HomeServe plc
Preliminary results for the year ended 31 March 2022

Strong profit growth with momentum across all three business divisions

	2022	2021	Change[1]	CC Change[1]
Revenue	**£1,429.3m**	£1,304.7m	+10%	+13%
Statutory operating profit	**£202.6m**	£71.8m	+182%	+189%
Statutory profit before tax	**£175.1m**	£47.2m	+271%	+280%
Basic earnings per share	**39.5p**	9.3p	+327%	+335%
Adjusted EBITDA[2]	**£315.7m**	£292.8m	+8%	+11%
Adjusted operating profit[2]	**£246.5m**	£214.3m	+15%	+18%
Adjusted profit before tax[2]	**£220.3m**	£191.3m	+15%	+18%
Adjusted earnings per share[2]	**49.3p**	42.7p	+15%	+18%
Net debt	**£642.8m**	£513.7m	+25%	

- Revenue growth of 10% and adjusted operating profit growth of 15%, driven by continued growth in North America, good progress across EMEA and a first profitable year in Home Experts

- North American Membership & HVAC delivered adjusted operating profit of $159.1m, up 15%, and remains ahead of its original timeline to deliver Milestone 2 adjusted operating profit of $230m

- In EMEA Membership & HVAC, adjusted operating profit in France grew 8% to €43.0m (FY21: €39.8m) and in Spain by 24% to €24.6m (FY21: €19.8m); the Japanese joint venture continues to make progress, and now has access to 25% of Japanese homes via utility partnerships

- In the UK, there was good early progress on business transformation: customer numbers ended the year at 1.5m (FY21: 1.6m) as expected, policy retention rose for the first time in seven years to 79% (FY21: 78%) and adjusted operating profit was £72.9m (FY21: £72.5m)

- In Home Experts, the division as a whole delivered adjusted operating profit of £4.3m (FY21: loss of £10.2m), thanks to a profitable contribution from eLocal and a lower adjusted operating loss at Checkatrade: Checkatrade now has 47k trades on the platform (FY21: 44k) and average revenue per trade grew 31% to £1,229 (FY21: £939) as it continued to deliver more value to trades

- Statutory operating profit of £202.6m (FY21: £71.8m) reflects the absence of any exceptional charge (FY21: £92.4m charge), as well as strong underlying trading performance

- The Group's financial position remains strong: net debt at 31 March 2022 was 2.0x EBITDA, with strong cash generation in HomeServe's busier second half partially offset by the acquisition of CET Structures Ltd ("CET") in the UK and further attractive HVAC M&A across HomeServe's Membership & HVAC businesses

- In light of the recommended cash offer for the Group announced on 19 May 2022, the Board is not recommending a final dividend. The total dividend for the year therefore consists of the interim dividend of 6.8p per share declared in November 2021.

Richard Harpin, Founder and Chief Executive, said: "HomeServe has emerged from the Covid-19 pandemic with all three of our business divisions performing strongly. Our Membership-based business model continues to be resilient, predictable and highly cash generative, and we are well positioned for continued growth.

"In North America, we delivered our seventh consecutive year of double digit adjusted operating profit growth. We now have access to 73m households, nearly half of the total. With a very strong pipeline of new utility partners, we can continue to extend our position in this under-penetrated market. Decarbonisation initiatives such as HVAC as a Service and domestic electric vehicle charging are opening doors to further utility relationships and appealing to a new generation of environmentally conscious homeowners.

"In EMEA, the transformation of our UK business is making good early progress and CET, acquired in October 2021, is helping us broaden our business with a strong position in Claims Assistance in the UK market. France and Spain both performed well and developed innovative new ideas such as the service customer model, which leverages our existing expertise to foster new relationships with very large scale utilities. We are successfully scaling our HVAC capabilities across the region, expanding our footprint in Belgium and Portugal, and marketing to 14m households in Japan via four electric utility partnerships.

"Home Experts delivered its first annual adjusted operating profit for the division as a whole, thanks to a profitable contribution from eLocal and substantially improved financial performance at Checkatrade. We have built a market leading platform to match homeowners with quality trades and continue to add value for consumers and trades through well-received new initiatives like the Checkatrade Guarantee.

"Brookfield's offer for HomeServe, announced on 19 May, recognises the high quality of our businesses, our people and our future growth potential, and allows shareholders to realise their investment at an attractive valuation. Brookfield is committed to providing long-term capital and global expertise, which I am confident will accelerate progress towards our vision to be the world's largest, most trusted provider of home repairs and improvements, delivering for customers and tradespeople."

Recommended cash offer for HomeServe

On 19 May 2022, it was announced that the boards of Hestia Bidco Limited ("Bidco"), an indirect subsidiary of Brookfield Infrastructure Funds, and HomeServe have reached agreement on a recommended cash offer made by Bidco to acquire the entire issued share capital of HomeServe. Under the terms of the acquisition, HomeServe shareholders will be entitled to receive 1,200 pence for each HomeServe share, valuing HomeServe at £4.1bn on a fully diluted basis. This represents a premium of 71% to the to the undisturbed closing price on 23 March 2022.

The HomeServe Board is unanimously recommending the acquisition and believes that it gives shareholders the opportunity to realise their investment for cash at a fair and reasonable value. The Board believes that Brookfield would be a good owner for HomeServe. Brookfield is a long-term investor with a strong track record of accelerating companies' growth through sector expertise and access to capital. Brookfield owns high quality businesses in utility and residential sectors, and can bring operational expertise and new relationships across HomeServe's three businesses. Brookfield's experience in the energy transition space will support HomeServe's ambitions in this area.

The acquisition is currently expected to complete during the fourth quarter of 2022 via a court-sanctioned scheme of arrangement, subject to HomeServe shareholder approval and various regulatory clearances. Irrevocable undertakings to vote in favour of the scheme of arrangement have been obtained from c.12.77% of HomeServe's shareholders, principally members of HomeServe's Board.

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

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

Results presentation

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

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

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Forward Looking Statements

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

About HomeServe

HomeServe is an international home repairs and improvements business that makes home repairs and improvements easy by matching customers to trades to generate repeat and recurring income. HomeServe is listed on the London Stock Exchange, with a market capitalisation of £3.9 billion.

CHIEF EXECUTIVE'S REVIEW

HomeServe had another successful year, financially and strategically. In line with our expectations, we delivered an acceleration in our financial performance, with our key profit measure, adjusted profit before tax up 15% at £220.3m. Statutory profit before tax rose by 271% to £175.1m, driven by the absence of any exceptional charges, as seen in the prior year, as well as good underlying growth. Our growth was well balanced between organic revenue growth and a successful acquisition strategy, particularly in HVAC buy and build and with the acquisition of CET to create a market-leading Claims Assistance business in the UK. Organic revenue rose by 7.0% (FY21: 1.6%) and we spent a total of £146m on M&A, of which £112m was in respect of FY22 acquisitions. ROIC for the year was 15% (FY21: 14%). We made good progress on all three of our strategic priorities: to continue to drive growth in North America; to broaden and transform our UK business; and in Home Experts, to perfect a market leading platform to match consumers with high quality trades.

People first

Having the right people in the right roles is fundamental to the success of any business. This year, we achieved a smooth transition to our new Chairman, Tommy Breen, and with the arrival of Ross Clemmow in the new role of CEO, EMEA, all three of our business divisions are directly represented at Board level. This gives us a good balance between operational insight and Group-level strategic direction. Throughout our business, teams continue to perform with the courage, persistence and integrity we expect of our people, and we are delighted to report that employee engagement remained above its pre Covid-19 level, at 75% (FY21: 78%).

Business model resilience

Over the course of the year, our people have continued to manage and adapt as the status of Covid-19 transitioned from pandemic to endemic. Hybrid working has become the norm for office-based roles across our business, and this universal trend has driven a shift in customer behaviour. As we spend more time in our homes, our customers are using and valuing our repair and maintenance products even more which means that in our Membership businesses, claims frequencies have increased and policy retention has risen to 84%. In Home Experts, consumer demand for home repairs and improvements remains high. The April 2022 Checkatrade Home Improvement Price Index shows a 23.3% increase in searches for tradespeople in the period January to March 2022, with early signs of a shift of emphasis from changes such as kitchen and bathroom replacements to projects focused on alternative energy sources and cost savings (insulation, for example).

The effects of economic headwinds such as inflation, labour shortages and supply chain disruption have so far proved manageable, demonstrating the resilience of our business model. We are managing to balance cost inflation with price rises and in our Membership businesses, the strength of our repair networks means that we can continue to deliver excellent service to our customers. We know from experience that our Membership customers worry about the cost of an unexpected repair to their home, and are reluctant to lose the protection we provide them when the cost of living is rising.

North American Membership & HVAC – strong financial performance and continued growth potential

North American Membership & HVAC delivered a strong financial performance, with adjusted operating profit up 15% to $159.1m (FY21: $137.9m). Business development and networking activities regained momentum and delivered access to an additional net 7m new households (FY21: 2m). We now have access to 73m households (FY21: 66m), almost 50% of the total. The market remains under-penetrated and the pipeline for new partner signings remains very encouraging. Marketing launches with new partners were delayed in H2 due to Covid-19 related staff shortages in their call centres, which temporarily limited customer growth from these new relationships. The key driver of revenue and profit growth in the period was strong growth in policies (up 6% to 8.7m), as existing customers upgraded their coverage in response to successful cross-sell marketing and continued high levels of customer service.

HomeServe's HVAC buy and build strategy is most advanced in North America, with a portfolio of 19 locally branded companies acquired over the last four years. In the period, HVAC installation revenue saw good organic growth of 19%, which, together with the five acquisitions completed in the period, drove growth of 60% to $121.6m (FY21: $76.0m). HVAC as a whole (installations and servicing) contributed $17.8m (FY21: $9.8m) in adjusted operating profit for the year, and is a fundamentally important component of our major initiatives to drive future growth in North America.

We have a key role to play in helping homeowners participate in the green homes revolution, and in helping our utility partners achieve their decarbonisation and energy conservation ambitions. After a successful trial with a large utility in New York State, HVAC as a Service (HaaS) is now launched, and provides homeowners with worry-free upgrades to new, more efficient heating and air conditioning equipment, together with an annual tune-up and breakdown cover, for a fixed monthly payment. HomeServe's installation and maintenance proposition for domestic electric vehicle charging is now available to 9m households, and is opening doors to new utility relationships. Furthermore, there is excellent growth in HomeServe's water loss cover product, up 27% to 0.8m customers (FY21: 0.6m), offered on bill via municipal water utilities to insure their customers against unexpectedly high costs from domestic water leakage. We have marketing rights to cross sell our Membership products to over 30% of these customers, and see significant potential to build this new channel.

Continued strong performance across Membership & HVAC, early success with innovative new products and excellent management, mean that North America is ahead of its original plan to achieve its Milestone 2 target of $230m of adjusted operating profit, and will continue to grow strongly beyond this point.

EMEA Membership & HVAC

HomeServe's strategy in EMEA Membership & HVAC is to grow broad-based businesses covering Membership, HVAC and Claims Assistance in the UK, France and Spain, and to expand into adjacent territories. We are also building a new business in Japan in a joint venture with Mitsubishi Corporation, and have recently established a new presence in Germany.

In the UK, there was good early progress on the business's transformation plan. Adjusted operating profit ended the year at £72.9m (FY21: £72.5m); customer numbers were in line with our expectations at 1.5m (FY21: 1.6m); and policy retention was up for the first time in seven years to 79% (FY21: 78%) thanks to continued strong customer service. There was good progress on strengthening and deepening our partnerships with water utilities; HVAC business acquisitions are bringing HomeServe's successful buy and build strategy into the UK; and CET, acquired in October 2021 to give HomeServe a strong position in the UK Claims Assistance market, delivered a good in-year contribution to adjusted operating profit. We continue to see the energy sector as a good source of medium term growth, but our energy partners are currently focused on conserving existing customer business in the face of market turmoil and severe price pressure, with little opportunity to market additional services. Nevertheless, our relationships with E.On and Shell Energy remain strong and the number of households they serve has grown from 5.7m in May 2021 to 6.2m in March 2022, so we are well placed to scale up these relationships when market conditions stabilise. Following last year's decision to de-commission eServe, all customers have now been successfully migrated back to Ensura, simplifying the operation of the business.

In our French business, we continue to make good progress, with adjusted operating profit up 8% to €43.0m (FY21: €39.8m). Gross new Membership customer additions were at record levels, growing by 12% in the period, thanks to strong partnerships with water utilities and innovative digital relationships with home moving aggregators and price comparison websites. Our French HVAC businesses are leading the way in the promotion of low carbon forms of heating and cooling, which accounted for 60% of installations in the period. We made progress in Belgium, servicing our first Membership customers through our partnership with Eneco and adding an HVAC business.

In our Spanish business, adjusted operating profit growth of 24% to €24.6m (FY21: €19.8m) was driven by good progress in Claims Assistance in Spain and Portugal, and in HVAC, where our Iberian businesses have a strong policy component and therefore attractive recurring revenue characteristics. The team's deep expertise in Claims Assistance has helped develop a new proposition – the service customer model – which enables large utilities to purchase an à la carte set of services from HomeServe (for example marketing, campaign execution, network management), while retaining ownership of the end customer. The first partnerships for this model have been formed in Spain and Portugal, and there is a strong pipeline of opportunities for FY23.

Our Japanese joint venture completed its third full financial year. It continues to sign new partnerships, and now has access to 25% of Japanese households through four electric utility relationships. Customer numbers are building steadily, and policy retention is very high at 91%. We signed our first municipal water partner in the second half of the year, giving confidence that our proposition will work for the municipalities who dominate domestic water supply.

Home Experts

As expected, Home Experts achieved the key milestone of overall profitability this financial year, generating £4.3m of adjusted operating profit (FY21: loss of £10.2m). The principal driver of this improvement was a much lower adjusted operating loss at Checkatrade.

Checkatrade continued to strengthen its position as the UK's leading online platform for matching homeowners with quality trades, with nearly a fifth of consumers who used a trade (tradesperson) in the 12 months to February 2022 having done so via Checkatrade. The number of paying trades on the platform grew by 7% to 47k (FY21: 44k), and average revenue per trade exceeded our Milestone 1 target at £1,229 (FY21: £939), an increase of 31%. We are continuing to develop our offer to trades, to ensure that we deliver value and stay relevant whether their order books are full or not, and the introduction of the £1,000 Checkatrade Guarantee resonates well with consumers and trades alike. I am delighted with the way that Checkatrade is building its position as a recognised, differentiated market leader, helped by the next installment of our proven Julius Caesar TV advertising campaign, which promotes the Checkatrade Guarantee. The business remains on track to be profitable in FY23, and continues to make progress towards its Milestone 1 operating profit target of £45-90m.

Elsewhere in Home Experts, in North America eLocal's adjusted operating profit declined by 15% to $14.5m (FY21: $17.1m) as consumer demand fell from last year's Covid-19 driven peak levels. Nevertheless, eLocal's sophisticated pay-for-performance model delivered good momentum in monetisation, with revenue per monetised call growing by 5%, and the signing of a new strategic agreement with a key affiliate reinforced eLocal's strong position in search engine management for lead generation. In Iberia and Italy, Habitissimo continues to improve its operating model and halved its operating losses.

Conclusion

HomeServe has emerged from the Covid-19 pandemic with all three of our business divisions performing strongly. Our Membership-based business model continues to be resilient, predictable and highly cash generative, and we are well positioned for continued growth. The strong growth we are seeing in North American Membership & HVAC is sustainable, thanks to disciplined management and innovation focused on the green homes revolution. In EMEA Membership & HVAC, we are building multiple new opportunities and managing a productive transformation of our UK business. In Home Experts, we have built a market-leading platform to match homeowners with quality trades, which works better than word of mouth.

Brookfield has made an offer for HomeServe which recognises the high quality of our businesses and our people as well as our future growth potential, and allows shareholders to realise their investment at an attractive valuation. Brookfield is committed to providing long-term capital and global expertise, which I am confident will accelerate progress towards our vision to be the world's largest, most trusted provider of home repairs and improvements, delivering for customers and tradespeople.

