

Homeserve plc
Results For The Year Ended 31 March 2007

HIGHLIGHTS OF THE YEAR

	2007	2006	Increase
Revenue	£477m	£367m	30%
Operating profit *	£70.2m	£54.4m	29%
Profit before tax *	£67.7m	£53.6m	26%
Profit before tax	£61.1m	£50.0m	22%
Earnings per share **	74.7p	59.2p	26%
Earnings per share	67.3p	55.1p	22%

- Strong growth across all divisions
- Significant cash flow generated by operations of £73.6m
- Dividend per share increased by 25% to 25p
- Over 7m policies (2006: 5.7m)
- UK new policy sales of 1.6m in line with 2006
- France and USA policy levels doubled to over 1m
- Retail Warranties trading profitably
- Emergency Services multi-trade offering well advanced

Brian Whitty, Chairman, commented;

“We are delighted to be announcing this excellent set of results, which once again represent growth in excess of 20%. As well as continuing to grow our UK Policy Business we have increased investment in our Emergency Services and International divisions as we look to capitalise on the many exciting opportunities we see in our markets.

Homeserve is well placed for the year ahead.”

* Excluding amortisation of acquisition intangibles and joint venture taxation, see Financial Review and notes 2 and 4.

** Excluding amortisation of acquisition intangibles, see Financial Review and notes 2 and 4.

21 May 2007

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CHAIRMAN'S STATEMENT

Homeserve has had another excellent year, delivering strong growth across all of its businesses. The business has again delivered earnings growth well in excess of 20% whilst achieving high levels of new policy sales in the UK, France and USA. The continued investment in an integrated network of tradesmen across the UK has been a key factor in developing a unique offering for Household Insurers.

Results

Revenue from continuing operations increased by 30% to £477m (2006: £367m). Profit before tax* increased by 26% to £67.7m (2006: £53.6m) and earnings per share** increased by 26% to 74.7p (2006: 59.2p).

Statutory profit before tax increased by 22% to £61.1m (2006: £50.0m) and total basic earnings per share increased by 22% to 67.3p (2006: 55.1p).

Continuing its policy of increasing dividends in line with earnings growth, the Board is proposing a final dividend of 17.5p per share to be paid on 6 August 2007, which brings the full year dividend to 25.0p per share, a year on year increase of 25%.

Cash generated by operations of £73.6m (2006: £55.6m), represented 105% (2006: 102%) of operating profit*, leaving net debt at 31 March 2007 of £27.1m (2006: £16.3m). During the year we spent £30.2m (2006: £34.7m) on acquisitions in the year and deferred consideration in respect of prior years.

Policy Membership

The Policy Membership business increased revenue by 19% to £192m (2006: £161m), with operating profit* increasing by 31% to £54.2m (2006: £41.3m). Our utility branded Policy Membership businesses in the UK and overseas, together with our Manufacturer Warranty business, have grown to a total of 7.1m (2006: 5.7m) policies in the year and 3.8m (2006: 3.3m) customers.

The Homeserve GB utility branded policy business combined strong growth in profits of 20%, with new policy sales in the year of 1.6m (2006: 1.6m). Policy renewal rates have remained high at 86% (2006: 87%) with activities in the year being concentrated on increased penetration to existing customers. Average policies per customer are now 1.92 compared to 1.78 last year. Total policy count in the UK reached 5.8m (2006: 5.0m).

The net investment in our international operations was £2.4m (2006: £2.6m). Doméo, our French operation is continuing to perform strongly with our 49% share of the joint venture contributing £1.1m to our operating profits before management recharges with the number of policies doubling to 0.86m (2006: 0.42m). The US operation also doubled its policy base to 0.26m (2006: 0.13m) achieving excellent take up rates, including FirstEnergy with which we signed a five year marketing agreement in August 2006. As initial results of the electrics product test with Endesa in Spain were inconclusive, a further test was agreed and was sent out at the beginning of May 2007.

The new Warranties management team has made considerable progress in developing our warranty activities. Our Retail Warranties business has achieved an excellent turnaround in

performance generating an operating profit of £0.9m (2006: £1.5m loss). This reflects new customer signings combined with improved operational efficiencies.

Emergency Services

The Emergency Services business increased revenue by 36% to £297m (2006: £218m) with operating profit* increasing by 22% to £16.0m (2006: £13.1m).

The Emergency Services businesses have delivered another year of excellent performance, having experienced high levels of activity. Over the last 12 months we have made enormous progress in developing our multi-trade offering and this is set to continue as we complete the roll out of common operating platforms and add content validation and fulfilment to our unique model. Reaching agreement with a major insurer to provide a fully integrated multi-trade and claims management service is a first in the industry and represents a milestone in the development of this business.

Our networks responded well to the sharp increase in claims volumes following the December and January storms, particularly for glazing and building repairs, providing high profile support for our Household Insurer partners.

Employees

Homeserve now has over 4,000 employees including 1,000 directly employed engineers. Each has made a valuable contribution during the year and I should like to thank them all for their commitment, dedication and efforts in another outstanding year.

Board Changes

We are continuing to strengthen the Board with senior level appointments at both executive and non-executive level.

Jon Florsheim joined the Board in March 2007 as Chief Executive of Homeserve GB. Jon was previously Chief Marketing Officer and Managing Director Customer Group at British Sky Broadcasting.

