

HomeServe plc
Interim results for the six months ended 30 September 2011

	Six months ended September 2011	Six months ended September 2010	Change
Revenue	£213.1m	£171.0m	+25%
Adjusted Operating profit ⁽¹⁾	£24.3m	£22.7m	+7%
Adjusted Profit before tax ⁽¹⁾	£23.5m	£21.3m	+10%
Adjusted Earnings per share ⁽²⁾	5.2p	4.7p	+11%
Statutory Profit before tax	£18.2m	£17.8m	+2%
Basic Earnings per share	4.2p	4.0p	+5%
Dividend per share	3.63p	3.3p	+10%

• **Half year financial results**

- Revenue up 25% and adjusted profit before tax⁽¹⁾ up 10%
- Adjusted earnings per share⁽²⁾ up 11% and interim dividend up 10%
- 5.1m customers worldwide, up 11%, with policy numbers up 13% to 11.8m
- Global retention rate remains high at 83.3% (HY11: 83.9%)
- Net debt reduced to £36.6m (HY11: £61.5m)

• **UK – reinvigorating our customer focus**

- Identified issues in our sales and marketing and complaints handling processes and are taking decisive corrective action
- Progress in developing new sales scripts and retraining call centre agents
- Detailed feedback now received from the FSA which is consistent with the issues that we are addressing
- One-off restructuring costs, fees and other expenses of up to £10m in the second half expected
- On-going additional costs relating to reinvigorating our customer focus and processes of up to £10m per annum
- Reduced marketing in current year will reduce customers by up to 5% and as a result renewals income in FY13 by approximately £15m
- Retention rate remains high and stable at around 82.5%

• **Making continued progress internationally**

- Started our peak marketing periods with good take-up rates and high retention rates
- US gross new policy sales up 46% and customer numbers now 0.98m
- New partnership agreement signed with EPCOR, a Canadian water and electric utility
- Pipeline of potential new affinity partners in the US remains strong
- Doméo customer numbers up 13% to 0.89m, with retention remaining high at 88%
- 86% and 95% increase in customer and policy numbers in Spain
- Extended our test marketing agreement in Italy

1. Excluding amortisation of acquisition intangibles and joint venture taxation, see Financial Review and note 3.
2. Excluding amortisation of acquisition intangibles see Financial Review and note 6.

Richard Harpin, Chief Executive, commented:

”The Group delivered a good first half financial performance as customers continue to value our products and services as evidenced by our global retention rate which remains high at 83.3%. We were disappointed to have found evidence of a shortfall in our standards in our UK sales and marketing procedures. We are taking decisive action to address these issues to ensure that our practices meet the high standards that both we and our customers expect.

Our UK business has put in place a programme to reinvigorate our customer focus. There will be some additional costs to achieving this but we firmly believe that the programme is in the interests of our customers, our affinity partners, our staff and our shareholders.

Our International businesses continue their growth and now account for 66% of the total household market and 40% of our total 5.1m customers.”

Enquiries

A presentation for analysts and investors will take place at 9am this morning at UBS, 1 Finsbury Avenue, London, EC2M 2PP.

There will be a listen-only conference call via +44 203 140 0668, pin code 559004#, and also a live webcast available via www.homeserveplc.com.

HomeServe plc

Richard Harpin, Chief Executive
Martin Bennett, Chief Financial Officer
Mark Jones, Head of Investor Relations

Tel: 01922 427979

Tulchan Group

Christian Cowley
Martin Robinson

Tel: 0207 353 4200

CHAIRMAN'S STATEMENT

We have continued to grow our earnings and global customer base in the first half of FY12 with 5.1m customers now holding 11.8m policies and retention rates remaining high in all regions.

While the recent issues identified in our UK business have overshadowed these first half results, we have already started to take the necessary steps to address them and further details are provided in the Chief Executive's review below.