Richard Harpin

Founder and Chief Executive

OPERATING REVIEW

Financial performance for the year ended 31 March

£million	Revenue		Statutory operating profit/(loss)		Adjusted operating profit/(loss)		
	2022	% Chg v. 2021	2022	% Chg v. 2021	2022	% Chg v. 2021	% Chg v. 2021 CCY
Membership & HVAC - North America	**583.0**	+15%	**101.7**	+24%	**117.7**	+12%	+15%
UK	**337.5**	-0%	**68.9**	n/a	**72.9**	+1%	+1%
France	**152.7**	+15%	**29.4**	+3%	**36.4**	+2%	+8%
Spain	**207.5**	+6%	**17.6**	+20%	**20.8**	+18%	+24%
New Markets	**0.8**	n/a	**(5.6)**	-44%	**(5.6)**	-11%	-11%
Membership & HVAC - EMEA	**698.5**	+5%	**110.3**	+656%	**124.5**	+4%	+7%
Home Experts	**155.2**	+11%	**(9.4)**	-62%	**4.3**	n/a	n/a
Inter-segment[1]	**(7.4)**	n/a	**-**	-	**-**	-	-
Group	**1,429.3**	+10%	**202.6**	+182%	**246.5**	+15%	+18%

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

The net impact of changes in the Euro and USD exchange rates between FY21 and FY22 resulted in a £47.6m decrease in the reported revenue and a £6.2m decrease in adjusted operating profit.

North American Membership & HVAC KPIs

	2022	2021
New Membership customer additions (m)	**1.2**	1.0
Membership customers (m)	**4.8**	4.7
Net income per Membership customer ($)	**113**	108
Policy retention rate	**85%**	85%
HVAC adjusted operating profit ($m)	**17.8**	9.8

EMEA Membership & HVAC KPIs

	Organic new customer additions (m)		Policy retention rate		Non-Membership sales[2] %	
	2022	2021	2022	2021	2022	2021
UK	**0.2**	0.2	**79%**	78%	**10%**	4%
France	**0.2**	0.2	**87%**	88%	**20%**	12%
Spain	**0.1**	0.1	**80%**	83%	**74%**	71%

[2]Proportion of total revenue derived from non-Membership activities (UK: HVAC installations and £15.7m in respect of CET, France: HVAC installations, Spain: Repair income and HVAC installations)

Home Experts KPIs

	Paying trades (k)		ARPT[3]		Contacts (m)	
	2022	2021	2022	2021	2022	2021
Checkatrade	**47**	44	**£1,229**	£939	**10.3**	8.1
eLocal	**n/a**	n/a	**n/a**	n/a	**3.4**	3.6
Habitissimo	**11**	20	**€831**	€511	**1.1**	2.0
Group	**58**	64	**n/a**	n/a	**14.8**	13.7

[3]Average revenue per trade

MEMBERSHIP & HVAC – NORTH AMERICA

$million	2022	2021	Change
Revenue			
Net policy income	**556.4**	510.7	9%
Repair income	**110.6**	74.9	48%
Membership	**667.0**	585.6	14%
HVAC installations	**121.6**	76.0	60%
Other	**6.3**	4.2	50%
Total revenue	**794.9**	665.8	19%
Adjusted operating costs	**(635.8)**	(527.9)	20%
Adjusted operating profit	**159.1**	137.9	15%
Adjusted operating margin	**20%**	21%	-1ppt

£million	2022	2021	Change
Revenue			
Net policy income	**408.7**	388.1	5%
Repair income	**80.4**	57.1	41%
Membership	**489.1**	445.2	10%
HVAC installations	**89.3**	57.9	54%
Other	**4.6**	3.3	40%
Total revenue	**583.0**	506.4	15%
Adjusted operating costs	**(465.3)**	(401.4)	16%
Adjusted operating profit	**117.7**	105.0	12%
Adjusted operating margin	**20%**	21%	-1ppt

Performance metrics		2022	2021	Change
Affinity partner households	m	**73**	66	10%
Membership customers	m	**4.8**	4.7	3%
Income per Membership customer	$	**113**	108	5%
Membership policies	m	**8.7**	8.2	6%
Policy retention rate	%	**85**	85	-

Total customers

		2022	2021	Change
Membership customers	m	**4.8**	4.7	3%
Water loss customers	m	**0.8**	0.6	27%
Total customers	m	**5.6**	5.3	5%
Income per customer inc. water loss	$	**99**	96	3%

Operational performance

Notwithstanding an impact from Covid-19, and specifically the Omicron variant, that came later than seen in other territories, the North American Membership & HVAC business continued to execute against its clear strategy and remains ahead of its original plan to achieve its Milestone 2 adjusted operating profit target of $230m.

There was strong conversion of the high quality pipeline of prospective utility partnerships brought forward from the prior year. This resulted in new affinity relationships which, together with increased household coverage of existing partners, enable access to an additional net 7m (FY21: 2m) households. Business development was aided by a return to in-person networking with utilities, and the incremental 7m was after the removal of c.1m households of Piedmont Natural Gas Company ("Piedmont"), with whom an affinity partnership ended during the year, as previously announced.

North American Membership & HVAC benefits from strong relationships with utilities, based on deploying HomeServe's customer-centric service offering in a way that aligns with many of a utility's core objectives, whether they are providers of water or energy. Key initiatives to strengthen this proposition gained further traction during the year. In water, the business continued to highlight the benefits of its water loss cover product (acquired as Servline in December 2019), which offers utilities a fully insured solution in the event of abnormally high costs due to water leakage from a homeowner's system. Water loss customers grew strongly by 27% to 0.8m (FY21: 0.6m). The offering is a particularly effective way to engage municipal water providers, and the business already has rights on over 30% of the 0.8m water loss customers to market its fuller suite of products. In energy, the electric vehicle ("EV") charging point solution which the business has developed enabled three large energy utilities to offer their customers EV charge point installation and protection, providing a gateway to a new relationship with a 4.6m household utility (incremental to the net 7m affinity partner households signed during the year), as well as an expanded relationship with an existing partner.

The core proposition of a hassle-free, swift and cost-effective solution for home emergencies continued to resonate strongly with homeowners as well as utilities. Organic gross customer additions of 1.2m (FY21: 1.0m) all came from existing utility partnerships launched prior to FY22, as launch marketing with utilities signed in-year were delayed – largely due to Omicron. The rate of customer additions in the second half was impacted somewhat by higher employee absence in partner call centres due to Omicron, whilst the completion of the disposal of the first tranche of policies back to Piedmont also drove more muted customer growth. Existing customers continued to upgrade their policy holding through the suite of products, and higher levels of marketing were re-directed into this cross-sell channel than the prior year, resulting in continued strong policy growth of 6% - the key driver of revenue and profit progression.

The business continued to differentiate its value proposition to customers through high levels of service, with the customer satisfaction rating (scored out of five) advancing to 4.80 for the year (FY21: 4.71). The business also further deployed technology to aid the customer experience, with natural language call automation assisting over 2m customers during the year.

With a portfolio of 19 locally branded companies ("LBCs") acquired over the last four years, the HVAC buy and build strategy is furthest advanced in North America. LBCs completed 19k jobs for Membership policyholders during the year (FY21: 14k), with a further five acquisitions during the year meaning there are now 0.4m policies across the portfolio. A further two LBCs were migrated to Service Titan, a cloud-based system to handle operations and marketing, during the second half, with 91% of the LBC portfolio by revenue live on the system at the end of FY22.

The HVAC offering means the North American business has the assets and capabilities to support homeowners with more efficient and green equipment as the residential decarbonisation transition accelerates. During the year the business successfully developed and trialled "HVAC as a service" with a large utility in New York state, with homeowners getting access to new more efficient equipment, a repair plan and the facility to track energy savings for a fixed monthly fee, which aids affordability compared to a large initial outlay. With many energy utilities having carbon reduction objectives, this new service offering further demonstrates the high alignment between the Membership offering and the goals of utilities.

Financial performance

Net policy income grew by 9%. Though customer growth of 3% was more muted due to the Piedmont policy book sale and the Q4 Omicron impact, average policy holdings per customer rose to 1.8 (FY21: 1.7), with a resultant higher rate of policy growth at 6%.

Repair income, which partly comprises non-installation jobs completed by HomeServe's directly owned HVAC operations, again rose strongly - up 48% - largely reflecting the impact of a full 12 months' activity from FY21 acquisitions.

HVAC installation income similarly benefited from the annualisation of FY21 acquisitions, but also saw good organic growth of 19% in those businesses owned throughout FY21. Together, this drove 60% growth in HVAC installation revenue on the prior year, with HVAC as a whole (being both installations and fee for service work captured in the repair income line) contributing $17.8m (FY21: $9.8m) in adjusted operating profit for the year.

Adjusted operating costs rose by 20%, slightly ahead of revenue growth, largely reflecting an increase in marketing activity during the year. The adjusted operating margin of 20% was in line with that delivered in FY20, and 15% growth in adjusted operating profit was at a level which further underpins confidence in the business's trajectory towards the Milestone 2 target of $230m.

EMEA

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

Each of the UK, France and Spain are pursuing a strategy to broaden their business to encompass the complementary offerings of Membership, HVAC and Claims Assistance.

£million	**2022**	2021	Change
Total revenue	**698.5**	667.2	5%
Adjusted operating costs	**(574.0)**	(547.7)	5%
Adjusted operating profit	**124.5**	119.5	4%

UK

£million	**2022**	2021	Change
Revenue			
Net policy income	**212.5**	233.2	(9%)
Repair income	**95.7**	80.3	19%
Membership	**308.2**	313.5	(2%)
HVAC installations	**17.2**	12.1	42%
Other	**12.1**	13.3	(9%)
Total revenue	**337.5**	338.9	(0%)
Adjusted operating costs	**(264.6)**	(266.4)	(1%)
Adjusted operating profit	**72.9**	72.5	1%
Adjusted operating margin	**22%**	21%	+1ppt

Performance metrics		**2022**	2021	Change
Affinity partner households	m	**24**	26	(7%)
Customers	m	**1.5**	1.6	(8%)
Income per customer	£	**141**	144	(2%)
Policies	m	**4.0**	4.4	(9%)
Policy retention rate	%	**79**	78	+1ppt

Operational performance

The UK business made good progress in the early stages of the transformation plan set out in May 2021. The plan has four key elements: deepening and digitising existing relationships with water utilities, establishing strong relationships with energy utilities to accelerate new customer acquisition, broadening the business into the complementary offerings of HVAC and Claims Assistance and, lastly, transforming operations and customer experience through technology.

In Membership, the solid foundation of relationships with water utilities was further strengthened during the year as partnerships with utilities covering 5m households were renewed, for an average of five-year terms. Since the year end, partnerships with utilities covering a further 6.5m households have been renewed, meaning that over 75% of water utility relationships by households have now been secured until at least 2026. Relationships were also deepened during the year, with sales introductions from partners' own call centres now live across all water partners.

The business continues to see the energy channel as a source of medium-term growth. Pressure on the wholesale energy market continues to mean consumer switching and propensity to take additional services is at lower levels than seen historically, but the business is well placed to scale up its initiatives as and when market conditions stabilise.

The net 2m reduction in affinity partner households reflects the ending of the Thames Water relationship (on 1 April 2021), partially offset by the signing of Shell Energy (in May 2021) as well as growth in both E.On and Shell's household coverage during H2.

The business continued to deliver high service quality to policyholders, despite additional complexity posed for field management during the second half due to the Omicron Covid-19 variant. With higher levels of homeworking now being established as a permanent feature of the post-pandemic landscape, claims frequencies stabilised, albeit at a slightly higher level than the pre-pandemic period. This has served to reinforce product value perception – with the policy retention rate increasing to 79%, the first increase in seven years. The customer book finished the year at 1.5m (FY21: 1.6m).

The business continued to further embed service delivery improvements. More than 25% of claims notification calls are now automated through either digital or intelligent voice solutions, and the integrated claims and field management solution was extended to cover all contractor activity as the year closed. Following the year end, the business successfully migrated the last batch of policies back to its Ensura system from eServe. This gives stability for CRM activities and simplifies the operation of the business.

Consistent with the strategic direction of the EMEA division, the October 2021 acquisition of CET Structures Ltd ("CET") significantly grew the business's share in the UK Claims Assistance market, with CET providing Claims Assistance for one in eight UK households. CET continued to deliver high service levels in home emergency jobs on behalf of its roster of blue-chip UK home insurance brands.

In HVAC, the business acquired its third LBC as part of its buy and build initiative, further strengthening its coverage of the north-west of England. A strong pipeline is in place to extend the LBC network to other UK regions. In the existing HomeServe branded business, installation volumes continued to recover well from the pandemic impact seen in FY21, growing by 16%.

Financial performance

As anticipated, net policy income declined 9% driven by the lower customer base. Notwithstanding the lower base of customers and policies, repair income grew by 19% on the prior year – largely reflecting the benefit of a five-month contribution from CET, which delivered in-year revenue (all captured in the repair income line) of £15.7m.

HVAC installation revenue grew 42%, largely reflecting a continuing recovery in installation volumes in the HomeServe branded business from a heavily pandemic-impacted FY21 as well as volumes from the first two acquired LBCs. In addition to this, average revenue per install also rose by 3%. There was a positive adjusted operating profit contribution from the LBCs, and the HomeServe branded business saw further progression in its turnaround.

Adjusted operating costs marginally declined on the prior year as an increase in volume-related costs was more than offset by lower amortisation following the full impairment of the eServe CRM system in FY21. Along with a profitable in-year contribution from CET, this drove a marginally higher adjusted operating profit than the prior year.

France

€million	2022	2021	Change
Revenue			
Net policy income	**136.9**	126.6	8%
Repair income	**0.3**	0.3	(19%)
Membership	**137.2**	126.9	8%
HVAC installations	**36.2**	17.9	103%
Other	**6.5**	3.7	77%
Total revenue	**179.9**	148.5	21%
Adjusted operating costs	**(136.9)**	(108.7)	26%
Adjusted operating profit	**43.0**	39.8	8%
Adjusted operating margin	**24%**	27%	-3ppts

£million	2022	2021	Change
Revenue			
Net policy income	**116.2**	113.0	3%
Repair income	**0.2**	0.3	(23%)
Membership	**116.4**	113.3	3%
HVAC installations	**30.7**	16.0	92%
Other	**5.6**	3.3	68%
Total revenue	**152.7**	132.6	15%
Adjusted operating costs	**(116.3)**	(97.0)	20%
Adjusted operating profit	**36.4**	35.6	2%
Adjusted operating margin	**24%**	27%	-3ppts

Performance metrics		2022	2021	Change
Affinity partner households	m	**19**	19	-
Customers	m	**1.2**	1.2	4%
Income per customer	€	**114**	109	5%
Policies	m	**2.7**	2.4	12%
Policy retention rate	%	**87**	88	-1ppt

Operational performance

In France, the business continued to pursue growth opportunities in Membership and build out its HVAC offering, whilst delivering continued revenue and profit progression.

In Membership, despite a second half impact from the Omicron Covid-19 variant on staffing levels in water utility partner call centres, gross new customers grew by 12% on the prior year – and were a record for the French business for the third consecutive year, with total customer growth of 4%. Digital sales through the base of non-utility partners, such as home moving aggregators and price comparison websites, were particularly strong – increasing 28% on the prior year.

The business delivered high levels of service to its policyholders, with a newly tracked customer satisfaction five-star rating measure producing a result of 4.56 for the year. In addition, the business was recognised for the sixth consecutive year with the *Elu Service Client de l'annee* accolade. The slight decline in retention reflects the strengthening performance in recent years of new customer joins, with a resultant mix impact on the overall retention rate of a higher proportion of year 1 policies - on which retention is typically lower. Policy retention in France nonetheless remains amongst the strongest in the Group.

The business saw further progress optimising its “on demand to policy” sales channel, which seeks to convert ad hoc repair job bookings lodged by non-policyholders into policy sales either preceding or following a successful repair. A 20% conversion rate (from booked job to policy) was achieved during the year, and attention will now turn to driving up the number of initial enquiries generated by affinity partners.