Jonathan Simpson-Dent was appointed on 30 March 2007 as Chief Financial Officer replacing Andrew Belk who resigned from the Board on the same date. Jonathan is a Chartered Accountant with significant commercial experience at General Healthcare Group, PepsiCo and McKinsey.

In January 2007, Ian Chippendale joined the Board as an independent non-executive director, following his retirement as Executive Chairman of RBS Insurance and many years in the insurance services sector. He is currently Senior Independent Director of Thus plc.

We are also announcing today that Andrew Sibbald is to join the Board as an independent non-executive director with effect from 1 June 2007. Andrew is an experienced corporate financier, currently Managing Director and co-founder of Lexicon Partners which specialise in the utility and insurance sectors.

These appointments follow the resignation of Justin Jewitt as a non-executive director in January 2007 having completed his three year term of office.

Prospects

Our Policy Membership businesses in the UK are expected to continue to achieve the high levels of policy sales achieved historically through increased penetration with existing customers and broadening our customer base by expanding product ranges and affinity partnership relationships.

International markets continue to represent an exciting opportunity. International investment will continue to improve the pipeline of new partner prospects in the USA and Spain. We expect the good progress made in our joint venture in France to continue.

We will continue the growth of our network of directly employed tradesmen and we expect to see an increasing demand for Household Insurers in our integrated 'hub' offering.

Homeserve is well positioned for continued organic growth over the coming year. We will supplement this growth with acquisitions where they enhance our growth profile and advance our strategic goal to become the market leading provider of emergency services to the home.

Brian Whitty

Executive Chairman

21 May 2007

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

Homeserve's value proposition is the provision of quality solutions for domestic emergencies. Policy Membership is an affordable way of providing peace of mind to over 3m households in the UK. This membership is supported by a national trade network that delivers high quality services to households.

We continue to develop strategic partnerships with utilities and Household Insurers. These partnerships provide access to a broad customer base under their well known and trusted brands, and enable the partner to offer additional value-added services to its customers.

Our performance in France and the US clearly demonstrates that the Homeserve model is replicable overseas. We will continue to develop our International business by ensuring that we build firm foundations in carefully selected markets.

I am delighted by the progress we have made in executing this strategy across all our businesses during the last 12 months.

POLICY MEMBERSHIP

Our Policy Membership businesses provide underwritten cover for a broad range of domestic emergencies branded to our business partners in the utilities, appliance manufacturing and retail sectors. Our policies include cover for plumbing and drains and water supply pipes, electrical wiring, gas central heating and appliances, gas supply pipe cover, electrical appliances and furniture.

During the year, these businesses increased revenue and operating profit* by 19% and 31% to £192m and £54.2m respectively. Our UK Policy, International and Manufacturer Warranty businesses now have a total of 7.1m policies (2006: 5.7m) and 3.8m customers (2006: 3.3m).

Homeserve GB

Homeserve GB continues to demonstrate strong underlying growth driven by new policy sales of 1.6m (2006: 1.6m) and retention rates of 86% (2006: 87%).

As a result we have continued to increase our penetration in the UK market where policies increased from 5.0m to 5.8m over the year:

- 3.93m in plumbing and drains and water supply pipe (2006: 3.35m)
- 0.77m in electrical (2006: 0.76m)
- 1.09m in other including gas supply pipe and housebuilder (2006: 0.86m)

Homeserve GB's customers increased by 0.21m to 3.0m (2006: 2.79m) achieving 1.92 policies per customer compared to 1.78 in March 2006. Our ability to develop relevant and affordable products, together with the provision of excellent service delivery, is critical to growing the customer base.

We continue to deliver very high levels of customer service as measured by our 48 hour call back process to customers who have made a claim. This enables us to directly measure customer satisfaction following a repair and to monitor and improve the performance of our repair networks. Customer satisfaction for the core plumbing and drains service remains at a high level

of 95% (2006: 96%) and importantly, the proportion of customers rating our service as outstanding has increased from 20% to 26%.

The overall policy retention rate for the year remains high at 86% (2006: 87%). Where we have a longer established customer relationship the retention rates continue to perform strongly.

We continue to invest in our product development, with the current focus on Combined Policies. These will assist in enhancing our cross sell opportunities and we expect to roll out this initiative from September 2007.

International

Our International strategy remains one of replicating the proven UK model in markets with similar customer and utility profiles, initially working with water and energy companies to provide emergency policies to householders offered via direct marketing and outbound telesales.

During the year we doubled the number of International policies to 1.12m (2006: 0.55m). Our French joint venture has significantly increased its operating profit and we have increased our investment in the US by £0.8m to £3.2m.

Doméo, our 49% owned joint venture in France with Veolia, performed well during the year, contributing £1.1m to our operating profits before management recharges (2006: £0.5m). This has been an outstanding year for the business, which more than doubled its policies to 0.86m (2006: 0.42m) and achieved policies per customer of 2.0 (2006: 1.5). Retention rates increased to 88% (2006: 87%) and customer satisfaction levels were in excess of 94% (2006: 95%).

Claims handling was brought in house in February 2006 and since then the focus has been on developing our own network of sub contractors, increasing the quality of service delivery and providing extra credibility to the operations to assist in winning new business partners in France.

Doméo now markets to 10.6m (2006: 9.1m) of the 12m owner occupied houses in France under the water brand of the Veolia Group following the agreement during the year to market to a further 1.0m households throughout France. In addition, Doméo markets to a further 0.3m households under the Proxitherm and Gaz de Bordeaux brands.