Results

In the first six months of the financial year revenues were up 25% to £213.1m (HY11: £171.0m) and adjusted operating profit⁽¹⁾ up by 7% to £24.3m (HY11: £22.7m). Adjusted profit before tax⁽¹⁾ was £23.5m, up by 10% and adjusted earnings per share⁽²⁾ has increased by 11% to 5.2p (HY11: 4.7p).

Our balance sheet remains strong and the business continues to be highly cash generative with net debt reducing from £61.5m at the previous half year end to £36.6m at 30 September 2011.

On a statutory basis, profit before tax has increased by 2% to £18.2m (HY11: £17.8m) and earnings per share has increased by 5% to 4.2p (HY11: 4.0p).

UK

As previously announced, our UK business has identified potential failures in some aspects of its sales and marketing and complaints handling processes which may have resulted in a number of customers not receiving the high standards of service that we expect to deliver.

The Board is committed to delivering high standards for its customers at all times and is taking decisive action to address these issues. The appointment of Jonathan King as Chief Executive of the UK business was the first of a number of actions that we have taken to restore our customer focus in our UK business.

We are in regular dialogue with the Financial Services Authority (FSA) and have had a number of meetings with them over the last few weeks to discuss these issues, in order to keep them informed of our actions. We have now had their detailed feedback and are confident that this is consistent with the issues that we are addressing.

International Business developments

We are continuing to invest in our International businesses to enable us to grow customer numbers and profits.

In our USA business we have signed an agreement with EPCOR Energy, our first with a Canadian water and electric utility, whilst in Spain we are seeing good organic growth in customer and policy numbers. In addition, test marketing activity and potential affinity partner discussions are continuing in our New Markets businesses.

1. Excluding amortisation of acquisition intangibles and joint venture taxation, see Financial Review and note 3.
2. Excluding amortisation of acquisition intangibles see Financial Review and note 6.

Dividend

The Board is proposing an interim dividend of 3.63p per share (HY11: 3.3p), an increase of 10%.

Management and Board changes

In July we announced that Jonathan King would return to the UK as Chief Executive of our UK business replacing Jon Florsheim. At the same time, we announced the appointment of Tom Rusin to replace Jonathan as Chief Executive of HomeServe USA and that Tom would sit on the Executive Committee. I would formally like to welcome Tom to the Company.

In October we announced that Andrew Sibbald had stepped down as a Non-Executive Director and I would like to thank him for his support and contribution to HomeServe over the past four years.

Summary

We are committed to delivering the high standards of service in both our UK and International businesses that we and our customers expect. We are working to address, as quickly as possible, the root causes behind the sales and marketing and complaints handling issues in the UK. We are confident that the actions we are taking will strengthen the quality and consistency of our service to customers.

The continued growth of our International operations and the resilience of the UK business model give us confidence that we can continue to deliver a good financial performance in 2012 and beyond.

JM Barry Gibson
Chairman
22 November 2011

CHIEF EXECUTIVE'S REVIEW

We have grown both our UK and International businesses with global customer numbers up by 11% to 5.1m (HY11: 4.6m) and policy numbers 13% higher at 11.8m (HY11: 10.5m). Income per customer has increased by 6% to £82 with adjusted profit before tax⁽¹⁾ growing by 10% to £23.5m (HY11: £21.3m).

We believe that there are growth opportunities in all our markets and we are continuing to invest in each of our businesses. In the USA we have signed new affinity partner relationships and expanded our North American coverage into Canada and we have also increased, as planned, our investment in our New Markets businesses in Italy and SFG in France.

The table below shows our performance metrics on a global basis as at 30 September 2011.