Claims and network management was successfully migrated to Salesforce during the second half and, along with previous migrations of CRM and customer complaints, means the business now operates with a single view of the customer from a flexible, cloud-based platform.

The business serviced claims and heating maintenance on behalf of its first customers in Belgium during the year, with the second half also seeing a second direct mail campaign with electric utility partner, Eneco. HomeServe’s presence in Belgium was further strengthened through the acquisition of its first HVAC LBC in the territory during the second half, with a strong pipeline of further opportunities now also in place.

Across the Group, the HVAC business in France has the highest existing exposure to the installation of new heating equipment and technology, including heat pumps, and further developed its offer for consumers seeking to decarbonise their home heating during the year. 60% of HVAC installations was of low carbon equipment, with the typically higher price point of this equipment contributing to growth in the overall average revenue per installation. A further seven LBCs were acquired during the year in France, with two businesses purchased in the second half adding to the five acquisitions completed during the first half.

Financial performance

Net policy income rose by 8% to €136.9m as solid customer growth was combined with favourable pricing at renewal.

HVAC installation revenue again grew very strongly, more than doubling to €36.2m. Installation volumes rose by 77%, largely reflecting annualisation of ten FY21 acquisitions, though there was also continued organic momentum in activity from LBCs owned throughout FY21. Average revenue per install also saw an 11% year-on-year increase, partly reflecting the greater exposure to higher ticket low carbon units.

Adjusted operating costs rose by 26%, ahead of revenue growth, as the business invested in key partnerships with water utilities and saw higher direct costs in HVAC from the annualisation of prior year acquisitions. The adjusted operating margin of 24% remains the highest of the Group’s established Membership businesses.

Spain

€million	**2022**	2021	Change
Revenue			
Net policy income	**51.5**	54.8	(6%)
Repair income	**170.7**	146.8	16%
HVAC installations	**9.0**	7.7	16%
Other	**13.0**	9.7	34%
Total revenue	**244.2**	219.0	11%
Adjusted operating costs	**(219.6)**	(199.2)	10%
Adjusted operating profit	**24.6**	19.8	24%
Adjusted operating margin	**10%**	9%	+1ppt

£million	**2022**	2021	Change
Revenue			
Net policy income	**43.8**	48.9	(10%)
Repair income	**145.1**	131.2	11%
HVAC installations	**7.6**	6.9	11%
Other	**11.0**	8.7	27%
Total revenue	**207.5**	195.7	6%
Adjusted operating costs	**(186.7)**	(178.0)	5%
Adjusted operating profit	**20.8**	17.7	18%
Adjusted operating margin	**10%**	9%	+1ppt

Performance metrics		**2022**	2021	Change
Customers	m	**0.8**	0.9	(5%)
Income per customer	€	**57**	60	(5%)
Policies	m	**1.0**	1.1	(6%)
Policy retention rate	%	**80**	83	-3ppts

Operational performance

The Spanish business saw significant operational and strategic progress in FY22, with its deep expertise in Claims Assistance seeing it develop a new service proposition that brings the potential of returning to Membership customer growth in the medium term, alongside further developing its HVAC business.

The existing Claims Assistance business, which completes emergency jobs for homeowners on behalf of a largely bancassurer customer base, saw good volume growth during a year where homeowner behaviour was less influenced by pandemic restrictions. There were also strong activity levels from Mesos during its first full year under HomeServe ownership.

The 'service customer' model, in which key Claims Assistance competencies (including marketing, campaign execution and network management) are deployed for partners who continue to maintain ownership rights over the end homeowner, signed its first customers during the year from an agreement with a Portuguese energy retailer. A partnership was also struck with a large Spanish insurer under this new model, with a strong pipeline of further opportunities in place.

The Spanish HVAC business remains weighted towards maintenance (rather than installation) activity, with policies across the portfolio driving a good recurring revenue stream. Buy and build activity continued in FY22, capped by the acquisition of Grupo MH in the fourth quarter – a transformational deal which grows the policy count by 45% and enables further scale to be built in north-east Spain. Four LBCs were acquired in total during the year.

Financial performance

Net policy income decreased by 6%, with the impact of the run-off of the Endesa policy book partly offset by continued good growth in the stock of HVAC maintenance policies.

Repair income rose by 16% over the year, with good traction in both existing and new businesses. The HomeServe branded Claims Assistance business which operates in Spain saw a 7% rise in job volumes, with growth both from the bancassurer customer base as well as other partners such as energy utilities. There was an uplift in revenue contribution from Mesos year-on-year of c.€11m, reflecting a full 12 month contribution in the current year (versus just seven months in the prior year), with part of this increase drawing from its activity in Portugal. Additionally, Servitis, a Portuguese Claims Assistance business acquired during the first half, made a good top-line contribution.

HVAC installations revenue also rose by 16%. 11% growth in installation volumes was mostly organic, being in respect of those businesses owned throughout FY21, and there was also good progression in average revenue per install. Other revenue largely comprises non-installation jobs completed by the HVAC LBCs, with growth predominantly driven by annualising FY21 acquisitions as well as in-year contribution from FY22 acquisitions.

Adjusted operating costs rose by 10%, slightly behind revenue growth, mostly reflecting operating leverage in the HomeServe branded Claims Assistance business as well as a full 12-month contribution from the FY21 acquisition of Mesos.

New Markets

The New Markets division comprises the Group's initiatives to expand the Membership offering into new territories, and currently consists mainly of HomeServe's joint venture with Mitsubishi Corporation in Japan.

£million	**2022**	2021	Change
Adjusted operating loss	**(5.6)**	(6.3)	(11%)

Performance metrics – Japan		**2022**	2021	Change
Affinity partner households	m	**14**	7	94%
Policy retention rate	%	**91**	93	-2ppts

Operational performance

Japan

In its third full financial year, HomeServe Japan saw further traction as it continues to invest to realise the significant market opportunity.

Business development activity sustained its recent momentum, and a further two electricity utilities were signed during the year to give HomeServe Japan access to 14m households in total.

Provision of water in Japan has historically been on a municipalised basis, with all homes supplied by a municipal provider, of which there are in excess of 1,500. The business achieved its first municipal water partner signing during the second half, giving confidence to take the offering to other municipal providers.

Policy retention rates remained extremely strong at 91%, as total customers in Japan more than doubled to 41,000 (FY21: 17,000).

Other new markets

During the second half HomeServe completed its first acquisition of an HVAC LBC in Germany. This establishes a presence in a large market with an attractive business that firmly fulfils the HVAC investment criteria set out in November 2021, as well as having strong expertise in the installation of low carbon units.

Financial performance

The lower adjusted operating loss in New Markets reflects prospecting activity for new Membership territories that are not adjacent to established businesses having ceased at the end of FY21.

Home Experts

Home Experts comprises the Group's online platform businesses, being Checkatrade in the UK, eLocal in North America and the Group's other interests in online platforms to match consumers with tradespeople – notably Habitissimo in Continental Europe.

£million	2022	2021	Change
Revenue			
Checkatrade	**55.6**	38.9	43%
eLocal	**88.9**	91.3	(3%)
Other Home Experts	**10.7**	9.6	11%
Total revenue	**155.2**	139.8	11%
Adjusted operating costs	**(150.9)**	(150.0)	1%
Adjusted operating profit/(loss)	**4.3**	(10.2)	n/a

Checkatrade

£million	2022	2021	Change
Total revenue	**55.6**	38.9	43%
Adjusted operating costs	**(58.4)**	(54.9)	6%
Adjusted operating loss	**(2.8)**	(16.0)	(83%)

Performance metrics		2022	2021	Change
Paying trades	k	**47**	44	7%
Average revenue per trade	£	**1,229**	939	31%
Contacts	m	**10.3**	8.1	26%
Web visits	m	**35.7**	29.0	23%

Operational performance

Checkatrade made good progress during FY22, as it continues to strengthen its position as the number one destination in the UK for homeowners to get their jobs done by quality, vetted tradespeople.

Sustained high consumer demand for home improvements in the UK meant a more challenging environment to promote the benefits of Checkatrade membership to extremely busy trades. However the business developed its core product to remain relevant to all trades irrespective of the state of their order books. "Lite", Standard and "Pro" packages ("LSP"), which enable trades to tailor their spend to the amount of work they desire, launched towards the end of the first half with a flexible LSP offer (meaning trades can shift up and down the tiers) becoming the lead acquisition product during the second half. Alongside market-wide search trends which pointed to a slight easing in consumer demand during the second half, LSP helped to stimulate 7% growth in paying trades for the year.

The business also delivered more value to its trades. Additional trade categories and postcodes enable trades eager for more work to boost their lead flow, with these cross-sell initiatives aided by sales agents' use of a newly developed postcode analytics tool. Slightly more than half of the 31% increase in average revenue per trade ("ARPT") was driven by cross-sell and pricing initiatives, along with an in-year benefit from the growing roster of national accounts. The balance of the increase was due to the non-repeat of discounts given to trades in FY21 at the onset of the pandemic. Taken together, these factors drove ARPT to exceed the £1,200 target set out at the June 2019 investor day.

For consumers, Checkatrade continues to be the number one destination to find a quality trade online. With 18% of all consumers who used a tradesperson in the 12 months ending February 2022 having done so via Checkatrade, the platform maintained a significant lead over the no.2 player (at 6%).

The Checkatrade Guarantee, which covers a job booked through the platform for up to 12 months to the value of £1,000, launched towards the end of the first half and has resonated strongly with consumers. Consumers covered by the Guarantee are more likely to recommend a Checkatrade trade, a good lead indicator as the business seeks to build a necessity for trades to be on the platform as a fundamental badge of quality.

Following its initial launch towards the end of the first half, the number of homeowners registered on the Checkatrade consumer portal increased materially to 0.5m over the course of the fourth quarter. Alongside the strength of the Checkatrade brand, and relevant consumer content such as price guides, this will aid the business in generating consumer demand in an increasingly efficient manner.

Financial performance

Total revenue growth of 43% was driven by an uplift in both average revenue per trade ("ARPT") and the number of paying trades.

Adjusted operating costs grew by 6%, substantially below revenue growth, as brand strength and other initiatives enabled the business to do more efficient consumer marketing. Checkatrade remains firmly on track to reach profitability in FY23.

eLocal

$million	**2022**	2021	Change
Total revenue	**121.6**	119.1	2%
Adjusted operating costs	**(107.1)**	(102.0)	5%
Adjusted operating profit	**14.5**	17.1	(15%)
Adjusted operating margin	**12%**	14%	-2ppts

£million	**2022**	2021	Change
Total revenue	**88.9**	91.3	(3%)
Adjusted operating costs	**(78.3)**	(78.1)	0%
Adjusted operating profit	**10.6**	13.2	(20%)
Adjusted operating margin	**12%**	14%	-2ppts

Performance metrics		**2022**	2021	Change
Monetised calls	m	**3.4**	3.6	(3%)

Operational performance

At eLocal, consumer demand – as tracked through the volume of monetised calls – declined in the second half against very high prior year levels. During the second half of the prior year, a number of eLocal's categories saw record levels of demand either driven by, or simultaneous with, the lifting of Covid-19 protective measures, tailwinds which normalised by the second half of FY22. This was particularly evident in the legal vertical, with a number of mass litigations coming to an end during the first half. Notwithstanding this, eLocal's sophisticated pay-for-performance model delivered good momentum in monetisation, with revenue per monetised call growing by 5%.

eLocal's lead generation model effectively manages the risk of search engine algorithm changes by working with a number of affiliates, each performing its own search engine management ("SEM") activities, ensuring eLocal's lead sourcing is well-diversified. During the year, eLocal entered into a strategic agreement with a key affiliate, which will give the business direct control of a larger proportion of the leads it sources through SEM.

Financial performance

Total revenue grew by 2% to $121.6m, as a slight fall in monetised calls was more than offset by higher revenue per call.

The adjusted operating margin declined by 2 percentage points, driven by a higher mix of revenue in lower margin verticals than seen in the prior year.

Other Home Experts

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

£million	**2022**	2021	Change
Total revenue	**10.7**	9.6	11%
Adjusted operating costs	**(14.2)**	(17.0)	(17%)
Adjusted operating loss	**(3.5)**	(7.4)	(53%)

Habitissimo

Performance metrics		**2022**	2021	Change
Paying trades	k	**11**	20	(46%)
Average revenue per trade	€	**831**	511	63%
Contacts	m	**1.1**	2.0	(45%)
Web visits	m	**42.0**	89.0	(53%)

Operational performance

At Habitissimo the fall in paying trades reflected the full implementation of the *Directory Extra* model in its largest market of Spain, as well as the strategic decision to focus on the core European markets of Spain, Italy and Portugal. This also saw Habitissimo dispose of its operations in Brazil during the first half. Refining its geographic focus will give Habitissimo a stronger platform as it seeks to implement strategic initiatives that have worked well in other Home Experts businesses, such as cultivating national accounts and driving monetisation through a balance of both subscription and "pay for performance".

Lower web visits and contacts were driven by resource being focused in trade categories and geographies in which Habitissimo is able to offer good coverage. Alongside the greater appeal to consumers of a 'directory plus' user experience, this more focussed model contributed to a sustained improvement in consumer net promoter score ("NPS") versus the prior year.

The marked increase in average revenue per trade was also driven by the strategic focus on the core European markets – where Habitissimo has historically seen higher levels of monetisation.

Financial performance

The adjusted operating loss narrowed significantly during the year, largely reflecting focusing resource on the continental European markets as well as other organisational efficiencies.

FINANCIAL REVIEW

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

Group statutory results

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

£million	2022	2021
Total revenue	**1,429.3**	1,304.7
Operating profit	**202.6**	71.8
Net finance costs	**(27.5)**	(24.6)
Adjusted profit before tax	**220.3**	191.3
Amortisation of acquisition intangibles	**(44.9)**	(45.0)
Certain transaction related costs	**(0.3)**	(6.7)
Exceptional items	**-**	(92.4)
Statutory profit before tax	**175.1**	47.2
Tax	**(41.7)**	(15.4)
Profit for the year	**133.4**	31.8
Attributable to:		
Equity holders of the parent	**132.8**	31.1
Non-controlling interests	**0.6**	0.7
	133.4	31.8

Profit before tax

Adjusted profit before tax increased by 15% to £220.3m, with further strong growth in North American Membership & HVAC, stable growth in EMEA Membership & HVAC and a first-time adjusted operating profit in the Home Experts division.

Statutory profit before tax is reported after the amortisation of acquisition intangibles, exceptional items and certain transaction related costs. On this basis profit before tax was £175.1m, with good underlying growth as well as the absence of any exceptional charges as seen in the prior year.

Net finance costs

Net finance costs increased to £27.5m (FY21: £24.6m) due to the higher average net debt balance year-on-year.

Amortisation of acquisition intangibles

Acquisition amortisation relates to customer and other contracts held by third-party businesses which were acquired by HomeServe as part of business combinations and asset purchases.

The amortisation of acquisition intangibles of £44.9m (FY21: £45.0m) was broadly in line with the prior year.

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

Certain transaction related costs

Certain transaction related costs of £0.3m (FY21: £6.7m) were incurred, with the unwinding of interest on contingent consideration in relation to previous M&A partially offset by a reduction in the fair value of option obligations and contingent consideration.

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

Tax strategy

The Group has continued to operate within the tax strategy approved by the Board in May 2021. The tax strategy is subject to annual review and reflects HomeServe's status as a plc, and the regulated nature of its business which requires strong governance and consideration of reputation as well as compliance with local laws, regulations and guidance. The UK elements of the tax strategy document are publicly available on the HomeServe plc website as required by UK legislation.

The Group tax strategy covers how HomeServe:

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

Tax charge and effective tax rate

The Group's tax charge in the financial year was £41.7m (FY21: £15.4m). The pre-exceptional effective tax rate for the year ended 31 March 2022 was 24% (FY21: 24%). The post-exceptional effective tax rate for the same period was 24% (FY21: 33%).

