369,430)	–	(3,322)
Outstanding at 31 March 2021	**1,193,806**	**233,332**	**8,389**
Exercisable at 31 March 2021	104,784	–	–
Exercise price of options outstanding at 31 March 2021	£0.00	£0.00	£0.00
Weighted average remaining contractual life	2	3	2
Weighted average fair value of options granted in 2021	£11.13	N/A	£11.79

	LTIP	SVCP	One Plan
2020			
Number			
Outstanding at 1 April 2019	1,790,863	–	7,341
Granted	331,926	233,332	2,146
Transfer	–	–	1,339
Lapsed	(3,216)	–	–
Forfeited	(160,880)	–	(511)
Exercised	(740,233)	–	(3,303)
Outstanding at 31 March 2020	1,218,460	233,332	7,012
Exercisable at 31 March 2020	3,864	–	–
Exercise price of options outstanding at 31 March 2020	£0.00	£0.00	£0.00
Weighted average remaining contractual life	2	4	1
Weighted average fair value of options granted in 2020	£10.58	£12.47	£11.99

The weighted average share price at the date of exercise for share options exercised during the year was £12.98 (FY20: £11.77).

The estimated fair values are calculated by applying a Black-Scholes option pricing model for SVCP and One Plan and in addition Monte Carlo and Stochastic simulations for the LTIP. The assumptions used in the models are set out in note 32.

In FY21 the Company recognised an IFRS 2 charge of £1.1m (FY20: £2.4m) related to equity-settled share-based payment transactions.

50. Related party transactions

During the year the Company purchased services amounting to £nil (FY20: £0.3m) from companies that are not members of the Group but that are related parties as they are controlled by or connected to Richard Harpin, Chief Executive of the Group and a Director of the parent company of the Group. These services related to the use by the Group of private aircraft, including the provision of pilots and all related operating costs that are controlled by the related parties. The provision of such services were made at arm's length prices, which were approved by the Remuneration Committee.

The specific companies that were subject to the transactions were Harpin Limited (FY21: £nil, FY20: £0.2m) and Centreline AV Limited (FY21: £nil, FY20: £0.1m). Amounts outstanding to all these companies on 31 March 2021 amounted to £nil (FY20: £nil). No guarantees have been given or received.

In respect of transactions with subsidiaries of the Group, the Company provided goods of £nil (FY20: £nil), provided services of £9.5m (FY20: £6.8m), lent monies to of £56.3m (FY20: £40.2m) and borrowed monies from of £nil (FY20: £nil). Amounts due to subsidiary companies total £nil (FY20: £0.4m). Amounts owed by subsidiary companies total £76.4m (FY20: £36.6m) which principally relate to intercompany loans receivable. The Company provided services of £nil (FY20:£0.1m) to associates during the year and £0.1m (FY20: £0.4m) to joint ventures during the year. The Company purchased services of £nil (FY20: £0.3m) from joint ventures during the year. There are no amounts outstanding in either year with associates and £nil outstanding (FY20: £0.1m) with joint ventures.

Provision of services to and the purchase of services from related parties were made at arm's length prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The remuneration of the Directors and relevant members of the Executive Committee, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration report.

	2021 £m	2020 £m
Short-term employee benefits	**4.3**	3.4
Post-employment benefits	**0.2**	0.2
Termination benefits	**3.6**	–
Share-based payments expense	**0.2**	2.8
	8.3	6.4

Except as noted above there were no other transactions with Directors requiring disclosure.

Notes to Company financial statements

Year ended 31 March 2021

50. Related party transactions (continued)

Interests held in related companies

All interests in the companies listed below are owned by HomeServe plc and all interests held are in the ordinary share capital. All companies operate principally in their country of incorporation.