		UK		International		Total		Change
		HY12	HY11	HY12	HY11	HY 12	HY 11	
Affinity partner households	m	23	23	46	45	69	68	+2%
Customers	m	3.0	2.8	2.1	1.8	5.1	4.6	+11%
Penetration of affinity households	%	12.8	12.1	4.5	3.8	7.3	6.7	+0.6ppts
Income per customer	£	92	85	68	62	82	77	+6%
Policies	m	7.7	7.2	4.1	3.3	11.8	10.5	+13%
Policies per customer		2.6	2.5	2.0	1.9	2.3	2.3	-
Retention rate	%	82.5	82.9	84.8	86.0	83.3	83.9	-0.6ppts
Operating profit ⁽¹⁾ / (loss) ⁽¹⁾	£m	25.8	24.1	(1.5)	(1.4)	24.3	22.7	+7%

The following sections report on the performance of each of our business segments.

UK

Our UK business has around 3m customers with 7.7m policies and over the past 12 months we have completed over 1m home emergency repairs through our network of directly employed and sub contract engineers. Specifically, through our own directly employed plumbing and drainage engineers we have the scale to fulfil around 90% of all plumbing related emergencies, representing half of the total home emergency repairs covered by our policies.

The UK has delivered a solid financial performance in the first half of the year, but this has been overshadowed by the identification of a number of cases where we may have failed to meet the high customer standards we set for ourselves.

Before reviewing the results of the last six months, it is important to be clear on how these issues have arisen in our UK business, the actions already taken and our plans to ensure they do not happen again.

Customer complaints from last winter

During the first half of the year we became aware of issues relating to the way in which we handled customer complaints arising during the severe weather last winter. The weather in the UK last winter was the most severe for over 100 years and this led to an unprecedented number of customer calls and emergency repairs, being around three times the normal weekly average. This unusual volume mainly resulted from customers calling to report failed boilers and frozen pipes, caused by sustained sub-zero temperatures.

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Due to both the number of customer calls and emergency repairs undertaken, we received an unusually high number of customer complaints, which, with hindsight, our processes did not deal with appropriately. The majority of complaints over this period related to the servicing of claims, for example, the speed of answering the telephone or the time taken for an engineer to be available, and in the majority of cases we believe that we provided the best service we could in light of the extreme weather. No complaints went unanswered, but new procedures brought in for the swift handling of some complaints were not implemented correctly. As a result, we are now reviewing these complaints to assess whether they were handled appropriately and the customer received a fair outcome. Any customers that did not receive a fair outcome will be recontacted and compensated where appropriate.

Suspension of our sales activity

Separately, during the first half of the year the compliance function within the UK business continued its normal monitoring activities, including the review of sales and marketing processes. In addition, and in order to supplement the work performed, the business commissioned an independent report from external consultants.

While a number of points were raised, a particular concern was identified around the way in which 'Complete Cover' policies had been sold as an upgrade to existing customers by outbound telesales staff. These sales are not straight forward in all cases, particularly in relation to the amount of credit customers receive on the unexpired term of their existing policy. The process may, in a number of cases, have left the customer unclear on the details of their cover and the price they were paying.

HomeServe is committed to delivering the highest sales standards to both our existing and potential customers. Sales and marketing is one of our core value drivers and it is at the heart of our relationships with our customers and our business partners. Therefore, upon concluding our internal review we took the decision on 28 October to temporarily suspend our direct mail and telephone sales and marketing activity in the UK.

The development of new scripts and the re-training of sales agents within our inbound call centre activity were promptly undertaken in order to ensure we were able to meet the needs of those customers responding to direct mail activity previously mailed. In addition, this prioritisation has ensured that we will have sufficient, appropriately trained agents ready to handle customer calls when the next direct mail campaigns are sent in the New Year.

It is worth noting that direct mail and the subsequent inbound calls are our most important sales channels representing, in the first half of the year, around 75% of our gross new policy sales, with the remaining 25% from outbound telephone activity. To date we have recommenced inbound activity covering over 50% of our affinity partner households and further progress is expected over the coming weeks.

Outbound telephone sales activity is also being reviewed in terms of scripts, agent training and the targeting of outbound calling. It will take longer to complete our improvement plans in respect of this channel.