Home Service, our business in the US, is continuing to perform well with its existing affinity partners, which provide access to 5m households. Total policies increased to 0.26m (2006: 0.13m).

Over the last 12 months we have clearly demonstrated that that we can add significant value when acquiring existing policy books from both water and energy companies.

We signed our largest affinity partner agreement with FirstEnergy Corp, a power utility, in August 2006 which provided access to 3.4m households. As part of the transaction we acquired 20,000 existing electrical wiring, gas supply pipe, water and sewer line policies, which we have grown by 180% in 7 months to 56,000 policies. In addition, we have continued to grow the number of policies with United Water, which now total 116,000 compared to 41,000 at acquisition in May 2005.

The number of policies per customer in the US remained at 1.2 (2006: 1.2) and retention rates where we are able to 'bill on the bill' or use a continuous payment method are running at 90%.

Customer satisfaction as measured by 48 hour call backs following a repair, is consistently running at over 95%.

The prospects for potential new water and power company partners are developing well. The prolonged time to agree final contractual terms reflects the relatively early stage in our development of the model in the US and the conservatism typical of the utility sector worldwide. In addition, we subject all potential transactions to stringent due diligence investigations, trading rapid development for robust commercial arrangements to ensure that we build a US business with solid foundations.

Claims management was successfully brought in house in September 2006 and has enabled us to reduce average repair costs through more direct management of the contractor network. The move to larger premises in Miami to accommodate our planned future growth was successfully completed in September 2006.

The results of our first test in Spain with Endesa over the winter were inconclusive. Further test campaigns, which used more traditional UK style marketing creatives were agreed and sent out at the beginning of May 2007.

Retail and Manufacturer Warranties

Our retail warranty businesses delivered an excellent turnaround in performance during the year, improving profits by £2.4m year on year. Integral to this improvement has been the development of bespoke service propositions to our customers, backed up by greater efficiency across the operation.

During the year, we have developed our warranty offering expanding into a number of new sectors. In the retail division we have expanded our services into the leisure and internet sectors, including Halfords, Halls, Warehouse Express and a number of independent retailers. In the manufacturer division we have signed agreements with Nikon, DeDietrich, Gainsborough, Halstead and Alpha Boilers.

Within our manufacturer warranties business, we have clearly demonstrated that we can leverage our direct marketing and outbound telesales competencies to increase warranty card registration rates and conversion of those registered customers to fully paid warranties and related service policies.

We have grown the number of manufacturer policies by 32% to 190,000 (2006: 144,000). As with our utility branded policies, these warranty and policy sales are generally on products with longer lifecycles, principally boilers, and therefore have a good renewal income stream thereby creating an attractive business model.

We have been actively cross selling our Homeserve GB policies to our manufacturer warranty customer base using manufacturer brands. These are performing well and we have increased our policies per customer to 1.25 (2006: 1.1).

EMERGENCY SERVICES

We now employ 1,000 of our own engineers, and operate subcontract and franchise networks of over 4,000 engineers. Our strategy is to increase the proportion of work we do using our own Homeserve branded directly employed tradesmen as these enable us to deliver increased customer service, quality and productivity through more direct control. The use of subcontract

and franchise operatives does, however, enable us to reduce the risks of operational leverage associated with a full directly employed model.

During the year, revenue from these businesses increased by 36% to £297m and operating profit* increased by 22% to £16.0m.

Our strategy has been to build a network of businesses offering complementary repair and replacement solutions in order to create a unique integrated range of emergency repair services for homeowners via their Household Insurers, as well as for the Policy Membership division's own customers.

In order to deliver a complete multi-trade solution from first notification of loss through to a permanent building repair, we have been investing in the development and implementation of common claims management (based on Guidewire's ClaimCenter product) and work flow management (Mercury) systems. These will provide improved functionality and control to our businesses and we expect both systems to be live in Autumn 2007. These will enable us to further enhance the efficiency of claims handling and completion, reduce costs and increase both householder and insurer satisfaction levels.

Operating margins* have decreased slightly to 5.4% (2006: 6.0%) partly reflecting the investments made during the year bringing our multiple businesses together to offer an integrated solution. These investments will allow for greater operational leverage and effectiveness, resulting in improved margins in future years. In addition, we have achieved significant growth through our subcontract business, which has diluted margins overall.

Following on from our multi-trade outsource contract for Liverpool Victoria reported last year, we have achieved a further milestone by reaching agreement for a three year contract with another major insurer to provide a fully integrated multi-trade and claims management service.

As part of this landmark agreement, which is due to commence in Autumn 2007, we will provide claims handling and management through our ClaimCenter and Mercury systems. We will continue to be the solus provider of glazing repairs, and will provide all the building repairs, half the drainage repairs, as well as two thirds of the restoration and recovery services. We are confident that this service will prove to be attractive to other Household Insurers.

The severe weather experienced in December 2006 and January 2007 fully tested the responsiveness of our network. Our employed and subcontractor networks remained open and fully operational at a time when many other networks effectively closed for further business, unable to cope with the demand. As a result, we were able to support our Household Insurer partners during this difficult period. This drove higher activity levels in the final quarter.

Glass and Locks

The operational improvements achieved in this business through the implementation of improved workflow management systems have enabled the conversion of insurance leads to sales to be increased for the fourth year running to 92% from 90%, a key measure of our efficiency.