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
Directly held entities of HomeServe plc:				
HomeServe Enterprises Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
Indirectly held entities of HomeServe plc: Holding Companies				
HomeServe Assistance Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe International Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe GB Limited (No. 5536994) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe France Holding SAS	Trading	France	100	9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7
HomeServe Energy Services SAS	Trading	France	100	9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7
Mouse Holding SAS	Trading	France	20	73 Boulevard Hausmann, 75008 Paris
HomeServe USA Holdings Corp	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe Beteiligungs GmbH	Trading	Germany	100	Rheinstr. 30-32, 65185, Wiesbaden
Sherrington Mews Limited (No. 09167024) [4]	Trading	England	100	Building 2000, Lakeside North Harbour, Western Road, Portsmouth, PO6 3EN
UK & Ireland				
HomeServe Membership Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Servowarm Limited (No. 560810) [4]	Non-Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe At Home Limited (No. 4186398) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Vetted Limited	Trading	England	100	Building 2000, Lakeside North Harbour, Western Road, Portsmouth, PO6 3EN
247999 Limited (No. 7183505) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Home Energy Services Limited (No. 8419975) [4]	Non-Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Manufacturer Warranties Limited (No. 4079068) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Heating Services Limited (No. 3468609) [4]	Non-Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Trustees Limited (No. 3349817) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe France Limited (No. 9469168) [4]	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe USA Limited (No. 9468635) [4]	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Now Limited (No. 12523412) [4]	Trading	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Europe Limited	Non-Trading	Ireland	100	25-28 Adelaide Road, Dublin 2
HomeServe America Limited	Non-Trading	Ireland	100	25-28 Adelaide Road, Dublin 2
HomeServe Gas Limited (No. 2248585) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Home Service (GB) Limited (No. 3546370) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Fastfix Plumbing and Heating Limited (No. 3120932) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Care Solutions Limited (No. 3228902) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Warranties Limited (No. 3156861) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
Multimaster Limited (No. 3670180) [1]	Dormant	England	100	Cable Drive, Walsall, WS2 7BN
HomeServe Labs Limited [6]	Trading	England	100	Cable Drive, Walsall, WS2 7BN
Help-Link UK Limited	Trading	England	100	3310 Century Way, Thorpe Park, Colton, Leeds, LS15 8ZB

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
Energy Insurance Services Limited	Trading	England	100	Cable Drive, Walsall, WS2 7BN
Aqua Plumbing & Heating Services Limited (No. 04121404) [4 5]	Trading	England	100	Cable Drive, Walsall, WS2 7BN
Continental Europe				
HomeServe SAS	Trading	France	100	9, rue Anna Marly, CS 80510, 69007 Lyon Cedex 7
Electro Gaz Service SA	Trading	France	100	17, rue Bavastro, 06300, Nice
ID Energies SAS	Trading	France	100	ZA d'Armanville, route de la brique, 50700 Valognes
Sylvain Brun Froid SAS	Trading	France	100	401 rue des Champagnes 73290 La Motte-Servolex
HomeServe On Demand SAS	Trading	France	100	9, rue Anna Marly, CS 80510 , 69007 Lyon Cedex 7
Groupe Maison.fr SAS (formerly HomeServe Home Experts SAS)	Trading	France	20	350 avenue JRGG de la Lauzière, 13290 Aix-en-Provence
Societe V.B. Gaz	Trading	France	100	1 rue George Sand, 94000 Creteil
Aujard SAS [5]	Trading	France	100	37 Quater 1 route d'Hericy 77870 Vulaines sur Seine
Conviflamme SAS [5]	Trading	France	100	Chemin des Carrières 14123 Fleury-sur-Orne
Lesage SAS [5]	Trading	France	100	ZA d'Armanville secteur de prémesnil 50700 Valognes
Réseau Energies SAS [5]	Trading	France	100	Chemin des Carrières 14123 Fleury-sur-Orne
Société de Maintenance Thermique SAS [5]	Trading	France	100	117 avenue du 8 mai 1945 42340 Veauche
G2M SAS [5]	Trading	France	100	41 route de la libération 69110 Ste Foy les Lyon
PH Energies SAS [5]	Trading	France	100	318 rue des digues, 14123 Fleury-sur-Orne
PH9 SAS [5]	Trading	France	100	318 rue des digues, 14123 Fleury-sur-Orne
Pack SD SAS [5]	Trading	France	100	318 rue des digues, 14123 Fleury-sur-Orne
Roussin Energies SAS [5]	Trading	France	100	34, allée des Balmes, 38600 Fontaines
HomeServe Belgium SRL	Trading	Belgium	100	Square de Meeûs 38/40 1000 Bruxelles
HomeServe Assistencia Spain SAU [2]	Trading	Spain	100	Camino del Cerro de los Gamos 1, Parque empresarial – Edificios 5 y 6, 28224 Pozuelo de Alarcon
HomeServe Spain SLU [2]	Trading	Spain	100	Camino del Cerro de los Gamos 1, Parque empresarial – Edificios 5 y 6, 28224 Pozuelo de Alarcon
Seguragua SAU [2]	Trading	Spain	100	Camino del Cerro de los Gamos 1, Parque empresarial – Edificios 5 y 6, 28224 Pozuelo de Alarcon
Habitissimo S.L. [2]	Trading	Spain	100	c/ Rita Levi, Edificio Blue - Parc Bit CP 07121, Palma de Mallorca, Baleares
Bit Advanced Marketing S.L. [2]	Trading	Spain	100	Passeig Mallorca 17C, 07011 Palma de Mallorca
Oscagas Hogar SLU [2]	Trading	Spain	100	Rafael Alberti Nº 8, Zaragoza CP 50018
Somgas Hogar S.L. [2]	Trading	Spain	100	Paseo Can Feu Num14, 08205 Sabadell, Barcelona
Linacal S.L.U. [2]	Trading	Spain	100	Polig. Las Labradas, C. Estella S/N. 31500 Tudela, Navarra
Tecno Arasat Servicios de Mantenimiento S.L. [2]	Trading	Spain	100	Calle Barón de eroles num. 31, 2400 Monzón, Huesca
Servicios Tecnicos Sate S.L. [2]	Trading	Spain	100	Calle Anselmo Pie Sopena 1-Local 4, Esquina Avenida Monegros No 31, Huesca
Solusat Asistencia Tecnica S.L. [2 5]	Trading	Spain	100	Avda Ingeniero Torres Quevedo 6, 28022 Madrid
Servicio Tecnico Urueña S.L. [2 5]	Trading	Spain	100	Calle Orixe 54 48015 Bilbao,Vizcaya
Aragonesa De Postventa S.L.U. [2 5]	Trading	Spain	100	Calle Centro, Nº 40 Parque Tecnologico Nave 40 50298 Pinseque, Zaragoza
Infocale Navarra S.L.U. [2 5]	Trading	Spain	100	Plaza De Los Sauces, 2, Trasera 31010 Baranain, Navarra
Técnica del frío Landaluce S.L.U. [2 5]	Trading	Spain	100	Calle Quinta (La) Num 29-A 39750 Colindres, Cantabria