UK corporation tax is calculated at 19% (FY21: 19%) of the estimated assessable profit for the year. In its 2021 Budget, the UK Government announced that the main UK corporate rate would be maintained at 19% until 31 March 2023, before being increased to 25% from 1 April 2023. This proposal was substantively enacted on 24 May 2021 when the UK's deferred taxes were re-measured accordingly. However, based on the UK's deferred tax position, this UK tax rate increase did not give rise to a material effect.

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

Other comprehensive income

Included within other comprehensive income is a £3.7m re-measurement gain on defined benefit pension schemes and a £7.4m foreign exchange gain on translation.

Cash flow and financing

HomeServe's business model continues to be highly cash generative with free cash flow in FY22 of £131.0m (FY21: £135.0m).

£million	**2022**	2021
Adjusted operating profit	**246.5**	214.3
Exceptional items	**-**	(92.4)
Amortisation of acquisition intangibles	**(44.9)**	(45.0)
Certain transaction related income/(costs)	**1.0**	(5.1)
Operating profit	**202.6**	71.8
Impact of exceptional items	**-**	92.2
Impact of certain transaction related (income)/costs	**(1.0)**	5.1
Depreciation and amortisation	**114.1**	123.5
Other non-cash items	**(2.0)**	10.2
Increase in working capital	**(41.2)**	(25.1)
Cash generated by operations	**272.5**	277.7
Net interest and associated borrowing costs	**(24.5)**	(21.7)
Repayment of lease principal	**(14.7)**	(14.8)
Taxation	**(40.6)**	(35.1)
Capital expenditure - ordinary	**(68.2)**	(71.4)
Capital expenditure - acquisitions of policy books	**(2.3)**	-
Proceeds on disposal of fixed assets	**8.8**	0.3
Free cash flow	**131.0**	135.0
Business acquisitions	**(130.8)**	(77.3)
Business disposals	**3.0**	(3.9)
Acquisition of non-controlling interest	**(18.2)**	-
Contribution to equity accounted investee	**(3.6)**	(2.2)
Loan to investee	**(1.3)**	-
Equity dividends paid	**(89.3)**	(80.5)
Net movement in cash and bank borrowings	**(109.2)**	(28.9)
Impact of foreign exchange and other non-cash items	**(20.3)**	14.8
Movement in IFRS 16 lease liabilities	**0.4**	9.4
Opening net debt	**(513.7)**	(509.0)
Closing net debt	**(642.8)**	(513.7)

Working capital

Working capital absorption was £41.2m in FY22 (FY21: £25.1m), c.3% of revenue and in line with guidance. This principally reflects the normal seasonal profile of particularly the Membership business, with a second-half weighting in policy sales continuing to be seen.

Capital expenditure

Total capital expenditure, comprising ordinary capital expenditure, policy book acquisitions and fixed asset disposal proceeds, was £61.7m (FY21: £71.1m). Ordinary capital expenditure included £11.3m (FY21: £12.8m) of payments made to partners who undertake marketing activity to acquire customers on HomeServe's behalf. The balance of £56.9m (FY21: £58.6m) was slightly lower than the prior year, reflecting the conclusion of key transformation programmes, particularly in North America and the UK. The business acquired a small policy book in North America for £2.3m (FY21: nil). Partially offsetting ordinary capital expenditure and the policy book acquisition, were proceeds of £8.8m (FY21: £0.3m) which predominantly relate to the disposal of the first tranche of the Piedmont policy book in North America. These proceeds have been fully reinvested into organic marketing activity.

Acquisitions
M&A activity continued to support HomeServe's growth ambitions, incurring a cash outflow in the year of £130.8m (FY21: £77.3m). There were three material acquisitions in the year, giving rise to a £77.7m net cash outflow;

- CET Structures Ltd ("CET"), broadening the UK business's capabilities into Claims Assistance
- McLoughlin Plumbing & Heating Co., ("McLoughlin"), enhancing the scale and scope of HomeServe's HVAC capabilities in North America
- Grupo MH, enhancing the scale and scope of HomeServe's HVAC capabilities in Spain

An additional 20 businesses were acquired for a net cash outflow of £34.7m;

- The HVAC buy and build strategy continued across North America, France, Spain and the UK, with an HVAC presence also being established in Belgium and Germany
- Home Experts completed an acquisition in the UK to incorporate specialist point of sale finance expertise
- A Claims Assistance acquisition in Portugal built further scale in that market.

The total cash outflow on acquisitions of £130.8m consisted of £112.4m net cash outflow in the year, as well as £18.4m (FY21: £3.6m) paid on deferred and contingent consideration relating to business combinations in prior periods.

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

Other

In addition to the above, during the year the Group increased its interest in eLocal to c.90% (previously 79%) of the issued share capital for cash consideration of $25.1m (£18.2m).

Earnings per share
Basic earnings per share for the year increased by 327% to 39.5p from 9.3p, reflecting the strong underlying trading performance combined with the absence of a large exceptional charge. On an adjusted basis, earnings per share increased 15% from 42.7p to 49.3p. The weighted average number of shares increased from 335.8m to 336.3m, principally due to new shares issued in fulfilment of share schemes that vested in the year.

Dividends
In light of the offer for the Group, the Board is not recommending payment of a final dividend. However, if the offer terminates, the Board will look to declare an interim dividend in accordance with the Company's Articles of Association.

Financing
In FY22 the Group continued to target net debt in the range of 1.0-2.0x adjusted EBITDA, measured at 31 March each year. With adjusted EBITDA of £315.7m and net debt of £642.8m, including c.£52m of lease liabilities at 31 March 2022, the Group was at the upper end of its target range at 2.0x. Due to the ordinary seasonality of the business, net debt is expected to increase at the next half year before declining, absent any future M&A.

During the year the Group raised an additional £30m via the US private placement market. The proceeds were used to clear headroom on the revolving credit facility (RCF).

As at year end, HomeServe had gross debt of £766m against its gross debt facilities of £1,084m, which combined with a cash balance of £175m gives a total headroom of £493m. With this headroom, and with only £110m of the facilities due within the next 12 months, the Group is well positioned to take advantage of compelling growth opportunities.

Net interest and borrowing costs paid increased to £24.5m (FY21: £21.7m) principally due to the higher average net debt figure year-on-year.

Foreign exchange impact

The impact of changes in the Euro and US dollar exchange rates between FY21 and FY22 resulted in a £47.6m decrease in the reported revenue and a £6.2m decrease in adjusted operating profit of the international businesses as summarised in the table below, largely as a result of an adverse movement in the US dollar/sterling rate. The impact of foreign exchange on statutory operating profit was in line with this.

		Average exchange rate			Effect on (£m) Revenue	Adj. operating profit
		2022	2021	Change	**2022**	**2022**
North America[1]	$	**1.36**	1.31	4%	**(24.1)**	**(2.3)**
France	€	**1.18**	1.12	5%	**(8.0)**	**(2.2)**
Spain	€	**1.18**	1.12	5%	**(10.4)**	**(1.3)**
eLocal	$	**1.37**	1.31	4%	**(4.7)**	**(0.5)**
Habitissimo	€	**1.17**	1.12	5%	**(0.4)**	**0.1**
Total International					**(47.6)**	**(6.2)**

[1]North America comprises US dollar denominated earnings from Membership & HVAC – North America

With an increasing proportion of HomeServe's profits generated overseas, the potential translation impact of foreign exchange movements on reported profits may have a larger impact. A ten cent movement in the FY22 average USD rate of c.1.36 and the Euro rate of c.1.18 would have had approximately a £9.5m and £4.9m impact respectively on full year adjusted operating profit.

With respect to HomeServe's joint venture in Japan and early stage operations in Germany, the impact of future movements in the Yen and Euro pertaining to these activities respectively is not currently material.

Customers

HomeServe's Membership businesses provide products to homeowners by successfully marketing to end consumers, converting them to customers and then delivering high standards of service.

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

Principal Risks and Uncertainties

Risk framework

Risk management at HomeServe forms a significant part of the overall governance structure. The overall risk policy and process is set at Group level with the implementation and ownership being adopted by local businesses. HomeServe's framework includes risk appetite, materiality scoring matrices and key risk indicators. Each business is expected to adhere to the Group risk framework and to report regularly on its risk registers and key risk indicators but, if appropriate, the Group framework may be customised to local requirements as long as minimum standards are met. It is designed to support the Group, and its individual businesses, in making well-informed decisions as well as providing reasonable levels of assurance (total assurance is not attainable) that risks are being correctly identified and are then subject to robust management. A mechanism exists to extend the Group's risk framework to any significant new business that is acquired or established immediately upon acquisition or start-up.

The Board formally reviews and satisfies itself on the effectiveness of the risk management framework by delegation to its Audit and Risk Committee. The Group risk function reports to the Audit and Risk Committee three times a year to enable it to do so.

HomeServe's risk management process

HomeServe's individual businesses consider both operational and strategic risks in the risk management process. Strategic risks consist of identifying both the inherent external and internal risks the organisation faces, with operational risks representing the potential inadequacies in the internal governance and management processes in place.

The key components of HomeServe's risk management process are:

- HomeServe's purpose, vision and values, which facilitate its strategy and inform business objectives
- Principal risks and uncertainties facing the Group are identified by the Executive Directors and where applicable implemented as Group Enterprise Risks (GERs) across the local businesses. Group-wide risks and mitigation processes are regularly reviewed by the Group Audit and Risk Committee
- Risks are consistently identified, assessed, prioritised, mitigated, controlled, monitored and reported through local Risk Committees and at a Group level to the Executive Directors and the Group Audit and Risk Committee
- Oversight, communication and risk management support is provided to local businesses by the Group risk function, particularly with regard to risks likely to have more significant impact on the Group's overall objectives

Our tolerance to risk

The Group's risk appetite is subject to an annual review of its definition, content and criteria for assessment scores. The Board's assessment of risk appetite is guided by HomeServe's vision to become the world's most trusted provider of home repairs and improvements, and by its purpose to make home repairs and improvements easy.

HomeServe's risk appetite is comparatively low. This recognises; firstly, its status as a plc which requires strong governance and reputation and, secondly, its regulated status in certain markets which requires compliance with local laws, rules and guidance.

Our risk assessment

Assessment of risk should look at what could go wrong and not focus on whether the risk has been entirely mitigated.

HomeServe's assessment of risk is approached from a top down and a bottom up perspective. Group Enterprise Risks (GERs), which are those risks that directly link to our business model and strategy, are identified through our Executive Directors.

At a local level, each business identifies strategic and operational risks which are captured on detailed risk registers.

All risks are assessed in respect of likelihood and impact based on the materiality matrix included in the Group risk framework. Risks are then scored on an inherent and residual basis and rated as red, amber or green. A risk, once identified, can be managed within HomeServe's risk appetite through controls, whether manual or automatic and the effectiveness of controls will manage the impact and likelihood of a risk crystalising. Consideration is given to whether risks are within or outside appetite and particular attention is given to the controls that are in place and the actions being taken to mitigate the risks. Incidents are recorded and reported on at the relevant committees.

Risk management governance

Risk registers are reviewed at local committees and boards across the Group. The Executive Directors and the Audit & Risk Committee having regular oversight of both the Group Enterprise Risks and the principal risks identified by each business.

Oversight of the risk management process is provided by the Assurance & Risk Director, local risk and compliance teams, the Audit & Risk Committee and, ultimately, the Board.

The specific responsibilities and activity carried out by local risk teams and the Group risk function are summarised by the "three lines of defence" framework set out below. This is widely recognised as best practice across multiple industry sectors.

Plc Board

Audit & Risk Committee

Executive Directors' meeting

Three scheduled risk discussions p.a.

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

Line 3. Independent

Internal Audit & Assurance

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

Line 2. Risk, Control & Compliance Functions

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

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

Line 1. Business Unit Operations

All front line and support functions

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

Other External bodies e.g. External Audit, Regulators

Strategic Risks Operational Risks Financial Risks

Using the approach set out above, the Board has assessed the principal risks ("Group Enterprise Risks") faced by the Group and is satisfied that appropriate risk mitigation plans are in place and are being implemented.

Changes in FY22

Covid-19

Although the continuing public health response to Covid-19 has begun to shift from treatment as a pandemic to being endemic across most of the territories in which the Group operates, it remains an area of focus. Due to differences by country in the specific approach of national governments, and sub-national public bodies, the risk and response to Covid-19 continues to be managed locally with consideration of the specific risk environment for each business. Any impact seen is then reported to both the Executive Directors and the Audit and Risk Committee.

Climate risk

Governments and corporates globally are facing up to the challenge of climate change. Climate change is both a risk and opportunity for HomeServe.

The expected increase in the frequency and severity of severe weather such as storms and floods could lead to a range of challenges for our operations and emerging regulation could impact HomeServe in a number of ways, including increased operating costs as a result of higher energy, fuel and parts. In addition, the HVAC businesses could face a shortage of skilled engineers as low carbon technologies are deployed and replace conventional heating technologies. More details of the risks and opportunities identified by HomeServe can be found in the TCFD disclosure on page 29 of the Annual Report & Accounts.

HomeServe are working to understand the local impacts of extreme weather events and to increase the flexibility and capacity of its employed and sub-contractor network. Additionally, HomeServe have set emissions targets and are working on plans to deliver the targets, as well as a wider decarbonisation strategy. This will include HomeServe's HVAC M&A strategy, which is targeting the addition of specific capabilities which will enable HomeServe to address both market and local regulatory changes (such as heat pump installers).

Critical risks

In the 2021 Annual Report & Accounts, HomeServe identified a number of risks as critical risks whereby failures in any one of the business units would result in a change in the risk environment at a Group level. Local businesses are required to ensure that risks designated by the Group to be 'critical' risks are actively managed. These are risks where compliance with a minimum level of control is considered to be non-negotiable (an example of a 'critical' risk is health & safety). Best practice in respect of identifying and mitigating 'critical' risks is shared across the Group.

To further strengthen the overall control framework, during FY22 these critical risks were formally recognised as Group Enterprise Risks and, as such, data privacy and health and safety are now included below as Group Enterprise Risks.

Group Enterprise Risks

The following table sets out what the Board believes to be the principal risks and uncertainties facing the Group, the mitigating actions for each and, where applicable, updates on any change in the profile of each risk during the past year. All risks carry equal importance and weighting for the Board, however additional focus and priority may be given to specific risks for a period of time in certain circumstances, for example, following a material acquisition or to implement plans to reduce any risk which exceeds the appetite threshold. The principal risks and uncertainties should be read in conjunction with the Operating review and the Financial review. Additional risks and uncertainties of which HomeServe is not currently aware or are believed not to be significant may also adversely affect strategy, business performance or financial condition in the future.