During the year we have renewed a number of our key customer contracts, including in January 2007 our glazing contract with Norwich Union, our largest insurance partner, for a further three years.

Pilkington Glazing was acquired in April 2006 with the central functions being merged into our Norwich office during the year, enabling the benefits to be achieved from sharing our common operating platforms. The acquisition brought a glazing capability for small and medium sized enterprises which is an important step in providing full support to a number of our insurance partners for tenanted premises and small shops.

Plumbing and Drains

We have increased the focus on our Plumbing and Drains network with the appointment of a dedicated Managing Director. We are continuing the expansion of our directly employed capability in this area and have increased the proportion of work undertaken on behalf of our Policy Membership business.

Property Repair

During the year we started the process of fully integrating our two permanent building repair businesses, which is expected to be complete by September 2007. This will create a market leading permanent repair network, providing domestic repairs including plastering and decorating arising from the escape of water, storm, fire and accidental damage. This single building repair business will operate using our common claims handling and job management systems, significantly improving efficiency and reducing the duplication of cost and back office processing.

The Property Repair businesses have experienced a significant increase in the level of claims volumes in the year, particularly as a result of the severe weather noted above, with over 105,000 repairs being performed (2006: 70,000). The majority of this work was completed by the extensive subcontract network, though our strategy is to increase the proportion of repairs completed by our own directly employed engineers.

Fire and Flood Restoration

Chem-Dry operates a national network of over 230 franchisees and provides fire and flood restoration services on behalf of Household Insurers as well as carpet and upholstery cleaning services. This business often provides the first repair service in a home following a disaster, placing us in a unique position to offer a fully integrated service from initial clean up through to a permanent building repair.

Claims Management

With the commencement of our new multi-trade deal in Autumn 2007, this business will undertake the claims handling function for householders for the entire claim, ensuring the smooth passage of the claim through our integrated repair network or the subcontract and franchise

networks as appropriate. This is expected to significantly reduce the average cycle time of a claim, increasing customer service and satisfaction.

Over 90% of all claims are now deployed electronically (2006: 80%), which when combined with the investments made by a number of our subcontractors enables them to accept electronic deployment and job management. This speeds up contractor arrival times and improves visibility of a claim from start to finish. As a result of the above investments, we have significantly increased the level of 'customer delight', defined as exceeding expectations, which is running in excess of 50% for both plumbing and drains and electrical repairs.

Contents Services

The acquisition of Digital Insurance Services, now renamed Homeserve Contents Services, has strengthened our offering to Household Insurers, by providing them with claims validation and fulfilment services. Our objectives over the coming year are to develop its Valid8 claims handling and product identification system and extend the range of consumer products covered, rolling this out to other Household Insurers.

SUMMARY

Homeserve's strategy remains clear, leveraging the benefits of our integrated policy and service delivery business in the UK, while replicating it in other carefully defined markets.

We will continue to focus on the organic growth of our existing businesses. In addition we will complement this with acquisitions that broaden and deepen our Policy Membership and Emergency Services offering whilst also meeting our strict appraisal criteria.

We have continued to invest in the recruitment and development of high quality people, ensuring that our management team has the necessary skills and resources to deliver our strategic priorities.

Richard Harpin

Chief Executive
21 May 2007

FINANCIAL REVIEW

These results have been prepared in accordance with International Financial Reporting Standards (IFRSs), using policies consistent with the prior year. Accounting standards that have been issued but not yet enacted are not expected to have a significant impact on the Group. The headline financial results are:

£'million	2007	2006
Revenue	477.4	367.0
Operating profit (statutory)	63.6	50.8
Profit before tax (statutory)	61.1	50.0
Cash generated by operations	73.6	55.6
Net debt	27.1	16.3
Net assets	230.4	201.1
Pence per share		
Earnings per share (statutory)	67.3	55.1
Dividend per share	25.0	20.0

Group Results

For managerial purposes, we continue to consider that profits before the amortisation of acquisition intangibles and the tax charge of our joint venture in France represent an important measure for monitoring the performance of the business. The reconciliations between the statutory results and these pro-forma managerial measures are as follows:

£'million	2007	2006
Operating profit (statutory)	63.6	50.8
Amortisation of acquisition intangibles	6.5	3.6
Tax recognised by joint venture	0.1	-
Operating profit*	70.2	54.4
Profit before tax (statutory)	61.1	50.0
Amortisation of acquisition intangibles	6.5	3.6
Tax recognised by joint venture	0.1	-
Profit before tax*	67.7	53.6
Earnings per share (statutory)	67.3p	55.1p
Amortisation of acquisition intangibles	7.4p	4.1p
Earnings per share**	74.7p	59.2p

Total revenue has increased by 30% to £477m (2006: £367m) reflecting continued growth across our businesses with acquisitions contributing £13m.

Operating profit* has increased by 29% to £70.2m (2006: £54.4m), with operating margins* stable at 15%. The impact of recording the fair value of share scheme awards has reduced operating profit by £3.4m (2006: £2.1m), and remains within our guidance of 5% of operating profit*.

The amortisation of acquisition intangibles amounts to £6.5m (2006: £3.6m) and principally relates to customer and other contracts held by the acquired entities at the time of acquisition. The year on year increase reflects the impact of Pilkington Glazing and Homeserve Contents Services acquired during the year and the full year impact of National Property Solutions and Improveline acquired in 2006.