Notes to Company financial statements

Year ended 31 March 2021

50. Related party transactions (continued)

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
Mantenimientos Holguín S.L.U.[2,5]	Trading	Spain	100	Plaza De Los Tilos S/N 31010 Baranain, Navarra
Mesos Gestión y Servicios S.L.[2,5]	Trading	Spain	100	Avda Industria18 28820 Coslada, Madrid
Mesos Portugal, Unipessoal LDA[2,5]	Trading	Portugal	100	Praça Duque De Saldanha 1, EDIF. Atrium, 4º H-O.1069-244, Lisbon
Preventivi SRL[5]	Trading	Italy	100	Via Martiri di Bologna, 13, 76123 Andria
North America				
HomeServe USA Corp	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp	Trading	USA	100	1232 Premier Drive, Chattanooga, TN 37421
HomeServe USA Repair Management (Florida)	Trading	USA	100	1232 Premier Drive, Chattanooga, TN 37421
Leakguard Inc	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
Leakguard Repair Services Inc	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp (Iowa)	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp (California)	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp (Virginia)	Dormant	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Repair Management Corp (Wisconsin)	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
HomeServe USA Energy Services LLC	Trading	USA	100	500 Bi-County Blvd, Farmingdale, NY 11735
HomeServe USA Energy Services (New England) LLC	Trading	USA	100	5 Constitution Way, Woburn, MA 01801
LI PH Enterprises LLC	Trading	USA	49	1307 Manatuck Blvd, Bay Shore, NY 11706
NYC PH Enterprises LLC	Trading	USA	49	4295 Arthur Kill Rd, Staten Island, NY 10309
SJESP Plumbing Services LLC	Trading	USA	90	420 N. 2nd Road, Unit 1, Hammonton NJ 08037
USP Holding 1 LLC	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
USP Holdings 2 LLC	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Utility Service Partners Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Utility Service Partners Private Label, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
USP Water Heater Rentals LLC	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Utility Service Partners Private Label of Virginia, Inc	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners Inc	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of America, Inc - Delaware.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of America, Inc - California.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of Canada Holdings, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of Pennsylvania, Inc	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of Kentucky, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of Ohio, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Columbia Service Partners of West Virginia, Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
Service Line Warranties of Canada Inc.	Trading	USA	100	4000 Town Center Blvd, Suite 400, Canonsburg, PA 15317
HomeServe HVAC LLC	Trading	USA	100	601 Merritt 7, Norwalk, CT 06851
Gregg Mechanical Corp.	Trading	USA	100	198 Pulaski Avenue, Staten Island, New York 10303