Risk description/overview	Mitigations	FY22 update	Movement
Competition In any of HomeServe's markets, a successful new entrant or an existing competitor adapting more quickly to changing customer demands and needs could adversely impact its business and its financial results. This could result in fewer customers, lower retention rates, revenue and profitability. Competitors with active M&A programmes could also show interest in HomeServe's targets, leading to missed opportunities or over-paying. Competitive threats today include, but are not limited to; • Utilities running Membership programmes in-house • Adjacent products, e.g. Whole Home Warranty • Existing competitors moving into other geographies • New entrants, e.g. Amazon or Google investing heavily to enter the home services space with new products or technologies • Incumbent competitors to Home Experts in the UK, e.g. Rated People, MyBuilder	HomeServe demonstrates to utilities that they can benefit more by partnering with HomeServe due to its long-term investment horizon. Regular market reviews in each business identify new entrants and increases in competitor activity, e.g. aggressive pricing initiatives. Agile product development responds to changing consumer needs. Shared learning between its markets, analysing consumer trends and developing leading products and services. HomeServe believes it has the winning Home Experts model in Directory Extra which, alongside Checkatrade, Habitissimo is now implementing. Continued learning and idea-sharing happens between the Home Experts businesses.	During the year American Water Works Company, Inc. ("American Water") reached an agreement to sell its Homeowner Services Group ("HSG") to funds advised by Apax Partners LLP. HSG has historically been a key competitor of HomeServe's Membership business in North America. Whilst it could be anticipated that HSG may be more aggressive under its new owners, HomeServe remains the clear market leader in the North American home assistance market. Furthermore, HomeServe's differentiated solutions for utilities and high levels of service for homeowners continues to be a source of competitive advantage.	Increased
Information security & cyber resilience In line with other businesses, HomeServe is subject to the increased prevalence and sophistication of cyber-attacks, which could result in unauthorised access to customer and other data or cause business disruption to services. A successful cyber-attack might have a significant impact on reputation, reducing the trust that customers place in HomeServe and could lead to legal liability, regulatory action and increased costs to rectify. A lapse in internal controls and a subsequent data	HomeServe has a number of defensive and proactive practices across the Group to mitigate this risk. There is a detailed information security policy, which is communicated across the Group and training is provided as required. Regular penetration testing is in place to assess defences and HomeServe continues	The Group's businesses continued to invest in security capabilities as part of strategic activities in response to evolving threats, with a focus on ensuring any new solutions support its continued hybrid working arrangements. During the year, a business in Spain that was acquired in FY21 experienced a ransomware attack. This was contained within that business,	No change

breach or loss would have a similar impact. Total customer numbers and policy retention rates may reduce and partners may terminate affinity relationships if they perceive customer data to be at risk.	to invest in IT security, ensuring secure configurations and processes, access controls, appropriate security tooling and effective communication of policies and procedures to all employees.	demonstrating the importance of the Group's commitment to, where necessary, increasing the security of acquisitions prior to integrating operations with other Group businesses. In addition, wider capabilities and relationships across the Group were leveraged to help respond and recover, as well as accelerate delivery of security improvements.	
Data privacy In the operation of its businesses HomeServe collects customer, employee, commercial and other data. Without appropriate mitigating controls there is a risk that such data could be inappropriately collated, processed, stored or disclosed, or indeed lost or compromised. This could result in business disruption, reputational damage and financial loss as well as regulatory action resulting in additional costs, loss of customers and potential loss of partners.	HomeServe utilises several mitigating controls to manage the data privacy risk. Expertise within the local businesses is supported by a detailed data protection framework designed to promote best practice for the processing of personal data. In addition, oversight and support is provided through a centralised Group function. The Group function continues to support new acquisitions in the implementation of the framework. Oversight is supported through monitoring controls, key risk indicators, governance committees and the audit function.	Over the last year, the continued focus on the management of data has resulted in an overall reduction in the risk exposure across the Group. As such, all businesses are currently operating within the Group's appetite for this risk.	New this year
M&A strategy HomeServe has an active M&A strategy focused on two primary areas; Membership policy books and a buy and build strategy to grow its HVAC footprint. There is a risk HomeServe could overpay for transactions or underestimate the time and resource required to integrate new businesses, potentially leading to lower than anticipated cash inflows and revenue, increased costs, reduced profitability and an increased likelihood of impairment. By contrast, a successful M&A strategy should diversify risk by, for example, introducing new partners and channels, increasing profitability and should lead	Strict criteria when building a prospects pipeline. Independent advisers engaged in due diligence processes. Strong track record and experience of acquiring and growing policy books. Local management expertise with oversight from central plc function. Clear investment hurdles and completion of post-investment reviews.	There has been no change to the underlying risk of HVAC M&A, with all acquisitions continuing to be appraised by dedicated M&A teams, and transactions approved by local and/or plc Board. Furthermore, during the year the plc Board approved a formal set of target investment guidelines for HVAC M&A across the Group.	No change

to increases in KPIs such as customers and policies.	All investments require local and, where applicable, plc Board approval.		
Climate risk Governments and corporates globally are facing up to the challenge of climate change. Climate change is both a risk and opportunity for HomeServe. The expected increase in the frequency and severity of severe weather such as storms and floods could lead to a range of challenges for our operations and emerging regulation could impact HomeServe in a number of ways, including increased operating costs as a result of higher energy, fuel and parts. In addition, the HVAC businesses could face a shortage of skilled engineers as low carbon technologies are deployed and replace conventional heating technologies. More details of the risks and opportunities identified by HomeServe can be found in the TCFD disclosure on page 29 of the Annual Report & Accounts.	HomeServe are working to understand the local impacts of extreme weather events and to increase the flexibility and capacity of its employed and sub-contractor network. All of HomeServe's international businesses maintain (and regularly test) business continuity plans. HomeServe have set emissions targets and are working on a decarbonisation strategy. HomeServe's HVAC M&A strategy is targeting the addition of specific capabilities which will enable HomeServe to address both market and local regulatory changes (such as heat pump installers). HomeServe are engaging with suppliers, installers and partners to understand the projected market, including which technologies are most likely to be adopted. In addition, HomeServe are working, through the HomeServe Foundation, to increase apprenticeships in relevant trades.	HomeServe have set Group wide targets for emissions and are working on plans to deliver the targets. HomeServe have identified high-level risks and opportunities, and these have been shared with local businesses. Local businesses are considering how these impact on them and what actions are needed to mitigate the risks. To monitor and measure performance against the decarbonisation journey, an Environment Management System is being developed.	New this year
Underwriting capacity & concentration In Membership, HomeServe markets and administers policies that are underwritten by independent third-party insurers. HomeServe acts as an insurance intermediary and does not take on any material insurance risk. These arrangements are a core part of the Membership model and help	With the exception of the UK, at least two underwriters share the policy books in each country. In the UK, HomeServe maintains relationships with a number of other underwriters who are	Each of HomeServe's underwriting relationships remain strong, with regular engagement during FY22, and the financial position of each of the underwriting partners continues to be very solid.	No change

protect HomeServe from short term risk, for example, rising claims costs or frequencies. Seeking new underwriters and obtaining relevant regulatory approvals may take time, leading to business disruption. Lack of suitable underwriters could force HomeServe to underwrite policies in-house, exposing it to material insurance risk. A material change in the operating model would also drive a change in accounting policy that could affect short term profitability. Customer numbers and retention rates may fall if customers experience reduced service levels or are not covered throughout any period of disruption.	willing and able to underwrite the business. Regular (at least every 6 months) reviews with all underwriters to ensure that current product performance and trends are understood.	In the normal course of business, the regular data sharing and review of actuarial performance with underwriters continues to support the underwriting of risks. This is despite pockets of higher product usage (associated with higher levels of home working) and higher average job cost (associated with a more inflationary macro-economic environment).	
Regulation In its Membership businesses, HomeServe is subject to regulatory requirements relating to, for example, product design, marketing materials, sales processes and data protection. HomeServe believes that regulation has a positive impact and encourages a culture that promotes customers' interests and will improve HomeServe's prospects over both the short and long-term. Like many companies HomeServe is also subject to wider regulation concerning, for example, anti-corruption, anti-fraud and bribery and modern slavery. Specific policies can be found at www.homeserveplc.com/who-we-are/governance/policies. Failure to comply with regulatory requirements in any of its countries could result in the suspension, either temporarily or permanently, of certain activities. Much regulation is intended to protect customers and failure to adhere to the high expectations customers have of HomeServe could lead to reduced retention and higher customer losses. In addition, legislative changes relating to partners may change their obligations with regard to the infrastructure they currently manage and hence the products and services HomeServe can offer to customers. It is possible such legislative changes could reduce, or even remove, the need for some of HomeServe's products and services.	Compliance with local regulation as a minimum to ensure products are designed, marketed and sold in accordance with all relevant legal and regulatory requirements, and that the terms and conditions are appropriate and meet the needs of customers. Best practice shared across the Group. Regulatory specialists, compliance teams and Non-Executive Directors in each business. HomeServe maintains regular dialogue with the FCA in the UK. In North America, there is regular contact with the Attorneys General.	In the UK, in line with new FCA requirements across the general insurance industry, the Membership business implemented changes to enable customers to opt-out of auto-renewal online, in addition to the telephony and postal channels already available to them. In France, the Membership business was focussed on implementing changes to certain of its telephony sales processes to support compliance with new government regulations which took effect at the beginning of April 2022.	No change
Digital transformation As distinct from technology investment (below) digital transformation relates principally to interactions with	HomeServe continues to review and respond to customer comments and needs	The use of automation across the Membership business to enhance the service levels given to	Increased

customers (be they homeowners or trades), ensuring HomeServe offers a multi-channel, multi-media approach to interact with them and that it does so in an efficient and cost-effective manner. If HomeServe is not flexible enough to respond to changing needs, customers may explore competitor products and choose not to renew. There is also a reputational risk as complaints logged via social media can quickly escalate if not dealt with in an appropriate and timely manner.	and customers are offered a number of channels through which they can engage with HomeServe: telephone, website, digital live chat, paper, email and social media.	customers continues to be pursued across the Group. In particular natural language call automation now accounts for a sizeable proportion of first notification of loss (FNOL) calls in both North America and the UK.	
Technology investment As distinct from digital transformation (above), this risk principally relates to investment in the key systems the Group relies on to manage its daily operations. Appropriate and timely maintenance and investment is required to ensure systems continue to meet the changing needs of the business and its customers. Failure in back-office systems may lead to business interruption, and lack of investment to provide timely and appropriate data could jeopardise the ability to analyse performance indicators and react to any trends. Over-investment in any new initiatives could see investment outweigh future benefits and lead to impairment.	All decisions are subject to the Group's strict investment criteria and hurdles. Major IT programmes are allocated specific governance structures and oversight with members of senior management sitting on the Programme Board. HomeServe engages a number of external advisers on large software projects to provide appropriate breadth and depth of experience and expertise to ensure there is no over-reliance on any one supplier and to support management in project delivery.	In the UK, following the FY21 decision to fully impair the eServe CRM system, the business transferred sales activity back to the existing system, and all policies have been migrated back to the existing system. The business anticipates that the longer term CRM solution will be a third-party, cloud-based offering learning from successful project implementations elsewhere in EMEA. In Spain, the business successfully migrated all customer policies to a Salesforce CRM system. In France, the business continued to extend the rollout of a third-party standardised enterprise resource planning (ERP) platform to businesses in its HVAC portfolio.	Increased
HVAC integration The higher volume of HVAC acquisitions requires disciplined and often standardised processes to ensure successful integration into HomeServe, creating strong links to the Membership business and achieving synergies with, for example, the engineer network. Failure to integrate acquisitions quickly and effectively could result in failure to deliver synergies, and increase costs, resulting in failure to achieve predicted revenues and potentially lead to impairment.	Integration plans form part of all business case approvals. Post-investment reviews provide learning for future acquisitions. Dedicated teams and resources and retention of key management personnel in the acquired businesses.	A total of 20 HVAC acquisitions were made in FY22 across the US, France, Spain, the UK, Belgium and Germany. In both the US and France, a number of portfolio businesses have begun operating on standardised ERP platforms, with expected rollout to all portfolio businesses in time.	No change
Partner loss Underpinning HomeServe's success in its chosen markets are close commercial relationships (affinity partner relationships) principally with	A portfolio of partners in each business diversifies risk.	In North America, HomeServe continued to sign new partners at the rate of around two per week. During the year	No change

utility companies, and municipal utility providers. The loss of multiple relationships could impact HomeServe's future customer and policy growth plans and retention rates. Growth plans, particularly in North America, focus on signing new partners to extend reach and provide new marketing opportunities to grow the business. HomeServe has benefitted from government policy changes in certain regions to form new partnerships, for example, liberalisation of energy markets in Spain. Any reversal, for example to re-nationalise utilities, could have an adverse impact. Albeit HomeServe does have strong experience working with public sector municipals in North America. With over 1,000 partners across the Group, it is inevitable that a few partners each year may choose not to renew a contract as priorities or commercial pressures change. In the UK and North America, where partner bases are more diversified, the impact is considered small. In France, the loss of, for example, Veolia would have a bigger impact similar to that of Endesa in Spain where the back book is now in run-off. Any partner loss or failure to sign new partners could impact households, customers and also retention rates.	Partners signed on long-term contracts with beneficial financial terms for each party. HomeServe seeks to renew contracts early, ahead of any expiration date. Regular dialogue with all partners, particularly in markets with more concentrated partner relationships, for example France.	the business exited a relationship with a partner with which it had built a customer book of c.0.1m, however the business does not see any wider in-sourcing trend in the North American market. In the UK, the business renewed relationships with four water partners accounting for 5m households during the year. Notwithstanding the contraction in the number of retail energy suppliers caused by high wholesale prices, the household coverage the business has via its energy relationships increased during the year. In Japan, further partnership agreements were signed with electric utilities, meaning HomeServe now has access to around 14m households in that territory.	
People HomeServe's ability to meet growth expectations and compete effectively is, in part, dependent on the skills, experience and performance of its personnel. Retention of people in established businesses is key, as is recruitment of talented people in growth businesses, for example Home Experts. The inability to attract, motivate or retain key talent could impact overall business performance. HomeServe has several growth opportunities and ensuring appropriate bandwidth at the top of the organisation is key to maintaining effective control and oversight. Gender Pay disclosures in the UK, and reviews such as that previously undertaken by Hampton Alexander, also play an increasing role in informing HomeServe's People agenda. This ensures HomeServe have the appropriate diversity of people, experience and ideas to move the business forward.	Employment policies, remuneration and benefits packages and long-term incentives are regularly reviewed and designed to be competitive with other companies. Employee surveys, performance reviews and regular communication of business activities are used to understand and respond to employee views and needs. Processes exist to identify high performing individuals and ensure that they have fulfilling careers, and HomeServe is managing succession planning effectively.	HomeServe employed an average of c.8,600 people globally through FY22. 78% of those people completed the Global People Survey, returning an engagement score of 75%, down 3 percentage points on the prior year but remaining higher than the pre-pandemic level. Labour markets in each of the territories that the Group's businesses operate in have been tighter, as the impact of Covid-19 has begun to move to its endemic phase. Across the Group this has been seen in slightly higher rates of attrition, alongside some pockets of slightly longer lead times in recruitment.	No change

Failure to deliver strategic growth HomeServe has several opportunities to develop its businesses. There is a risk that it fails to determine where to focus energy, time and resources and, as a result, misses opportunities or does not deliver strategic growth targets or achieve the expected or desired outcomes.	The leadership of each of HomeServe's three divisions have clarified the combination of assets and competencies that leads to repeatable strong operational and financial performance, and that drives each division towards its overarching strategic objectives, in the form of a flywheel. Additionally, the key behaviours required across the businesses to deliver those objectives are codified, acting as a mission statement for all employees. All new business opportunities are then assessed against this framework, and immediately de-selected if they are not instrumental to turning the flywheel. In the Home Experts division in particular, the key value driver across the three different platforms has been distilled – thereby helping to guide both assessment of strategic opportunities and operational priorities.	As the least mature of the Group's three divisions, resource is focused on managing this risk at Home Experts. A quarterly forum has met during the year, convening the leaders of each platform, to share experience from local markets. This has helped each business further refine its approach to key strategic decisions.	No change
Health and safety In common with other organisations, HomeServe has an obligation to provide a safe working environment for its colleagues, customers and stakeholders. With HomeServe's continued growth, through recent M&A, health and safety has been added as a new risk to mitigate the potential increase in risk exposure due to the rise in the number of HVAC engineers. An overarching health and safety policy at the Group level provides support to health and safety leads in each of the Group businesses who are responsible for ensuring compliance with industry regulations, as well as prevailing standards specific to each territory. Non-compliance with these standards would naturally lead to personal injury,	A governance structure is in place with health and safety matters being subject to oversight of the Audit and Risk Committee and, where applicable, the plc Board. Strategic Safety & Health Improvement Plans. Robust health and safety policies and standards at the Group level, with compliance required by individual businesses.	Support, oversight and reporting continues to be provided to the local health and safety leads within each of the businesses. This is against a backdrop whereby health and safety is being managed within appetite in each of the Group's businesses.	New this year

substantial fines and penalties, and reputational damage.	Health and safety leads appointed in all jurisdictions, who have responsibility for delivering and championing the health and safety policy and framework locally and in any newly acquired businesses. Mandatory training in safe working practices.		
Financial **Interest rate risk** Fluctuations in interest rates could lead to HomeServe being exposed to higher interest costs on its underlying debt obligations. **Credit risk** There is a risk that customers do not pay monies owed, thereby meaning lower amounts of cash are recovered relative to expected receivables. **Liquidity risk** There is a risk that short-term and long-term funding necessary to meet business needs and take advantage of strategic priorities becomes unavailable. **Financial misstatement risk** There is a risk of financial misstatement, whereby material errors in financial reporting mean that accounts prepared by HomeServe do not give a true and fair view of the state of the Group's affairs – furthermore exposing HomeServe to possible reputational damage.	**Interest rate risk** HomeServe's policy is to manage interest cost using a mix of fixed and variable rate borrowings. Where necessary, this is achieved by entering into interest rate swaps for certain periods, in which HomeServe agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed notional principal amount. These swaps are designed to economically hedge underlying debt obligations. **Credit risk** The risk associated with cash and cash equivalents is managed by only depositing funds with reputable and creditworthy banking institutions. The risk of a policyholder defaulting is mitigated as any policy cover will cease as and when any premium fails to be paid. **Liquidity risk** HomeServe manages liquidity risk by maintaining adequate reserves and banking facilities, and continuously	During FY22 HomeServe arranged an additional £30m of funding for six years via the US private placement market with a fixed interest rate of 2.47%.	No change

	monitoring forecast and actual cash flows. **Financial misstatement risk** HomeServe manages the risk of financial misstatement by ensuring that businesses comply with a toolkit that sets out the minimum standards on financial control. The financial results for each business are subject to reviews on a monthly basis from local management, Group finance and the plc Board.		