However, with regards to all our channels we will not restart any sales activity until we consider that the review of sales scripts and materials, together with the training of sales staff, will enable us to deliver the high standards of sales and service that we and our customers expect.

We have informed all of our affinity partners of the issues that we have identified and the actions we are taking. They are supportive of the actions taken and our commitment to meet these standards.

The way forward

These issues have highlighted that the customer focus of HomeServe's UK business needs to be reinvigorated. We are committed to making a number of changes to address this and to enable the business to achieve sustainable growth.

Jonathan King has returned from the US, where he served as CEO of HomeServe USA for six years, to take over the leadership of our UK business. Jonathan took up the role of CEO of the UK business at the start of November and we have been informed by the FSA that he has been recommended for approval and we expect formal notification shortly. We are confident that he and his team will be able to deliver the required business changes.

In order to further increase the rigour and challenge in the business around regulatory matters we have also recently strengthened the Board of that business with the appointment of a new Non-Executive Director, Diana Miller, who was previously Compliance Director at Legal & General. In addition, we are in the process of recruiting a Non-Executive Chairman to the Board of the UK business.

We are committed to improving our service delivery to customers when they have an emergency. As part of our winter planning this year, we have recruited and trained an extra 140 call centre agents at our 24 hour claims centre in Preston to give us increased capacity in the event of another extreme winter. In addition, we are investing in our Network Transformation Programme, which will give greater efficiencies in emergency job bookings and tracking those jobs.

We have undertaken a review of our complaints handling function and appointed a new Director of Customer Relations, reporting directly to Jonathan King to make recommendations and improvements in this area.

We are also reviewing bonus and incentive based pay for all staff to put a greater emphasis on quality of customer outcomes rather than the volume of sales or productivity.

Jonathan King has been meeting the FSA weekly to ensure they are kept up to date with HomeServe's plans to return the UK business to a customer focused culture that we can all be proud of. We are clearly disappointed to have encountered these issues in our UK business but are confident that the actions that are being taken to deliver the high standards we and our customers expect are the right ones for the benefit of our customers, our affinity partners, our staff and our shareholders.

UK performance HY12

- Customers up 6% to 3m and income per customer up 8%
- Retention rate remains high at 82.5%

UK performance metrics		Sept 2011	Sept 2010	Change
Total number of households	m	26	26	-
Affinity partner households	m	23	23	-
Customers	m	3.0	2.8	+6%
Penetration of affinity households	%	12.8	12.1	+0.7ppts
Income per customer	£	92	85	+8%
Total policies	m	7.73	7.15	+8%
Policies per customer		2.58	2.52	+0.06
Policy retention rate	%	82.5	82.9	-0.4ppts

UK policies split by type		Sept 2011	Sept 2010
Water	'000	4,301	4,119
Electrical	'000	840	774
Heating, ventilation, air conditioning (HVAC)	'000	896	849
Manufacturer warranties	'000	550	434
Other	'000	1,140	974
Total policies	'000	7,727	7,150

In the UK, revenue increased by 14% to £150.9m (HY11: £132.3m) reflecting the growth in customers and income per customer and an increase in repair revenues as customers continue to benefit from the cover provided by their policies. Adjusted operating profit⁽¹⁾ increased by 7% to £25.8m (HY11: £24.1m).

Customer numbers at 30 September 2011 were up 6% to 3.0m (HY11: 2.8m), reflecting the continued performance of our customer acquisition activities seen in the second half of last year with income per customer increasing by 8% to £92 (HY11: £85).

Gross new policy sales in the first half of the financial year were 0.6m, similar to the same period last year (HY11: 0.7m). In addition to these new sales we have also been testing an initiative that offers existing customers additional cover as part of an enhanced renewal offer. This initiative provided 0.26m new enhanced cover policies (in addition to the 0.6m gross new policy sales) in the first half of the year.