In accordance with IFRSs, statutory operating profit includes our share of the operating result of our joint venture in France. For these purposes, the operating result is defined as profit after tax and hence £0.1m (2006: £nil) is reported within operating profit and profit before tax. Statutory operating profit has increased by 25% to £63.6m (2006: £50.8m).

The net interest charge for the year amounts to £2.6m (2006: £0.8m), which was covered 27 times by operating profit*. The year on year increase reflects the increased average net debt during the year driven by the phasing of acquisitions and capital expenditure at the end of 2006 and early 2007.

The effective rate of tax for 2007 is 31.3% (2006: 31.1%) and has increased principally as a result of the additional investment in our US operations.

Earnings per share** is 74.7p (2006: 59.2p), an increase of 26%. Total basic earnings per share, amounts to 67.3p (2006: 55.1p), an increase of 22%.

Acquisitions

Homeserve completed a number of acquisitions during the year, investing £30.2m, including deferred consideration relating to prior years, with estimated deferred and contingent consideration of £6.5m.

On 21 April 2006, the Group acquired certain of the trade and assets of Pilkington United Kingdom Limited relating to the glazing division of Pilkington Building Products. The business undertakes glazing repairs on a nationwide basis. The total consideration amounted to £6.7m and goodwill amounting to £2.7m arose as a result of this acquisition.

On 17 August 2006, the Group acquired 20,000 Home Assistance policies from FirstEnergy and simultaneously signed a marketing agreement with FirstEnergy Corp providing access to up to 3.4m households. The total consideration amounts to £4.3m, of which £1.5m is deferred and is payable over the 5 year life of the marketing agreement. No goodwill arose as a result of this acquisition.

On 26 October 2006, the Group acquired 100% of the share capital of Digital Insurance Services Limited, a provider of home insurance and contents claims validation and fulfilment services. The initial consideration was £3.3m, with up to a further £9.0m payable in the future contingent upon the future profitability of the company. Of the contingent payment, £5.0m is currently included within deferred consideration. Goodwill amounting to £4.9m arose as a result of this acquisition.

In addition, during the year a number of smaller acquisitions have been completed for a combined consideration of £1.1m. Goodwill amounting to £0.1m arose as a result of these acquisitions.

The impact of these acquisitions on the financial performance of the Group for the year was to increase revenues and operating profits* by £13m and £0.3m respectively.

Cash Flow and Net Debt

£'million	2007	2006
Continuing operations:		
Cash generated by operations	73.6	55.6
Interest, tax, dividends	(33.4)	(25.3)
Net capital expenditure	(16.5)	(15.7)
Acquisitions/disposals	(30.2)	(36.0)
Share purchases	(8.3)	(8.2)
Financing	1.4	3.5
Total continuing operations	(13.4)	(26.1)
Discontinued operations, net cash flow	-	1.4
Net movement in cash and bank borrowings	(13.4)	(24.7)

Homeserve continues to achieve strong cash conversion, generating cash from operations of £73.6m (2006: £55.6m). Overall there was a net movement in cash and bank borrowings of £13.4m outflow (2006: £24.7m outflow) after interest, tax and dividends of £33.4m, net capital expenditure of £16.5m, acquisitions and disposals of £30.2m, purchase of shares by the Homeserve Employee Trust of £8.3m and other financing inflows of £1.4m.

Net debt at the year end was £27.1m (2006: £16.3m). Homeserve manages its liquidity principally through a combination of overdrafts and short and medium term revolving credit facilities. Substantially all of the Group's borrowings and undrawn facilities are at floating rates linked to LIBOR. At 31 March 2007, the Group had undrawn, committed facilities amounting to £48m.

Segmental Analysis

Homeserve reports its results under two primary segments: Policy Membership and Emergency Services.

£'million	2007	2006
Revenue		
- Policy Membership	192.0	161.4
- Emergency Services	297.2	218.0
- Elimination of inter segment revenue	(11.8)	(12.4)
	477.4	367.0
Operating profit*		
- Policy Membership	54.2	41.3
- Emergency Services	16.0	13.1
	70.2	54.4

The Policy Membership business achieved an operating profit* of £54.2m (2006: £41.3m), an increase of 31%. This is after a net investment in International of £2.4m (2006: £2.6m) and an operating profit* of £0.9m (2006: £1.5m loss) in Retail Warranties. Homeserve GB increased its operating profit* by 20%. Statutory operating profit of the Policy Membership business was £53.2m (2006: £40.9m).

The Emergency Services businesses achieved an operating profit* of £16.0m (2006: £13.1m), an increase of 22%, including £0.3m from acquisitions made during the year and the full year contribution from acquisitions made in the previous year. Statutory operating profit of the Emergency Services business was £10.4m (2006: £9.8m).

Operating margins* have remained stable during the year at 15% (2006: 15%). Within Policy Membership, operating margin* increased to 28% (2006: 25%) as a result of the increased investment in our International businesses, offset by the move into profit in the year by the Retail Warranties operation and continued margin improvement within Homeserve GB. The Emergency Services' operating margin* decreased to 5.4% (2006: 6.0%) following investment to further develop the fully integrated claims handling and job management systems and increased volumes through our subcontractor network. Share scheme charges increased during the year to £3.4m (2006: £2.1m).

The adjustment necessary to eliminate inter segment revenue is £11.8m (2006: £12.4m) and relates to the activity undertaken by our repair trades on behalf of Policy Membership customers.