Group Income Statement
Year ended 31 March 2022

	Notes	**2022 £m**	2021 £m
Continuing operations			
Revenue	3	**1,429.3**	1,304.7
Operating costs		**(1,223.3)**	(1,230.4)
Share of results of equity accounted investments		**(3.4)**	(2.5)
Operating profit		**202.6**	71.8
Investment income		**0.3**	0.4
Finance costs		**(27.8)**	(25.0)
Adjusted profit before tax		**220.3**	191.3
Amortisation of acquisition intangibles		**(44.9)**	(45.0)
Certain transaction related costs	4	**(0.3)**	(6.7)
Exceptional items	4	**–**	(92.4)
Profit before tax		**175.1**	47.2
Tax	5	**(41.7)**	(15.4)
Profit for the year		**133.4**	31.8
Attributable to:			
Equity holders of the parent		**132.8**	31.1
Non-controlling interests		**0.6**	0.7
		133.4	31.8
Dividends per share, paid and proposed	6	**6.8p**	26.0p
Earnings per share			
Basic	7	**39.5p**	9.3p
Diluted	7	**39.3p**	9.2p

Group Statement of Comprehensive Income
Year ended 31 March 2022

	2022 £m	2021 £m
Profit for the year	**133.4**	31.8
Items that will not be reclassified subsequently to profit and loss:		
Re-measurement gain/(loss) on defined benefit pension schemes	**3.7**	(4.5)
Deferred tax (charge)/credit relating to re-measurements	**(0.9)**	0.9
Fair value (loss)/gain on "fair value through other comprehensive income" (FVTOCI) investments in equity instruments	**(0.1)**	4.6
Deferred tax charge relating to fair value movements on FVTOCI investments in equity instruments	**–**	(1.3)
	2.7	(0.3)
Items that may be reclassified subsequently to profit and loss:		
Exchange movements on translation of foreign operations	**7.1**	(26.4)
Exchange movements on non-controlling interests	**0.3**	(1.1)
	7.4	(27.5)
Total other comprehensive income/(expense)	**10.1**	(27.8)
Total comprehensive income for the year	**143.5**	4.0
Attributable to:		
Equity holders of the parent	**142.6**	4.4
Non-controlling interests	**0.9**	(0.4)
	143.5	4.0

Group Balance Sheet
31 March 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Goodwill		**667.9**	564.3
Other intangible assets and prepaid software	8	**424.1**	391.3
Contract costs		**4.1**	8.2
Right-of-use assets		**48.3**	48.6
Property, plant and equipment		**40.4**	41.7
Equity accounted investments		**1.3**	0.8
Other investments		**14.3**	12.9
Other financial assets		**1.5**	1.2
Deferred tax assets		**2.3**	12.8
Retirement benefit assets		**14.3**	8.3
		1,218.5	1,090.1
Current assets			
Inventories		**20.4**	12.2
Trade and other receivables		**549.6**	501.0
Other financial assets		**0.9**	–
Current tax assets		**0.7**	2.5
Cash and cash equivalents	10	**174.5**	171.4
		746.1	687.1
Total assets		**1,964.6**	1,777.2
Current liabilities			
Trade and other payables		**(447.4)**	(454.9)
Bank and other loans		**(100.9)**	(54.0)
Current tax liabilities		**(5.7)**	(9.2)
Lease liabilities		**(15.2)**	(12.7)
Provisions		**(5.2)**	(6.0)
		(574.4)	(536.8)
Net current assets		**171.7**	150.3
Non-current liabilities			
Bank and other loans		**(664.9)**	(579.8)
Trade and other payables		**(36.8)**	(31.8)
Deferred tax liabilities		**(18.6)**	(15.3)
Lease liabilities		**(36.3)**	(38.6)
Retirement benefit obligations		**(0.8)**	(1.2)
		(757.4)	(666.7)
Total liabilities		**(1,331.8)**	(1,203.5)
Net assets		**632.8**	573.7
Equity			
Share capital	9	**9.1**	9.1
Share premium account		**199.3**	196.4
Share incentive reserve		**20.5**	18.6
Currency translation reserve		**17.7**	10.6
Investment revaluation reserve		**2.6**	2.7
Other reserves		**79.2**	79.2
Retained earnings		**299.2**	247.4
Attributable to equity holders of the parent		**627.6**	564.0
Non-controlling interests		**5.2**	9.7
Total equity		**632.8**	573.7

Group Statement of Changes in Equity

Year ended 31 March 2022

	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 2021	9.1	196.4	18.6	10.6	2.7	79.2	247.4	**564.0**	9.7	**573.7**
Profit for the year	–	–	–	–	–	–	132.8	**132.8**	0.6	**133.4**
Other comprehensive income for the year	–	–	–	7.1	(0.1)	–	2.8	**9.8**	0.3	**10.1**
Total comprehensive income	**–**	**–**	**–**	**7.1**	**(0.1)**	**–**	**135.6**	**142.6**	**0.9**	**143.5**
Dividends paid (note 6)	–	–	–	–	–	–	(89.3)	**(89.3)**	–	**(89.3)**
Issue of share capital (note 9)	–	2.9	–	–	–	–	–	**2.9**	–	**2.9**
Share-based payments	–	–	4.8	–	–	–	–	**4.8**	–	**4.8**
Share options exercised	–	–	(2.9)	–	–	–	–	**(2.9)**	–	**(2.9)**
Tax on exercised share options (note 5)	–	–	–	–	–	–	0.2	**0.2**	–	**0.2**
Deferred tax on share options (note 5)	–	–	–	–	–	–	0.1	**0.1**	–	**0.1**
Changes in non-controlling interests	–	–	–	–	–	–	5.2	**5.2**	(5.4)	**(0.2)**
Balance at 31 March 2022	**9.1**	**199.3**	**20.5**	**17.7**	**2.6**	**79.2**	**299.2**	**627.6**	**5.2**	**632.8**

Year ended 31 March 2021

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

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

Group Cash Flow Statement
Year ended 31 March 2022

	Notes	**2022 £m**	2021 £m
Net cash inflow from operating activities	**10**	**207.6**	223.0
Investing activities			
Interest received		**0.1**	0.1
Proceeds on disposal of fixed assets		**8.8**	0.3
Purchases of intangible assets		**(63.0)**	(62.8)
Contract costs		**(1.3)**	(1.5)
Purchases of property, plant and equipment		**(6.2)**	(7.1)
Contribution to equity accounted investee		**(3.6)**	(2.2)
Loan to investee		**(1.3)**	–
Business disposals	12	**3.0**	(3.9)
Business acquisitions	12	**(130.8)**	(77.3)
Net cash used in investing activities		**(194.3)**	(154.4)
Financing activities			
Dividends paid	6	**(89.3)**	(80.5)
Repayment of lease principal		**(14.7)**	(14.8)
Acquisition of non-controlling interests	13	**(18.2)**	–
New bank and other loans raised		**30.0**	243.4
Costs associated with new bank and other loans raised		**(0.3)**	(2.2)
Proceeds from loans and borrowings		**123.2**	27.1
Repayment of loans and borrowings		**(39.9)**	(214.6)
Net cash used in financing activities		**(9.2)**	(41.6)
Net increase in cash and cash equivalents, net of bank overdrafts		**4.1**	27.0
Cash and cash equivalents, net of bank overdrafts, at the beginning of the year		**149.4**	131.2
Impact of foreign exchange rate changes		**4.0**	(8.8)
Cash and cash equivalents, net of bank overdrafts, at the end of the year		**157.5**	149.4

Notes to the condensed set of financial statements

1. Basis of preparation

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRSs') adopted for use by the United Kingdom and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, this announcement does not itself contain sufficient information to comply with IFRSs. The Company will publish full financial statements that comply with IFRSs in June 2022.

The financial information set out above does not constitute the Group's statutory financial statements for the years ended 31 March 2022 or 31 March 2021, but is derived from those financial statements. Statutory financial statements for FY21 prepared under IFRSs have been delivered to the Registrar of Companies and those for FY22 will be delivered following the Company's Annual General Meeting. The auditor, Deloitte LLP, has reported on those financial statements; its reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) Companies Act 2006. These financial statements were approved by the Board of Directors on 24 May 2022.

2. Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in this condensed set of financial statements as applied in the Group's 31 March 2021 audited financial statements, except as described below.

Adoption of new or revised standards

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

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

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

IFRIC Agenda Decision – Configuration or customisation costs in 'Software as a Service' (SaaS) cloud computing arrangements

In April 2021, the International Financial Reporting Interpretations Committee (IFRIC) clarified the treatment of customisation and configuration costs in SaaS cloud computing arrangements. As a result, from 1 April 2021, the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS solutions.

Historically, the Group has capitalised costs directly attributable to the configuration and customisation of SaaS arrangements as intangible assets on the balance sheet. Following the adoption of the IFRIC agenda decision, all SaaS arrangements were identified and assessed to determine if the Group had control of the underlying SaaS software or a separate intangible asset had been generated. For those arrangements where the Group does not have control of the SaaS software asset and customisation and configuration services are provided by the SaaS supplier, the Group recognises the costs of that software as a prepayment over the period it expects to utilise the software. Where those services are provided by another party the costs are expensed in the income statement when the service is received.

The change in accounting policy did not have a material impact on earlier periods and therefore the comparatives were not restated. The timing and quantum of cash flows associated with SaaS arrangements are unaffected by this change.

2. Significant accounting policies (continued)

Software costs – accounting policy
Software costs are stated at cost less accumulated amortisation. Capitalised costs comprise third party and internal payroll costs where the employee time is directly attributable to the development of the software. In accordance with the criteria of IAS 38, software costs are capitalised if the Group has control over the asset generated or a separately identifiable asset has been created. External costs incurred as part of a service agreement, which do not meet the criteria of IAS 38 are prepaid and amortised over the period of expected use of the service. Other costs which do not meet the criteria for capitalisation are expensed to the income statement as incurred.

When the software is available for its intended use, these costs are amortised on a straight-line basis over the expected useful economic life.

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

3. Segmental analysis

Business segments
Underneath the Group's 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 the results of Germany (since acquisition on 12 January 2022)).

The Home Experts division, splits into three geographic IFRS 8 segments; 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), Shermin Finance (UK) (since acquisition on 14 June 2021, see note 12) and Home Experts France (until the point of disposal on 15 May 2020)).

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

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

3. Segmental analysis (continued)

2022	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	408.7	212.5	116.2	43.8	–	–	–	–	781.2
Repair income	80.4	95.7	0.2	145.1	–	–	–	–	321.4
HVAC installations	89.3	17.2	30.7	7.6	0.8	–	–	–	145.6
Home Experts	–	–	–	–	–	55.6	88.9	10.7	155.2
Other	4.6	12.1	5.6	11.0	–	–	–	–	33.3
Total revenue	583.0	337.5	152.7	207.5	0.8	55.6	88.9	10.7	1,436.7
Inter-segment	–	(7.4)	–	–	–	–	–	–	(7.4)
External revenue	**583.0**	**330.1**	**152.7**	**207.5**	**0.8**	**55.6**	**88.9**	**10.7**	**1,429.3**
Result									
Adjusted operating profit/(loss)[1]	117.7	72.9	36.4	20.8	(5.6)	(2.8)	10.6	(3.5)	246.5
Certain transaction related income/(costs)	3.2	–	(0.1)	–	–	–	(2.0)	(0.1)	1.0
Amortisation of acquisition intangibles	(19.2)	(4.0)	(6.9)	(3.2)	–	(4.6)	(5.9)	(1.1)	(44.9)
Operating profit/(loss)	101.7	68.9	29.4	17.6	(5.6)	(7.4)	2.7	(4.7)	202.6
Investment income									0.3
Finance costs									(27.8)
Profit before tax									175.1
Tax									(41.7)
Profit for the year									133.4

2021	Membership & HVAC North America £m	Membership & HVAC - EMEA UK £m	France £m	Spain[2] £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	6.9	–	–	–	–	92.9
Home Experts	–	–	–	–	–	38.9	91.3	9.6	139.8
Other	3.3	13.3	3.3	8.7	–	–	–	–	28.6
Total revenue	506.4	338.9	132.6	195.7	–	38.9	91.3	9.6	1,313.4
Inter-segment	–	(8.7)	–	–	–	–	–	–	(8.7)
External revenue	506.4	330.2	132.6	195.7	–	38.9	91.3	9.6	1,304.7
Result									
Adjusted operating profit/(loss)[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

[1] Adjusted operating profit is defined in the Glossary to the Preliminary Results.
[2] Comparatives for the year to 31 March 2021 have been updated for the reclassification of £8.7m of Spanish HVAC on demand revenue from HVAC installations to other income.

Net policy income includes £52.2m of home assistance revenue (FY21: £52.7m) where the Group contracts directly with the end user and not through an underwriter.

3. Segmental analysis (continued)

Segment information

	Assets		Liabilities		Non-current asset additions		Depreciation, amortisation and impairment	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Membership & HVAC								
North America	**636.1**	586.7	**709.6**	670.7	**24.0**	24.0	**42.0**	41.0
Membership & HVAC - EMEA								
UK	**1,225.3**	1,068.3	**895.4**	768.7	**14.6**	19.2	**18.6**	116.1
France	**286.1**	265.0	**185.4**	174.3	**19.0**	19.0	**19.5**	17.1
Spain	**201.2**	176.6	**142.9**	117.6	**8.0**	9.8	**13.4**	16.2
New Markets	**10.2**	0.8	**9.2**	–	–	–	–	–
Home Experts								
UK	**105.9**	111.8	**19.2**	20.8	**9.5**	9.3	**11.3**	9.1
North America	**129.3**	122.3	**13.0**	18.3	**1.7**	0.1	**6.4**	6.7
Other	**26.8**	21.3	**13.4**	8.7	**2.3**	2.7	**2.9**	2.1
Inter-segment	**(656.3)**	(575.6)	**(656.3)**	(575.6)	–	–	–	–
Total	**1,964.6**	1,777.2	**1,331.8**	1,203.5	**79.1**	84.1	**114.1**	208.3

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

In FY21 these figures included £84.7m of exceptional impairment charges booked in the Membership & HVAC - EMEA UK segment in relation to eServe and other intangible software assets (see note 4) and £0.1m of non-exceptional impairment charges booked in the Home Experts UK segment in relation to contract costs.