Total policies at the end of September 2011 were 7.7m (including enhanced cover policies), an 8% increase on the prior year (HY11: 7.2m). We continue to broaden the relationships with our customers with the number of policies per customer (including enhanced cover policies) increasing to 2.58 (HY11: 2.52). Excluding the enhanced cover policies, total policies at September 2011 were 7.5m (HY11: 7.2m), with policies per customer of 2.49 (HY11: 2.52).

The policy retention rate has remained high at 82.5% which is 0.2ppts below the 82.7% achieved for the 12 months to 31 March 2011 and 0.4ppts below that at 30 September 2010, which is in line with our expectations.

We have achieved good take-ups from our core utility partner mailings and are pleased to report a 4% increase in water related policies (including enhanced cover policies) over the past 12

months. Our manufacturer warranty policies also continued to grow with a 27% increase to 550k, principally driven by sales to Vaillant and Dyson customers.

We have also seen growth in the number of customers and policies sold via One Contact compared to the same period last year and we achieved a significant increase in the proportion of calls converted into jobs. Sales through our financial services partners and internet channels have also continued to grow.

United States of America

- New affinity partnership signed with Canadian utility EPCOR in October
- Gross new policy sales up 46% to 261k, with policies per customer up to 1.56
- Customer numbers up 18% to 975k, with income per customer up 37% to \$102

USA performance metrics		Sept 2011	Sept 2010	Change
Total number of households	m	128	128	-
Affinity partner households	m	21	20	+1%
Customers	m	0.98	0.83	+18%
Penetration of affinity households	%	4.8	4.1	+0.7ppts
Income per customer	\$	102	75	+37%
Total policies	m	1.53	1.19	+28%
Policies per customer		1.56	1.44	+0.12
Policy retention rate	%	80.5	82.5	-2.0ppts

USA policies split by type		Sept 2011	Sept 2010
Water	'000	729	586
Electrical	'000	93	83
Heating, Ventilation, Air Conditioning (HVAC)	'000	280	197
Other	'000	423	328
Total policies	'000	1,525	1,194

Revenues in the USA were £30.2m (HY11: £15.1m) 100% higher than a year ago principally reflecting a full six months of income from the National Grid businesses acquired in August 2010 and the 18% increase in customer numbers. The USA reported an adjusted operating loss⁽¹⁾ of £0.8m (HY11: loss of £1.2m) reflecting the seasonality of the business and the impact of the directly employed service technicians from the National Grid acquisition. We continue to expect the USA to achieve good growth in operating profit for the full year.

We are pleased to announce the signing of a new long term affinity partnership agreement with EPCOR Energy, a Canadian water and electric utility. EPCOR Energy provides water and electric services to 0.6m households in the Province of Alberta in Canada. We will service EPCOR's customers from our existing call centres in the USA together with a local sub contract network and area management on the ground in Canada. We have also signed an agreement with a small municipal water company, Biddeford & Saco Water Company, in Maine. Following these agreements HomeServe USA has access to over 21m marketable households in North America under 21 utility partners.

Customer numbers increased by 18% to 975k (HY11: 828k), reflecting an increase in new policy sales, with gross new policy sales of 261k, an increase of 46% (HY11: 179k). This growth

reflects the continued success with our existing partners as well as the commencement of marketing to new partners signed over the past 12 months.

Income per customer has increased by 37% to \$102, which principally reflects the growth in our higher value HVAC related policies together with an increase in the number of policies per customer from 1.44 to 1.56.

Due to the strong growth in gross new policy sales in the prior year, including the growth of our 'Own Brand' policies, the mix of our policy portfolio has shifted and resulted in a reduction in the retention rate to 80.5% (HY11: 82.5%).

During the first half of the year we have continued to increase our marketing activity and in particular have made good progress in rolling out activity to Southern California Gas households, as well as successfully starting to renew and market to South Jersey Energy Services customers. We also continue to grow our own HomeServe USA branded policies with good take-ups for both new customers and cross sales to existing customers.