Name of legal entity	Activity	Place of incorporation ownership (or registration) and operation	Proportion of voting interest and power %	Registered address
Geisel Heating and Air Conditioning Inc.	Trading	USA	100	633 Broad Street, Elyria, Ohio 44035
Cropp-Metcalfe Air Conditioning and Heating Company	Trading	USA	100	8421 Hilltop Road, Fairfax, VA 22031
American Home Guardian Inc	Trading	USA	100	1839 S Alma School Rd, Mesa, AZ 85210
Nations Preferred Home Warranty Inc	Trading	USA	100	3530 Forest Lane, Dallas, TX 75234
Fab Electric Inc	Trading	USA	100	25-B Chestnut St. Gaithersburg, MD 20877
Newcore Inc	Trading	USA	100	24750 Lakeland Blvd., Euclid, OH 44132
Crawford Services, Inc	Trading	USA	100	1405 Avenue T. Grand Prairie, TX 75050
eLocal Holdings LLC	Trading	USA	79	1100 East Hector Street, Suite 101, Conshohocken, PA 19428
eLocal USA LLC	Trading	USA	79	1100 East Hector Street, Suite 101, Conshohocken, PA 19428
HomeServe SEM LLC	Trading	USA	100	2300 East Lincoln Highway, Suite 317 Langhorne, PA 19047
Hays Cooling and Heating LLC [5]	Trading	USA	100	24825 N 16th Ave #115, Phoenix, AZ 85085
Worry Free Comfort Systems Inc [5]	Trading	USA	100	630 20th St. N, Bessemer, AL 35020
Arizona's Dukes of Air LLC [5]	Trading	USA	100	6938 E. Parkway Norte Mesa, AZ 85212
Canyon State Air Conditioning & Heating LLC [5]	Trading	USA	100	13632 West Camino Del Sol, Sun City West, AZ 85375
Sterling Air Services LLC [5]	Trading	USA	100	7256 89th Place, Suite 101 & 103 Mesa, AZ 85212
Environmental Systems Associates, Inc [5]	Trading	USA	100	9375 Gerwig Ln J, Columbia, MD 21046
Asia				
HomeServe Japan Corporation [3]	Trading	Japan	50	MH-KIYA BLDG. 12-1, Mikuracho Kanda, Chiyoda-ku, Tokyo 101-0038 Japan

1 The Group has taken advantage of the exemption from audit of the dormant subsidiaries registered in England under s480 of the Companies Act 2006. The registered numbers of the dormant subsidiaries are provided above.
2 These companies have a 31 December year end due to the statutory reporting requirements in Spain.
3 The Group includes equity accounted investments; please refer to note 18 for full details.
4 These companies qualify for an exemption to audit for non-dormant entities under the requirements of s479A of the Companies Act 2006. As such, no audit has been conducted for these companies in the current financial year. The registered numbers of the audit exempt subsidiaries are provided above.
5 These companies were acquired during FY21. Please refer to note 16 for full details.
6 This company has a 30 September year end due to local management requirements.

Five year summary
Continuing operations

Unaudited	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
External revenue					
North America	**506.4**	429.5	333.4	282.1	227.8
UK	**330.2**	365.1	384.4	357.7	319.3
France	**132.6**	111.8	104.6	100.0	91.1
Spain	**195.7**	154.1	140.8	141.3	130.2
New Markets	**—**	—	—	—	16.6
Home Experts	**139.8**	71.8	40.4	18.6	—
External sales	**1,304.7**	1,132.3	1,003.6	899.7	785.0