In order to assist in the management of the business and to provide evidence of achieving its strategic priorities, the Board regularly reviews a number of key performance indicators as follows:

	2007	2006
Total Group		
Profit before tax*	£67.7m	£53.6m
Earnings per share**	74.7p	59.2p
Policy Membership		
Operating profit*	£54.2m	£41.3m
Total policy numbers	7.1m	5.7m
Retention rates (UK utility branded)	86%	87%
Emergency Services		
Operating profit*	£16.0m	£13.1m
Completed repairs	1.2m	1.1m
Operating margin*	5.4%	6.0%

Policy numbers represent the total number of policies held by our utility branded businesses in the UK, France, USA and Spain, together with manufacturer warranties where the customer has purchased an extension to the initial manufacturer guarantee period.

The retention rate currently includes only the UK utility branded policies as these have the greatest significance on earnings in the following period. Retention rate is defined as the number of policies renewing divided by the number of active policies in the prior year.

Completed repairs include all repairs performed and closed by our directly employed, subcontract and franchise network during the year.

Summary

The results for the year continue to represent an appropriate balance between the delivery of double digit growth in profits and investing for the future development of all our businesses. Our financial position remains strong, providing a platform for the delivery of our strategy.

Jonathan Simpson-Dent
Chief Financial Officer

21 May 2007

HOMESERVE PLC

GROUP INCOME STATEMENT year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Continuing operations			
Revenue	2	477,362	367,001
Operating costs:			
Amortisation of acquisition intangibles		(6,451)	(3,658)
Other operating costs		(407,822)	(312,919)
Operating costs		(414,273)	(316,577)
Share of results of joint ventures	2	555	328
Operating profit	2	63,644	50,752
Investment income		1,030	702
Finance costs		(3,596)	(1,478)
Profit before tax, amortisation of acquisition intangibles and tax on joint ventures		67,683	53,634
Tax on joint ventures		(154)	-
Amortisation of acquisition intangibles		(6,451)	(3,658)
Profit before tax		61,078	49,976
Tax	3	(19,118)	(15,527)
Profit for the year, being attributable to equity holders of the parent		41,960	34,449
Dividends per share	5	25.0p	20.0p
Earnings per share	4		
Basic		67.3p	55.1p
Diluted		64.8p	53.6p

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Exchange differences on translation of foreign operations	7	(56)	120
Actuarial gains/(losses) on defined benefit pension scheme		654	(422)
Current tax on additional pension contribution		132	468
Tax on items taken directly to equity		(32)	(415)
Net income/(expense) recognised directly in equity		698	(249)
Profit for the year		41,960	34,449
Total recognised income and expense for the year attributable to equity holders of the parent		42,658	34,200

GROUP BALANCE SHEET
31 March 2007

	Note	2007 £'000	2006 £'000 (Restated - see note 9)
Non-current assets			
Goodwill		191,722	185,437
Other intangible assets		42,072	31,824
Property, plant and equipment		38,020	30,727
Interests in joint ventures		1,747	1,192
Deferred tax assets		211	-
		273,772	249,180
Current assets			
Inventories		7,236	5,708
Trade and other receivables		158,692	127,913
Cash and cash equivalents		14,885	17,081
		180,813	150,702
Total assets		454,585	399,882
Current liabilities			
Trade and other payables		(161,435)	(133,339)
Current tax liabilities		(11,523)	(9,994)
Bank overdrafts and loans		(42,026)	(33,411)
		(214,984)	(176,744)
Net current liabilities		(34,171)	(26,042)
Non-current liabilities			
Other financial liabilities		(8,506)	(18,785)
Retirement benefit obligation		(647)	(1,156)
Deferred tax liabilities		-	(2,088)
		(9,153)	(22,029)
Total liabilities		(224,137)	(198,773)
Net assets		230,448	201,109
Equity			
Share capital		8,119	8,075
Share premium account		31,379	29,998
Merger reserve		70,992	70,992
Own shares reserve		(25,047)	(16,668)
Share incentive reserve		4,727	1,626
Capital redemption reserve		1,200	1,200
Currency translation reserve		64	120
Retained earnings		139,014	105,766
Total equity	7	230,448	201,109

GROUP CASH FLOW STATEMENT
year ended 31 March 2007

Note	2007 £'000	2006 £'000
Operating profit	63,644	50,752
Adjustments for:		
Depreciation of property, plant and equipment	5,169	4,115
Amortisation of on acquisition intangibles	6,451	3,658
Amortisation of other intangible assets	1,738	1,468
Share based payments expense	3,361	2,058
Share of profits in joint ventures	(555)	(328)
(Profit)/loss on disposal of property, plant and equipment	(308)	128
Additional pension contributions	-	(2,000)
Operating cash flows before movements in working capital	79,500	59,851
Increase in inventories	(1,363)	(513)
Increase in receivables	(28,453)	(27,786)
Increase in payables	23,957	24,077
Net movement in working capital	(5,859)	(4,222)
Cash generated by operations	73,641	55,629
Income taxes paid	(17,313)	(13,871)
Interest paid	(3,790)	(1,478)
Net cash flow from continuing operating activities	52,538	40,280
Net cash flow from discontinued operating activities	-	766
Net cash from operating activities	52,538	41,046
Investing activities		
Interest received	1,030	702
Proceeds on disposal of property, plant and equipment	611	301
Purchases of intangible assets	(4,519)	(1,572)
Purchases of property, plant and equipment	(12,609)	(14,468)
Net cash outflow on acquisitions	8	(30,674)
Disposal of subsidiary undertakings	-	(1,342)
Net cash flow from discontinued investing activities	-	669
Net cash used in investing activities	(45,658)	(50,384)
Financing activities		
Dividends paid	(13,367)	(10,688)
Repayments of borrowings	-	(2)
Repayments of obligations under finance leases	-	(30)
Purchase of own shares	(8,379)	(8,221)
Proceeds on issue of share capital	1,425	3,510
Increase in bank overdrafts	11,245	27,097
Net cash (used in)/from financing activities	(9,076)	11,666
Net (decrease)/increase in cash and cash equivalents	(2,196)	2,328
Cash and cash equivalents at beginning of year	17,081	14,753
Cash and cash equivalents at end of year	14,885	17,081