Our business development teams are progressing discussions and proposals with a number of potential new affinity partners where no programme currently exists, as well as looking at further acquisitions of policy books. Our pipeline of potential agreements remains strong.

As part of this business development, we announced in September that we were entering the manufacturer warranty market in the USA. Manufacturer warranties are a successful part of our UK business and we believe that there is an opportunity to replicate this in the USA. We recently signed our second partnership with Rinnai America Corporation who is the largest US manufacturer of tankless water heaters.

We have also signed an agreement with White Fence Corporation which opens up a new sales channel for HomeServe USA Own Brand policies. White Fence provide an internet based service that enables a one-stop-shop for residents to set up utility services as well as providing the opportunity to purchase other home-related services such as home emergency cover.

We are delivering a high level of customer service through both our own directly employed HVAC technicians and our sub-contract engineers. We successfully continue to build and expand our sub-contract network to take account of our growing customer base and the increasing number of partners, with customer satisfaction levels remaining high.

Doméo

- Good customer and policy growth of 13% and 15%
- High retention rate of 88% maintained

Doméo performance metrics		Sept 2011	Sept 2010	Change
Total number of households (excluding apartments)	m	19	19	-
Affinity partner households (excluding apartments)	m	14	14	-
Customers	m	0.89	0.78	+13%
Penetration of affinity households	%	6.2	5.5	+0.7ppts
Income per customer	€	93	92	+1%
Total policies	m	2.31	2.01	+15%
Policies per customer		2.60	2.57	+0.03
Policy retention rate	%	88.4	88.2	+0.2ppts

Doméo policies split by type		Sept 2011	Sept 2010
Water	‘000	1,902	1,658
Electrical	‘000	259	239
Other	‘000	145	117
Total policies	‘000	2,306	2,014

Doméo is our joint venture that was established with Veolia in 2001. Since then the business has seen strong growth and generated adjusted operating profits⁽¹⁾ of over £16m per annum in the year ended March 2011.

During the first half of the year Doméo delivered another period of good revenue and adjusted operating profit⁽¹⁾ growth. Our 49% share of Doméo’s adjusted operating profit⁽¹⁾, increased by 14% to £1.3m (HY11: £1.1m).

Doméo has reported good growth in both customer and policy numbers over the past 12 months, with the total number of customers increasing by 13% to 0.89m (HY11: 0.78m) and policies increasing by 15% to 2.3m (HY11: 2.0m). The retention rate remains high at 88.4% (HY11: 88.2%) and the average number of policies per customer has continued to increase from 2.57 to 2.60.

Doméo has achieved gross new policy sales of 0.19m (HY11: 0.16m) with good growth in water related policies. We continue to test a number of different marketing initiatives in order to target the apartment segment of the market and we have also been working to identify further opportunities with Veolia to maximise the number of sales generated from their call centres.

Spain

- Strong growth in customer and policy numbers
- Growth in water policies as we roll-out marketing to Agbar households

Spain performance metrics		Sept 2011	Sept 2010	Change
Total number of households	m	21	21	-
Affinity partner households	m	11	10	+13%
Customers	m	0.20	0.11	+86%
Penetration of affinity households	%	1.8	1.1	+0.7ppts
Total policies	m	0.26	0.13	+95%
Policies per customer		1.32	1.26	+0.06

As the Spanish policy book is relatively small and growing quickly we do not currently report the retention rate and income per customer metrics

Spain policies split by type		Sept 2011	Sept 2010
Water	‘000	46	18
Electrical	‘000	116	85
Other	‘000	100	32
Total policies	‘000	262	135

In Spain, revenue increased by 36% to £27.5m reflecting the growth in customer numbers as well as higher claims handling volumes and margins. The adjusted operating loss⁽¹⁾ of £1.0m (HY11: £0.8m) reflects the increased investment in marketing activity during the first six months of the year.

In Spain we continue to achieve strong growth, with customer and policy numbers increasing by 86% and 95% respectively compared to 30 September 2010.