Information about major customers

During FY22 two (FY21: three) underwriters were customers of the Group that individually accounted for over 10% of the Group's revenue:

	2022	2021
	%	%
Customer 1 - UK	**19.9**	23.5
Customer 2 – North America	**15.9**	16.1
Customer 3 – North America	**9.1**	11.8
Other customers individually representing below 10% of Group revenue	**55.1**	48.6
	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	
	2022	2021	**2022**	2021
	£m	£m	**£m**	£m
USA	**670.1**	596.0	**426.0**	399.1
UK	**385.4**	368.5	**417.2**	354.9
Spain	**207.0**	199.1	**144.5**	100.6
France	**152.3**	132.6	**191.2**	181.0
Other	**14.5**	8.5	**7.2**	19.3
Total	**1,429.3**	1,304.7	**1,186.1**	1,054.9

3. Segmental analysis (continued)

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

4. Adjusting and exceptional items

Adjusting items, in addition to amortisation of acquired intangibles of £44.9m (FY21: £45.0m), comprised the following:

	2022 £m	2021 £m
Costs of put options on non-controlling interests accrued over time	**2.7**	2.8
Fair value (gains)/losses on option obligations and contingent consideration	**(3.7)**	2.3
Certain transaction related (income)/costs included within operating costs	**(1.0)**	5.1
Unwinding of discount on option obligations and contingent consideration	**1.3**	1.6
Certain transaction related costs included within finance costs	**1.3**	1.6
Total certain transaction related costs included in profit before tax	**0.3**	6.7
Net taxation on certain transaction related costs	**(0.1)**	(1.7)
Total certain transaction related costs after tax	**0.2**	5.0

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

	2022 £m	2021 £m
Impairment charges and associated costs	**–**	86.9
Restructuring costs	**–**	5.5
Exceptional items included within operating profit before tax	**–**	92.4
Net taxation on exceptional items	**–**	(17.6)
Net exceptional items after tax	**–**	74.8

Year ended 31 March 2021

Impairment and associated charges

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

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

4. Adjusting and exceptional items (continued)

Restructuring costs

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

5. Taxation

	2022 £m	2021 £m
Current tax		
Current year charge	**39.1**	40.5
Adjustments in respect of prior years	**(1.0)**	(2.0)
Total current tax charge	**38.1**	38.5
Deferred tax charge/(credit)	**3.6**	(23.1)
Total tax charge	**41.7**	15.4

The pre-exceptional effective tax rate for the year ended 31 March 2022 was 24% (FY21: 24%). The post-exceptional effective tax rate for the same period was 24% (FY21: 33%). UK corporation tax is calculated at 19% (FY21: 19%) of the estimated assessable profit for the year. The UK Government in its 2021 Budget announced that the main UK corporate rate would be maintained at 19% until 31 March 2023, before being increased to 25% from 1 April 2023. This proposal was substantively enacted on 24 May 2021 when the UK's deferred taxes were re-measured accordingly. However, based on the UK's deferred tax position this UK tax rate increase did 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 26% in the US (FY21: 25%), 27% in France (FY21: 28%), 25% in Spain (FY21: 25%), a blended rate of 30% in Germany (FY21: 30%) and a blended rate of 28% in Italy (FY21: substitute tax of 12%), which explains the 'Overseas tax rate differences' below. 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:

	2022 £m	2021 £m
Profit before tax on continuing operations	**175.1**	47.2
Tax at the UK corporation tax rate of 19% (FY21: 19%)	**33.3**	9.0
Tax effect of items not deductible in determining taxable profit	**0.5**	–
Adjustments in respect of prior years – current tax	**(1.0)**	(2.0)
Deferred tax rate adjustment	**(0.3)**	–
Adjustments in respect of prior years – deferred tax	**0.2**	1.3
Overseas tax rate differences	**9.0**	7.1
Tax expense for the year	**41.7**	15.4

5. Taxation (continued)

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.

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 final 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 issued with a charging notice in January 2021, 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, the Group paid the tax arising during the financial year ended 31 March 2021, which was not material. The Group had previously included the calculation of the potential liability within its uncertain income tax estimation within current tax liabilities in the Group Balance Sheet. The Group in FY21 had utilised this tax provision in settling the HMRC charging notice and therefore it had no adverse impact upon the Group's effective tax rate in FY21.

A retirement benefit tax charge of £0.9m (FY21: credit £0.9m) has been recognised directly in other comprehensive income. In addition to the amounts (charged)/credited to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	2022 £m	2021 £m
Current tax		
Excess tax deductions related to share-based payments on exercised options	**0.2**	1.5
Deferred tax		
Change in estimated excess tax deductions related to share-based payments	**0.1**	(1.0)
Total tax recognised directly in equity	**0.3**	0.5

6. Dividends

	2022 £m	2021 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2021 of 19.8p (2020: 17.8p) per share	**66.5**	59.7
Interim dividend for the year ended 31 March 2022 of 6.8p (2021: 6.2p) per share	**22.8**	20.8
	89.3	80.5

In light of the offer for the Group, the Board is not recommending payment of a final dividend. However, if the offer terminates, the Board will look to declare an interim dividend in accordance with the Company's Articles of Association (FY21: final dividend of 19.8p per share amounting to £66.5m).

7. Earnings per share

	2022 **pence**	2021 pence
Basic	**39.5**	9.3
Diluted	**39.3**	9.2
Adjusted basic	**49.3**	42.7
Adjusted diluted	**49.1**	42.6

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

Number of shares	**2022** **m**	2021 m
Weighted average number of shares		
Basic	**336.3**	335.8
Dilutive impact of share options	**1.2**	1.0
Diluted	**337.5**	336.8

Earnings	**2022** **£m**	2021 £m
Profit for the year attributable to equity holders of the parent	**132.8**	31.1
Amortisation of acquisition intangibles	**44.9**	45.0
Certain transaction related costs (note 4)	**0.3**	6.7
Exceptional items (note 4)	**–**	92.4
Tax impact arising on adjusting and exceptional items	**(10.9)**	(29.7)
Non-controlling interests' share of adjusting items	**(1.4)**	(2.1)
Adjusted profit for the year attributable to equity holders of the parent	**165.7**	143.4

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

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

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

8. Other intangible assets and prepaid software

Other intangible assets and prepaid software on the balance sheet include £421.4m (FY21: £391.3m) of intangible assets and £2.7m (FY21: £nil) of prepaid software assets related to 'Software as a Service' arrangements. Other intangible assets are categorised as follows:

	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 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**
Business acquisitions	2.0	26.6	–	**28.6**	–	–	1.2	**29.8**
Disposals	–	(1.2)	–	**(1.2)**	(0.4)	–	(1.7)	**(3.3)**
Disposal of business	–	–	–	**–**	–	–	(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 1 April 2021	189.8	257.2	15.0	**462.0**	41.6	44.2	342.4	**890.2**
Additions	2.8	0.1	–	**2.9**	–	14.2	42.0	**59.1**
Business acquisitions	4.5	37.8	2.7	**45.0**	–	–	–	**45.0**
Disposals	–	(0.6)	–	**(0.6)**	(0.3)	(0.6)	(13.7)	**(15.2)**
Disposal of businesses	–	–	–	**–**	–	–	(14.1)	**(14.1)**
Adjustments to prior year acquisitions[1]	–	1.1	–	**1.1**	–	–	–	**1.1**
Exchange movements	8.0	5.1	–	**13.1**	0.8	0.2	3.2	**17.3**
At 31 March 2022	**205.1**	**300.7**	**17.7**	**523.5**	**42.1**	**58.0**	**359.8**	**983.4**
Accumulated Amortisation								
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 1 April 2021	62.5	140.2	6.1	**208.8**	36.0	15.4	238.7	**498.9**
Charge for the year	17.8	25.1	2.0	**44.9**	2.0	8.5	27.7	**83.1**
Disposals	–	(0.6)	–	**(0.6)**	(0.1)	(0.2)	(13.3)	**(14.2)**
Disposal of businesses	–	–	–	**–**	–	–	(13.9)	**(13.9)**
Transfers	4.0	(4.0)	–	**–**	–	–	–	**–**
Exchange movements	2.5	3.0	–	**5.5**	0.6	0.1	1.9	**8.1**
At 31 March 2022	**86.8**	**163.7**	**8.1**	**258.6**	**38.5**	**23.8**	**241.1**	**562.0**
Carrying Amount								
At 31 March 2022	**118.3**	**137.0**	**9.6**	**264.9**	**3.6**	**34.2**	**118.7**	**421.4**
At 31 March 2021	127.3	117.0	8.9	253.2	5.6	28.8	103.7	391.3

[1] The carrying value of acquired intangible assets relating to prior year acquisitions were adjusted during the associated re-measurement periods increasing the value of acquired customer databases by £1.1m (FY21: reducing acquired access rights by £1.2m), and goodwill by £1.1m (FY21: increasing goodwill by £1.4m and reducing other acquired intangibles by £0.2m).

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 (FY21: £nil).

The most significant intangible assets are customer relationships acquired as part of the acquisition of eLocal Holdings LLC in FY20 with a book value of £46.8m (FY21: £51.0m), held within acquired access rights. The assets are being amortised over periods ranging between 10 and 11 years on a straight-line basis and have over 7 to 8 years useful economic life remaining.

8. Other intangible assets (continued)

Year ended 31 March 2022

Disposal of Piedmont policy book

On 10 December 2021, HomeServe USA Corp ('HSUSA') entered into an agreement to sell the book of policies built up during the affinity partnership to Piedmont Natural Gas Company, Inc. ('Piedmont') ahead of the affinity partnership ending in April 2022. HSUSA disposed of the policy book in two tranches, the first tranche completing in March 2022 and the second tranche in April 2022. As a result in FY22 for tranche one of the transaction, the Group received $10.9m/£8.2m of cash consideration, derecognised intangible assets of $0.5m/£0.4m, receivables of $2.9m/£2.1m and payables of $0.8m/£0.6m relating to commissions and underwriter payables. This resulted in an initial gain on disposal of £6.3m being recorded in the income statement. The gain will be finalised following the completion of the post close cash collection process on transferred accounts receivable balances during June. The policy book gain has been fully reinvested in marketing. For further details on the disposal of tranche two see note 14.

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. In addition, an impairment of £2.1m was recognised in association with other intangible software assets, bringing the post impairment carrying value of the asset to £nil. Total impairment charges of £84.7m were treated as exceptional due to their size, nature and incidence (see note 4).

9. Share capital

	2022 **£m**	2021 £m
Issued and fully paid 336,471,082 ordinary shares of 2 9/13p each (FY21: 336,045,030)	**9.1**	9.1

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 2021 to 31 March 2022 the Company issued 426,052 shares with a nominal value of 2 9/13p creating share capital and share premium with a combined value of £2.9m.

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.

10. Notes to the cash flow statement

	Notes	2022 £m	2021 £m
Operating profit		**202.6**	71.8
Adjustments for:			
Depreciation of property, plant and equipment		**10.3**	9.9
Depreciation of right-of-use assets		**15.1**	15.2
Amortisation of acquisition intangible assets	8	**44.9**	45.0
Amortisation of other intangible assets	8	**38.2**	44.4
Amortisation of contract costs		**5.6**	9.0
Share-based payments expense		**5.2**	4.3
Share of equity accounted investees results		**3.4**	2.5
Fair value movements on options and contingent consideration	4	**(3.7)**	2.3
Costs of put options on non-controlling interests accrued over time	4	**2.7**	2.8
(Gain)/loss on disposal of associate	13	**(0.8)**	2.1
(Gain)/loss on disposal of businesses	12	**(4.3)**	0.1
(Gain)/loss on disposal of property, plant and equipment, intangible assets and contract costs		**(6.0)**	1.1
Other non-cash movements		**0.5**	–
Non-exceptional impairment of goodwill, intangible assets and contract costs		**–**	0.1
Exceptional impairment charges and associated costs	4	**–**	86.9
Other exceptional items		**–**	5.3
Operating cash flows before movements in working capital		**313.7**	302.8
Increase in inventories		**(4.9)**	(0.8)
Increase in receivables		**(26.1)**	(20.0)
Decrease in payables and provisions		**(10.2)**	(4.3)
Net movement in working capital		**(41.2)**	(25.1)
Cash generated by operations		**272.5**	277.7
Income taxes paid		**(40.6)**	(35.1)
Interest paid (inclusive of payments on lease liabilities and non-bank interest)		**(24.3)**	(19.6)
Net cash inflow from operating activities		**207.6**	223.0

Reconciliation of cash and cash equivalents	2022 £m	2021 £m
Cash and cash equivalents in the Group balance sheet	**174.5**	171.4
Bank overdrafts	**(17.0)**	(22.0)
Cash and cash equivalents in the Group cash flow statement	**157.5**	149.4

11. Related party transactions

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

Transactions with equity accounted investees

	2022	2021
	£m	£m
Purchases from associates	**–**	0.3
Sales to joint ventures	**0.2**	0.1
Loan due from investee	**1.3**	–

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

Other related party transactions

Other related party transactions during FY22 were similar in nature to those in FY21 and amounted to £0.1m (FY21: £nil).

Full details of the Group's related party transactions are included in the Annual Report and Accounts 2022.

12. Acquisitions and disposals

The Group has incurred a net cash outflow in respect of business combinations of £130.8m in the year (FY21: £77.3m).

There were three material acquisitions in the year ended 31 March 2022:

- On 16 July 2021, HomeServe Skilled Trades LLC, a Group company, acquired 100% of the issued share capital and obtained control of McLoughlin Plumbing & Heating Co., (hereafter 'McLoughlin'), for total consideration of £13.4m. The acquisition of McLoughlin continues to enhance the scale and scope of the Group's HVAC capabilities in North America.

- On 22 October 2021, HomeServe Assistance Limited, a Group company, acquired 100% of the issued share capital and obtained control of CET Structures Limited, (hereafter 'CET'), for total consideration of £53.9m. The acquisition of CET is a significant step in broadening the UK's capabilities in home emergency assistance.

- On 14 January 2022, HomeServe Iberia S.L.U, a Group company acquired 100% of the issued share capital and obtained control of Atecal 2001 S.L.U. and Sanimamp 2005 S.L.U. (hereafter collectively 'Grupo MH'), for total consideration of £17.8m. The acquisition of Grupo MH enhances the scale and scope of the Group's HVAC capabilities in Spain.

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 2022.

Membership

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

12. Acquisitions and disposals (continued)

HVAC

In the year the Group made 18 HVAC acquisition for total consideration of £43.8m. All HVAC acquisitions made during FY22 enhance the scale and scope of the Group's HVAC capabilities and increase the opportunity for future growth related to new HVAC system installations.