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Profit/(loss)					
North America	**105.0**	85.4	67.6	48.6	21.2
UK	**72.5**	81.0	66.0	61.1	63.2
France	**35.6**	33.8	33.3	31.5	27.1
Spain	**17.7**	20.1	17.7	16.6	13.3
New Markets	**(6.3)**	(4.7)	(2.4)	(1.6)	(6.0)
Home Experts	**(10.2)**	(13.9)	(7.4)	(2.8)	—
Adjusted operating profit	**214.3**	201.7	174.8	153.4	118.8
Amortisation of acquisition intangibles	**(45.0)**	(35.5)	(26.8)	(18.4)	(14.1)
Certain transaction related costs	**(5.1)**	—	—	—	—
Exceptional items	**(92.4)**	(7.6)	4.6	—	—
Operating profit	**71.8**	158.6	152.6	135.0	104.7
Net interest	**(24.6)**	(20.7)	(13.1)	(11.7)	(6.4)
Profit before tax	**47.2**	137.9	139.5	123.3	98.3

Glossary

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

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

Profitability

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

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

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

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

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

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

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

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

Glossary

Reconciliations of statutory to adjusted profit measures

Total group

£million	2021	2020
Operating profit (statutory)	71.8	158.6
Exceptional items	92.4	7.6
Certain transaction related costs	5.1	–
Amortisation of acquisition intangibles	45.0	35.5
Adjusted operating profit	214.3	201.7
Operating profit (statutory)	71.8	158.6
Exceptional items	92.4	7.6
Certain transaction related costs	5.1	–
Depreciation of property, plant and equipment	9.9	9.3
Depreciation of right of use assets	15.2	14.2
Amortisation of acquisition intangibles	45.0	35.5
Amortisation of other intangible assets	44.4	38.3
Amortisation of contract costs	9.0	11.8
Adjusted EBITDA	292.8	275.3
Profit before tax (statutory)	47.2	137.9
Exceptional items	92.4	7.6
Certain transaction related costs	6.7	–
Amortisation of acquisition intangibles	45.0	35.5
Adjusted profit before tax	191.3	181.0
Pence per share		
Earnings per share (statutory)	9.3	31.7
Exceptional items and certain transaction related costs (net of tax)	23.0	1.8
Amortisation of acquisition intangibles (net of tax)	10.4	7.8
Adjusted earnings per share	42.7	41.3

Segmental

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

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

Glossary

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

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

Leverage

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

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

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

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

Glossary

Liquidity

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

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

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

	2021 £m	2020 £m
Adjusted operating profit	214.3	201.7
Cash generated by operations	277.7	240.4
Cash conversion	129%	119%

KPIs

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

Affinity partner households tracks the growth in addressable market delivered through existing and new partnerships with utilities and municipals.

Customers tracks success in converting addressable market into revenue-generating customers, by delivering great products and service.

Retention rate reflects ability to deliver fit-for-purpose products and great service to customers.

Policies tracks ability to grow the product line through customer focus and innovation.

Income per customer measures ability to design and market increasingly valuable products, and sell them efficiently. Due to currency differences, this measure is tracked at a geographic level. Income per customer is calculated as the last 12 months' net policy income divided by customers.

Trades are customers in the Home Experts business. Growing the network of vetted and reviewed trades will enable HomeServe to meet consumer needs and grow its business.

Adjusted profit before tax is the profit measure we use to operationally manage the business and by which business growth, efficiency and sustainability are monitored.

Net debt to EBITDA is the key cash ratio, which is used to monitor usage of financial resources within agreed risk parameters.

Customers

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

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

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

<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</td></tr>
<tr><td>Other</td></tr>
</table>

Shareholder information

Financial calendar

2021

16 July	Annual General Meeting
2 August	Final dividend for the year ended 31 March 2021
16 November	Interim results for the six months ending 30 September 2021

2022

January	Interim dividend for the year ending 31 March 2022
May	Preliminary results for the year ending 31 March 2022
June	2022 Annual Report & Accounts available

Shareholder helpline

HomeServe's shareholder register is maintained by Computershare Investor Services PLC who are responsible for making dividend payments and updating the register, including details of changes to shareholders' addresses. If you have a query about your shareholding in HomeServe, you should contact Computershare.

Tel: 0370 707 1053
Address: PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH
Website: **www-uk.computershare.com/investor**

homeserveplc.com

The HomeServe website provides news and details of the Company's activities plus information for shareholders. The investor section of the website contains real time and historical share price data as well as the latest results and announcements.