In the first half of the year we have increased our marketing activity with both Endesa and Agbar households. The increased activity has resulted in gross new policy sales increasing to 94k (HY11: 45k). The roll-out of our marketing activity to Agbar is evident in the strong growth in water related policies which have more than doubled to 46k over the past 12 months, whilst we also continue to see good growth in sales to Endesa households. 'Other' policies include our Club product which provides access to our repair network and one hour's free labour per annum.

Our claims handling business in Spain continues to perform well with growth in the number of claims managed. The operating margin improvement initiatives implemented in the first half of FY11 have generated good returns in the current period.

New Markets

- Extended our test marketing agreement with Enel in Italy
- Started test marketing with Veolia Acqua in Italy
- Commenced partner discussions in Germany

Our New Markets segment includes our developing businesses in Belgium, France (via our warranty business Société Française de Garantie (SFG)), Italy and Germany.

These businesses reported revenue of £6.0m (HY11: £4.3m) and an adjusted operating loss⁽¹⁾ of £1.0m (HY11: £0.5m) reflecting additional investment in marketing activity in SFG and our Italian businesses. We continue to expect to increase the investment in our New Markets businesses by around £3m in FY12 compared to the prior year and maintain this level over the next few years.

Our initial test marketing with Enel, where we are mailing to Enel's one million non-regulated premium customer households in Italy, has been successful and we have therefore extended the test period in parallel with discussing the opportunity to agree a long term affinity partnership with access to an increased number of households. We are also test marketing with Veolia Acqua, a small Italian water utility, and Unicasa, a property management business.

In SFG, our wholly owned warranty business based in France, we are continuing to invest in the development of a post-point of sale and manufacturer warranty operation with test marketing activity with Indesit and Mistergooddeal. The existing retail warranty customer base continues to perform in line with our expectations.

We continue to look at the best way of offering and servicing home emergency repair policies in Belgium with potential affinity partnership discussions ongoing.

We have identified Germany as the next country in Europe where we believe we can implement the HomeServe business model. Positive discussions are continuing with potential utility affinity partners.

Outlook

In the UK our priority is to reinvigorate our customer focus under Jonathan King's leadership. We are determined to deliver the high standards of service that we and our customers expect and are willing to make the immediate investment in resources and training necessary to achieve the required changes. Further information on the financial effects of this investment on the current and future years is included in the Financial Review below. Our affinity partners are supportive of the actions we are taking and our retention rate remains high.

Our International businesses have made a good start to the second half of the financial year with customer numbers continuing to increase and retention rates remaining high. We are planning for continued growth in our US, French and Spanish businesses.

We continue to believe that the business model remains robust and in the medium term expect to target earnings and customer growth in all our businesses, with an increasing contribution from our International businesses.

Richard Harpin
Chief Executive
22 November 2011

FINANCIAL REVIEW

These financial results have been prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting policies used are consistent with those at 31 March 2011.

Segmental Results

The Group has five operating segments - UK, USA, Doméo (our joint venture in France), Spain, and New Markets. The New Markets division reflects the results of our businesses in Belgium, SFG in France, Italy and Germany. The revenue and adjusted operating profit⁽¹⁾ for each of these segments are set out in the table below.

£million	Revenue		Adjusted operating profit / (loss) ⁽¹⁾		Adjusted operating margin	
	Six months ended September 2011	Six months ended September 2010	Six months ended September 2011	Six months ended September 2010	Six months ended September 2011	Six months ended September 2010
UK	150.9	132.3	25.8	24.1	17.1%	18.2%
USA	30.2	15.1	(0.8)	(1.2)	-2.8%	-7.7%
Doméo	12.5	10.9	1.3	1.1	10.0%	10.1%
Spain	27.5	20.2	(1.0)	(0.8)	-3.8%	-3.9%
New Markets	6.0	4.3	(1.0)	(0.5)	-15.8%	-11.2%
JV/inter-division	(14.0)	(11.8)	-	-	-	-
Group	213.1	171.0	24.3	22.7	11.4%	13.3%

Revenue has increased by 25% to £213.1m (HY11: £171.0m) and adjusted operating profit⁽¹⁾ by 7% to £24.3m (HY11: £22.7m) in the first half of the financial year.