Date	Acquiree	Acquirer	Acquired
14 April 2021	Mark Gillece Plumbing and Heating LLC	HomeServe Skilled Trades LLC	100% share capital
31 August 2021	Mauger	ID Energies SAS	Group of assets constituting a business under IFRS 3
31 August 2021	Confort & Chaleur	Roussin Energies SAS	Group of assets constituting a business under IFRS 3
31 August 2021	JM Autin	Aujard SAS	Group of assets constituting a business under IFRS 3
3 September 2021	Voinot Services	Aujard SAS	Group of assets constituting a business under IFRS 3
10 September 2021	Esven Servicio Tecnico S.L.	HomeServe Iberia S.L.U.	100% share capital
20 September 2021	Vimar Sociedad Civil	Aragonesa De Postventa S.L.U. and Servicio Tecnico Sate S.L.	100% share capital – 50% by each acquirer (both Group companies)
30 September 2021	Alain Beal	SMT SAS	Group of assets constituting a business under IFRS 3
30 September 2021	APG Domestic Services Limited	HomeServe Membership Limited	100% share capital
31 October 2021	JCM Confort SAS & JC Technique SAS	HomeServe Energy Services SAS	100% share capital
20 December 2021	Montgomery Brothers LLC (known as United Plumbing Company)	HomeServe Skilled Trades LLC	100% share capital
31 December 2021	Dépann'Gaz SAS	ID Energies SAS	100% share capital
12 January 2022	Schneider & Steffens GmbH & Co. KG	HomeServe Deutschland Handwerksdienstleistung GmbH	100% share capital
28 January 2022	John Wilkinson Heating Services Limited	HomeServe Membership Limited	100% share capital
31 January 2022	Hainaut Chauffage C.S.T.E SA	HomeServe Energy Services Belgium SLR	100% share capital
7 February 2022	Olympic Aire Services Inc	HomeServe Skilled Trades LLC	100% share capital
14 March 2022	SureTemp Air Conditioning LLC	Arizona Dukes of Air LLC	100% share capital
25 March 2022	Electricidad Angulo	Atecal 2001 S.L.U.	Group of assets constituting a business under IFRS 3

Home Experts

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

12. Acquisitions and disposals (continued)

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

At fair value	CET £m	Grupo MH £m	McLoughlin £m	Other £m	Total £m
Property, plant and equipment	0.1	0.1	0.2	1.6	**2.0**
Right-of-use assets	0.4	0.4	0.1	2.7	**3.6**
Cash and cash equivalents	2.0	0.8	1.5	5.7	**10.0**
Inventories	–	0.4	-	2.7	**3.1**
Trade and other receivables	4.2	0.6	0.4	6.8	**12.0**
Trade and other payables, provisions and retirement benefit obligations	(5.9)	(0.9)	(0.6)	(8.1)	**(15.5)**
Deferred income	–	(2.3)	–	(1.3)	**(3.6)**
Lease liabilities	(0.4)	(0.4)	(0.1)	(2.7)	**(3.6)**
Bank and other loans	–	(0.2)	–	(1.2)	**(1.4)**
Intangible assets identified on acquisition	16.6	7.1	3.3	18.0	**45.0**
Deferred tax liabilities	(3.6)	(1.8)	(0.9)	(3.0)	**(9.3)**
Net assets acquired	13.4	3.8	3.9	21.2	**42.3**
Goodwill	40.5	14.0	9.5	32.3	**96.3**
Total	**53.9**	**17.8**	**13.4**	**53.5**	**138.6**
Satisfied by:					
Cash	53.9	17.4	10.7	40.4	**122.4**
Deferred consideration	–	0.4	0.6	4.2	**5.2**
Contingent consideration at fair value	–	–	2.1	8.9	**11.0**
Total	**53.9**	**17.8**	**13.4**	**53.5**	**138.6**
Net cash outflow arising on acquisition					
Cash consideration	53.9	17.4	10.7	40.4	**122.4**
Less: cash acquired	(2.0)	(0.8)	(1.5)	(5.7)	**(10.0)**
Total	**51.9**	**16.6**	**9.2**	**34.7**	**112.4**

The information above is provisional with fair value assessment activities ongoing. The ‘Other’ column relates to 20 individually immaterial business combinations completed during the year.

The goodwill arising on the excess of consideration over the fair value of the assets and liabilities acquired represents the expectation of future growth, synergistic benefits and efficiencies. Where elections are made to treat an acquisition that is in scope of US tax legislation as an asset purchase for tax, goodwill is deemed deductible for tax purposes. Where goodwill arises on consolidation within the Group it is not deductible for tax purposes, but tax deductions on goodwill amortisation may arise at a local level in certain territories, subject to specific local rules. Deferred tax liabilities associated with elected goodwill deductions at 31 March 2021 are £0.1m (FY21: £1.9m). 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 2022 were as follows:

	CET £m	Grupo MH £m	McLoughlin £m	Other £m	Total £m
Revenue	15.7	2.1	5.8	21.5	**45.1**
Adjusted operating profit	1.1	0.1	0.9	2.9	**5.0**
Acquisition-related costs	0.5	0.2	–	1.1	**1.8**

12. Acquisitions and disposals (continued)

If all acquisitions had been completed on the first day of the financial year, Group revenue for the year would have been £1,480.8m and Group adjusted profit before tax would have been £228.6m.

In addition to the net cash outflow on the acquisitions above of £112.4m, deferred and contingent consideration was paid relating to previous business combinations of £18.4m (FY21: £3.6m).

During FY22 the provisional fair values for the acquisitions completed in FY21 and disclosed as part of the Group's FY21 Annual Report were updated leading to a total net £0.1m decrease to goodwill at 31 March 2022. This decrease in goodwill arose due to fair value adjustments increasing the value of intangible assets identified on acquisition by £1.1m, deferred tax liabilities by £0.3m and a £0.7m decrease in other acquired net assets. The fair value adjustments arose across nine prior year acquisitions.

Disposal of HomeServe Labs Limited

On 21 March 2022, HomeServe Assistance Limited ('HAL'), a Group company, disposed of its 100% interest in HomeServe Labs Limited. The total fair value of consideration was £4.9m. The net assets of the Group's interest in the business at the date of the disposal were:

At fair value	£m
Total identifiable net liabilities	(0.1)
Gain on disposal	3.6
Transaction costs	1.4
Total	**4.9**
Satisfied by:	
Cash	1.6
Interest in acquiror	1.8
Fair value of loan notes	1.5
Total	**4.9**
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	1.6
Less: cash and cash equivalent balances disposed	—
Total	**1.6**

The loan notes receivable as consideration in this transaction represent an originated credit impaired financial asset under IFRS 9. They have a face value of £6.4m and have been measured at a day one fair value of £1.5m. They will be subsequently measured at amortised cost less any provision for impairment using the effective interest method.

As a result of the transaction, at 31 March 2022, HAL held a 19.99% interest in the acquiror, Spinnaker Acquisitions Plc, subsequently renamed Ondo InsurTech Plc ('Ondo'). The Group have assessed that HAL does not have significant influence over Ondo and as a result the holding is to be accounted for as a non-controlling interest under IFRS 9. The Group has elected to classify the instrument as an investment recorded at fair value through other comprehensive income. For the period from initial recognition to 31 March 2022 the change in fair value recorded in other comprehensive income was a loss of £0.2m.

Disposal of Brazilian operations

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

13. Other items

eLocal LLC – Non-controlling interest
On 8 September 2021, the non-controlling shareholders of eLocal LLC exercised put options to sell 50% of their 21% non-controlling interest in eLocal LLC for cash consideration of $25.1m (£18.2m) to HomeServe USA Holding Corp. The transaction increased HomeServe USA Holding Corp interest in eLocal to 89.5% of the issued share capital. On extinguishment of the exercised option, $7.0m (£5.2m) of the non-controlling interest was derecognised against equity attributable to the parent. Options over the remaining 10.5% minority equity instruments are exercisable between July 2022 and July 2025.

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. 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.

Subsequently in FY22, the fair value of the asset received in exchange for the 20% equity interest was finalised with an increase of $1.0m/£0.8m, bringing the total asset recognised to $2.1m/£1.6m. This resulted in an increase in the intangible asset recognised and a gain on disposal of $1.0m/£0.8m being recorded in the income statement.

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

14. Events after the balance sheet date

Recommended cash offer for HomeServe
On 19 May 2022, Brookfield Infrastructure announced a recommended cash offer for the entire issued, and to be issued share capital of the Company, to be effected by means of a court approved scheme of arrangement under Part 26 of the UK Companies Act 2006. The proposed acquisition is subject to shareholder approval, approval of the courts and approval from a number of regulatory authorities.

Disposal of Piedmont policy book
On 10 December 2021, HomeServe USA Corp ('HSUSA') entered into an agreement to sell the book of policies built up during the affinity partnership to Piedmont Natural Gas Company, Inc. ('Piedmont') ahead of the affinity partnership ending in April 2022. HSUSA disposed of the policy book in two tranches, the first tranche completing in March 2022 and the second tranche in April 2022. As anticipated tranche two of the transaction completed in April 2022. The Group received $11.6m/£8.8m of cash consideration, derecognised intangible assets of $0.5m/£0.4m, receivables of $5.4m/£4.1m and payables of $1.7m/£1.3m relating to commissions and underwriter payables. This resulted in an initial gain on disposal of £5.6m being recorded in the income statement. The gain will be finalised following the completion of the post close cash collection process on transferred accounts receivable balances during July.

15. Other information

The Annual Report and Accounts for the year ended 31 March 2022 were approved by the Board on 24 May 2022 and will be made available on the Company's website and posted to those shareholders who have requested it in June 2022. Copies will be available from the registered office at Cable Drive, Walsall, WS2 7BN.

GLOSSARY

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

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

Profitability

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

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

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

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

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

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

Accordingly, by excluding the amortisation of acquisition intangibles, exceptional items and certain transaction related costs from the adjusted performance measures reported by the Group in each specific reporting period, this 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. Furthermore, it ensures that the impact of the historical costs of the vendor or considerations of the future profits to be derived from the acquired business or assets are excluded.

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

Reconciliations of statutory to adjusted profit measures

TOTAL GROUP

£million	2022	2021
Operating profit (statutory)	**202.6**	71.8
Exceptional items	**-**	92.4
Certain transaction related (income)/costs	**(1.0)**	5.1
Amortisation of acquisition intangibles	**44.9**	45.0
Adjusted operating profit	**246.5**	214.3
Operating profit (statutory)	**202.6**	71.8
Exceptional items	**-**	92.4
Certain transaction related (income)/costs	**(1.0)**	5.1
Depreciation of property, plant and equipment	**10.3**	9.9
Depreciation of right of use assets	**15.1**	15.2
Amortisation of acquisition intangible assets	**44.9**	45.0
Amortisation of other intangible assets	**38.2**	44.4
Amortisation of contract costs	**5.6**	9.0
Adjusted EBITDA	**315.7**	292.8
Profit before tax (statutory)	**175.1**	47.2
Exceptional items and certain transaction related costs	**0.3**	99.1
Amortisation of acquisition intangible assets	**44.9**	45.0
Adjusted profit before tax	**220.3**	191.3
Pence per share		
Earnings per share (statutory)	**39.5**	9.3
Exceptional items and certain transaction related costs (net of tax)	**0.1**	23.0
Amortisation of acquisition intangible assets (net of tax)	**9.7**	10.4
Adjusted earnings per share	**49.3**	42.7

SEGMENTAL

	Membership & HVAC - North America	Membership & HVAC - EMEA				Home Experts
2022 **£million**		**UK**	**France**	**Spain**	**New Markets**	
Revenue	**583.0**	**337.5**	**152.7**	**207.5**	**0.8**	**155.2**
Statutory operating profit/(loss)	**101.7**	**68.9**	**29.4**	**17.6**	**(5.6)**	**(9.4)**
Operating margin %	***17%***	***20%***	***19%***	***8%***	**-**	**-**
Adjusting items						
Certain transaction related (income)/costs	**(3.2)**	**-**	**0.1**	**-**	**-**	**2.1**
Amortisation of acquisition intangibles	**19.2**	**4.0**	**6.9**	**3.2**	**-**	**11.6**
Total adjusting items	**16.0**	**4.0**	**7.0**	**3.2**	**-**	**13.7**
Effect on operating margin (ppts)	***3ppts***	***2ppts***	***5ppts***	***2ppts***	**-**	**-**
Adjusted operating profit/(loss)	**117.7**	**72.9**	**36.4**	**20.8**	**(5.6)**	**4.3**
Adjusted operating margin %	***20%***	***22%***	***24%***	***10%***	**-**	**-**

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

	Membership & HVAC - North America	Membership & HVAC - EMEA				Home Experts
2022		**UK**	**France**	**Spain**	**New Markets**	
Local currency million	**$**	**£**	**€**	**€**	**£**	**£**
Revenue	**794.9**	**337.5**	**179.9**	**244.2**	**0.8**	**155.2**
Statutory operating profit/(loss)	**137.5**	**68.9**	**34.7**	**20.8**	**(5.6)**	**(9.4)**
Operating margin %	***17%***	***20%***	***19%***	***8%***	**-**	**-**
Adjusting items						
Certain transaction related (income)/costs	**(4.4)**	**-**	**0.1**	**-**	**-**	**2.1**
Amortisation of acquisition intangibles	**26.0**	**4.0**	**8.2**	**3.8**	**-**	**11.6**
Total adjusting items	**21.6**	**4.0**	**8.3**	**3.8**	**-**	**13.7**
Effect on operating margin (ppts)	***3ppts***	***2ppts***	***5ppts***	***2ppts***	**-**	**-**
Adjusted operating profit/(loss)	**159.1**	**72.9**	**43.0**	**24.6**	**(5.6)**	**4.3**
Adjusted operating margin %	***20%***	***22%***	***24%***	***10%***	**-**	**-**

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

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. However, 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. Furthermore, 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 2022 Annual Report provides a full reconciliation of the movements in liabilities arising from borrowings and lease liabilities. The closing balances at 31 March were as follows:

£million	**2022**	2021
Current liabilities from borrowings and lease liabilities		
Lease liabilities	**15.2**	12.7
Bank and other loans	**100.9**	54.0
	116.1	66.7
Non-current liabilities from borrowings and lease liabilities		
Lease liabilities	**36.3**	38.6
Bank and other loans	**664.9**	579.8
	701.2	618.4
Total liabilities from borrowings and lease liabilities	**817.3**	685.1
Cash and cash equivalents	**(174.5)**	(171.4)
Net Debt	**642.8**	513.7
Adjusted EBITDA	**315.7**	292.8
Leverage	**2.0x**	1.8x

Liquidity

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

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

£million	**2022**	2021
Adjusted operating profit	**246.5**	214.3
Exceptional items	**-**	(92.4)
Certain transaction related income/(costs)	**1.0**	(5.1)
Amortisation of acquisition intangibles	**(44.9)**	(45.0)
Operating profit	**202.6**	71.8
Impact of exceptional items	**-**	92.2
Impact of certain transaction related (income)/costs	**(1.0)**	5.1
Depreciation and amortisation	**114.1**	123.5
Non-cash items	**(2.0)**	10.2
Increase in working capital	**(41.2)**	(25.1)
Cash generated by operations	**272.5**	277.7
Net interest and borrowing costs	**(24.5)**	(21.7)
Repayment of lease principal	**(14.7)**	(14.8)
Taxation	**(40.6)**	(35.1)
Capital expenditure - ordinary	**(68.2)**	(71.4)
Capital expenditure - acquisitions of policy books	**(2.3)**	-
Proceeds on disposal of fixed assets	**8.8**	0.3
Free cash flow	**131.0**	135.0

£million	2022	2021
Adjusted operating profit	**246.5**	214.3
Cash generated by operations	**272.5**	277.7
Cash conversion	**111%**	129%

KPIs

HomeServe is now comprised of three divisions, each of which are at different stages of development and have different growth drivers. In addition to Group key performance indicators ("KPIs"), the Group uses operational KPIs specific to each division to more accurately capture the particular growth drivers of each division.

These indicators provide insight into past performance, and are an indicator of the future prospects of each division and the Group as a whole.

Group

Adjusted profit before tax is the Group's key profit measure by which business growth is monitored.
Return on invested capital (ROIC) tracks the Group's ability to generate returns from each unit of capital (both debt and equity) being utilised in the business. The Group calculates ROIC by expressing net operating profit after tax as a percentage of invested capital (being the average value through the year of total assets net of current payables, cash and cash equivalents).
Growth in adjusted earnings per share tracks the Group's ability to grow earnings for shareholders, offering indicative potential for shareholder returns through both distributions and capital appreciation.
Relative total shareholder returns tracks the return to shareholders from dividends and share price gains, relative to a benchmark of comparable FTSE constitutents.

North American Membershhip & HVAC

New Membership customer additions tracks success in organically converting the addressable market into new revenue generating customers.
Membership customers tracks success in growing the total base of Membership policyholders over time
Net income per Membership customer reflects the ability to deliver value added products and services to existing customers.
Policy retention rate reflects the ability to consistently deliver value to customers, such that they renew their Membership.
HVAC adjusted operating profit measures ability to drive organic growth from the existing HVAC portfolio and continue to source and acquire high quality targets.

EMEA Membership & HVAC

Organic new customer additions tracks success in organically converting the addressable market into new revenue generating customers.
Policy retention rate reflects the ability to consistently deliver value to customers, such that they renew their Membership.
Non-Membership sales tracks the diversification of the EMEA businesses into the complementary product offerings of HVAC and Claims Assistance.

Home Experts

Paying trades are the customers in the Home Experts businesses. This tracks progress in building an engaged and high quality online community of tradespeople.
Average revenue per trade tracks the ability to design, deliver and monetise value-added services to the online community of tradespeople.
Contacts tracks the ability to deliver value to customers (tradespeople), in the form of access to consumers' home improvement job requirements.

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>