1. General Information

While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company will publish full financial statements that comply with IFRSs on 12 June 2007.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2007 or 2006, but is derived from those accounts. Statutory accounts for 2006 prepared under IFRSs have been delivered to the Registrar of Companies and those for 2007 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s 237 (2) or (3) Companies Act 1985.

These financial statements were approved by the Board of Directors on 21 May 2007.

2. Segmental analysis

For management purposes, the Group is organised into two operating divisions, Policy Membership and Emergency Services.

	Policy Membership 2007 £'000	Emergency Services 2007 £'000	Consolidated 2007 £'000
Revenue			
Total revenue	192,007	298,903	490,910
Intra-segment sales	-	(1,694)	(1,694)
	192,007	297,209	489,216
Inter-segment sales			(11,854)
External sales			477,362

Intra-group sales are charged at prevailing market prices.

Result			
Segment result before joint ventures and amortisation of acquisition intangibles	53,563	15,977	69,540
Share of pre tax results of joint ventures	709	-	709
	54,272	15,977	70,249
Tax on joint ventures	(154)	-	(154)
Amortisation of acquisition intangibles	(884)	(5,567)	(6,451)
Operating profit	53,234	10,410	63,644
Investment income			1,030
Finance costs			(3,596)
Profit before tax			61,078
Tax			(19,118)
Profit for the year being attributable to equity holders of the parent			41,960

	Policy Membership 2006 £'000	Emergency Services 2006 £'000	Consolidated 2006 £'000
Revenue			
Total revenue	161,394	218,106	379,500
Intra-segment sales	-	(128)	(128)
	161,394	217,978	379,372
Inter-segment sales			(12,371)
External sales			367,001

Intra-group sales are charged at prevailing market prices.

Result			
Segment result before joint ventures and amortisation of acquisition intangibles	41,005	13,077	54,082
Share of pre tax results of joint ventures	328	-	328
	41,333	13,077	54,410
Tax on joint ventures	-	-	-
Amortisation of acquisition intangibles	(422)	(3,236)	(3,658)
Operating profit	40,911	9,841	50,752
Investment income			702
Finance costs			(1,478)
Profit before tax			49,976
Tax			(15,527)
Result of discontinued operations			-
Profit for the year being attributable to equity holders of the parent			34,449

3. Taxation

The overall rate of tax for the Group, including deferred tax, based on profit before tax, was 31.3%. The corresponding rate in 2006 was 31.1%. In March 2007 the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation is expected to be substantially enacted in July 2007. If the change is enacted the deferred tax assets and liabilities, currently stated at 30% of the temporary differences, will be restated at 28% of those amounts. In addition the effective tax rate for the period to 31 March 2009 is expected to reduce accordingly.

4. Earnings per share

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 period. Adjusted earnings per share is calculated excluding amortisation of acquisition intangibles. Diluted earnings per share includes the impact of dilutive share options in issue throughout the period.

The adjusted earnings per share has been calculated by excluding the amortisation of acquisition intangibles. This is considered to be a better indicator of the performance of the Group. As profit for the year and adjusted profit for the year are stated after tax, it is not considered necessary to include in the reconciliation below the impact of the adjustment for the tax on joint ventures of £154,000 (2006: £nil).

	2007 £'000	2006 £'000
Profit for the year	41,960	34,449
Amortisation of acquisition intangibles	6,451	3,658
Tax impact arising on amortisation of acquisition intangibles	(1,875)	(1,097)
Adjusted profit for the year	46,536	37,010
Weighted average number of shares (000's)		
Basic	62,303	62,474
Dilutive impact of share options	2,412	1,741
Diluted	64,715	64,215
	2007	2006
Adjusted Basic	74.7p	59.2p
Adjusted Diluted	71.9p	57.6p

5. Dividends per share

A final dividend of 17.5p per share amounting to £10,900,000 (2006: 13.9p per share amounting to £8,668,000) is proposed and will be paid on 6 August 2007 to shareholders on the register at the close of business on 1 June 2007. The ex dividend date is 30 May 2007. An interim dividend of 7.5p per share amounting to £3,858,000 (2006: 6.1p per share amounting to £4,699,000) was paid during the year.

6. Analysis of total net debt

	2007 £'000	2006 £'000
Revolving credit facilities, net of cash at bank and cash equivalents	26,654	13,213
Loan notes	487	3,117
Net debt	27,141	16,330

7. Reconciliation of movements in equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Own shares reserve £'000	Share incentive reserve £'000	Capital redemption reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2006	8,075	29,998	70,992	(16,668)	1,626	1,200	120	105,766	201,109
Total statement of recognised income and expense	-	-	-	-	-	-	(56)	42,714	42,658
Dividends paid	-	-	-	-	-	-	-	(13,367)	(13,367)
Issue of share capital	44	1,381	-	-	-	-	-	-	1,425
Purchase of own shares	-	-	-	(8,379)	-	-	-	-	(8,379)
Deferred tax asset on share option gains	-	-	-	-	-	-	-	2,727	2,727
Share based payments	-	-	-	-	3,361	-	-	-	3,361
Share options exercised	-	-	-	-	(260)	-	-	260	-
Tax on exercised share options	-	-	-	-	-	-	-	914	914
At 31 March 2007	8,119	31,379	70,992	(25,047)	4,727	1,200	64	139,014	230,448

8. Acquisitions

On 21 April 2006, the Group acquired certain of the trade and assets of Pilkington United Kingdom Limited relating to the glazing division of Pilkington Building Products. The business undertakes glazing repairs on a nationwide basis.

On 17 August 2006, the Group acquired 20,000 Home Assistance policies from FirstEnergy and simultaneously signed a marketing agreement with FirstEnergy Corp providing access to up to 3.4m households.

On 26 October 2006, the Group acquired 100% of the share capital of Digital Insurance Services Limited, a provider of home insurance and contents claims validation and fulfilment services.

Subsequent to the year end on 30 April 2007, the Group acquired 100% of the share capital of Multimaster Ltd, a leading furniture warranty and service provider.

All these transactions have been accounted for by the purchase method of accounting. The provisional fair value of the identifiable assets and liabilities of the acquisitions were:

Acquired by:	Homeserve Assistance Ltd £'000	Home Service USA Corp £'000	Homeserve Assistance Ltd £'000		Homeserve Retail Warranties Ltd £'000
	Pilkington	FirstEnergy	Digital Insurance Services Ltd	Total	Multimaster Ltd
Net assets acquired:					
Property, plant and equipment	130	-	26	156	1,327
Inventories	66	-	99	165	319
Trade and other receivables	1,849	-	477	2,326	2,109
Cash and cash equivalents	-	-	1	1	2
Trade and other payables	(2,007)	-	(567)	(2,574)	(2,776)
Deferred tax liabilities	-	-	(1,432)	(1,432)	-
	38	-	(1,396)	(1,358)	981
Intangible assets identified on acquisition	3,965	4,304	4,775	13,044	-
Goodwill	2,666	-	4,929	7,595	4,318
Total consideration	6,669	4,304	8,308	19,281	5,299
Satisfied by:					
Cash	6,500	2,136	3,040	11,676	5,024
Contingent consideration	-	1,541	5,000	6,541	-
Directly attributable costs	169	627	268	1,064	275
	6,669	4,304	8,308	19,281	5,299
Net cash outflow arising on acquisition:					
Cash consideration	6,669	2,763	3,308	12,740	5,299
Cash and cash equivalents acquired	-	-	(1)	(1)	(2)
	6,669	2,763	3,307	12,739	5,297

Total fair value adjustments of £425,000 were made on the acquisition of Pilkington, reducing the net assets to align accounting policies and reflect the fair value of certain trade and other receivables. There were no fair value adjustments on the other acquisitions completed during the year.

Intangible assets identified on the acquisition of Pilkington and Digital Insurance Services Limited represent the directors' estimate of the fair value of customer relationships at acquisition. Intangible assets identified on FirstEnergy reflect the directors' estimate of the value of the acquired customer database.

An exercise to determine the intangible assets currently subsumed within goodwill on Multimaster Limited is yet to be undertaken. This exercise will be completed for the 2007/8 interim accounts.

Goodwill represents future cross sell opportunities, efficiency savings, synergies and potential new client wins from these acquisitions.

If all the acquisitions had been completed on the first day of the financial year, Group revenues for the period and Group operating profit attributable to equity holders of the parent would have been £479,637,000 and £63,455,000 respectively.

In addition to the net cash outflow arising on acquisition above of £12,739,000, there were further cash outflows in respect of the acquisition of a number of individually immaterial acquisitions amounting to £1,124,000 resulting in £874,000 of intangible assets, £144,000 of goodwill and £106,000 of net assets. Contingent consideration of £16,308,000 was also paid in the year following the 2002 acquisition of Highway Emergency Services Limited and the 2005 purchase of National Property Solutions Limited.

9. Restatement of deferred tax

While not previously defined as provisional, during the year the directors have reassessed the recoverability of the unused tax losses of Recommend Limited, a company acquired by the Group in 2006. Tax losses with a fair value of £1,585,000 have now been recognised which has resulted in a reduction in goodwill of £1,585,000 at 31 March 2006 with a corresponding increase in deferred tax assets.

The previously reported acquired net assets of Improveline were £2,344,000 resulting in goodwill of £10,459,000 and identified intangibles of £9,093,000. Following the restatement, the reported net assets at acquisition were £3,939,000, resulting in goodwill of £8,874,000. All other acquired balances remain unchanged. This adjustment has no impact on the reported earnings or net assets previously reported in 2006.

10. Other information

An analysts presentation will be held at 11.00am on Monday 21 May 2007 at JP Morgan Cazenove Ltd, 20 Moorgate, London, EC2R 6DA. The Annual Report and Accounts for the year ended 31 March 2007 were approved by the Board on 21 May 2007 and will be posted to shareholders on 12 June 2007. Further copies will be available from the registered office at Cable Drive, Walsall, WS2 7BN.