The growth in revenue reflects higher customer numbers, increased renewal income in all countries as well as income for the complete reporting period from the National Grid businesses that we acquired in August 2010.

The Group adjusted operating margin (adjusted operating profit/(loss)⁽¹⁾ divided by revenue) has reduced from 13.3% to 11.4%. This reduction reflects the increased investment in our New Market businesses and the seasonality of the acquired National Grid businesses, as well as the timing of marketing campaigns and policy renewals in our established businesses.

UK

Our UK business reported revenue of £150.9m (HY11: £132.3m), an increase of 14%. This is driven by an increase in the customer base, increasing income per customer, as well as a strong performance in renewal income.

Revenue in the UK business can be analysed as 'net income' (income per customer multiplied by the number of customers) of £110m (HY11: £101m), with the remaining income of £41m (HY11: £31m), representing £34m of repair network revenue (HY11: £20m) and other income of £7m (HY11: £11m) including third party claims handling revenue. Net income increased by 8% compared to the same period in HY11.

The UK operating margin has reduced slightly in the first half of the year from 18.2% to 17.1% as a result of increased lower margin repair network revenues.

1. Excluding amortisation of acquisition intangibles and joint venture taxation, see Financial Review and note 3.
2. Excluding amortisation of acquisition intangibles see Financial Review and note 6.

The UK business has reported good growth with adjusted operating profit⁽¹⁾ increasing by 7% to £25.8m (HY11: £24.1m).

USA

In the USA revenues in the first half of the year have doubled to £30.2m (HY11: £15.1m) reflecting the growth in customer and policy numbers as well as the full benefit from the National Grid businesses acquired in August 2010. Our directly employed HVAC technicians typically complete lower margin service jobs during the summer months with higher margin emergency repair job volumes increasing in the second half of the financial year. This seasonality, together with the increased marketing activity undertaken in the first half of this year, has resulted in the US reporting an adjusted operating loss⁽¹⁾ of £0.8m (HY11: £1.2m).

We continue to expect the US to deliver strong growth in operating profit over the full 12 months, with the operating margin expected to remain in line with that reported for FY11 at around 11%, reflecting the ongoing investment in marketing and the growth in new customers.

Doméo

Our share in the French joint venture Doméo, has generated revenue of £12.5m (HY11: £10.9m), an increase of 15% in line with the increase in policy numbers. Doméo has contributed an adjusted operating profit⁽¹⁾ of £1.3m (HY11: £1.1m), with the operating margin remaining stable at around 10%.

Spain

In Spain revenue was £27.5m, £7.3m higher than last year as a result of the growth in customer and policy numbers as well as higher claims handling revenues. The adjusted operating loss⁽¹⁾ of £1.0m (HY11: £0.8m) is slightly higher than in the same period last year, reflecting increased marketing activity.

New Markets

Our New Markets businesses reported revenue of £6.0m (HY11: £4.3m) and an adjusted operating loss⁽¹⁾ of £1.0m (HY11: £0.5m). The increased operating loss⁽¹⁾ reflects the increased investment in marketing activity in Italy and SFG in France.

Cash flow and financing

Our business model continues to be cash generative. Cash generated by operations in the first six months of FY12 amounted to £21.1m (HY11: £35.1m).

£million	Six months ended September 2011	Six months ended September 2010
Adjusted operating profit ⁽¹⁾	24.3	22.7
Tax on joint venture and amortisation of acquisition intangibles	(5.4)	(3.5)
Operating profit	18.9	19.2
Depreciation, amortisation and other non-cash items	12.5	9.0
(Increase) / decrease in working capital	(10.3)	6.9
Cash generated by operations	21.1	35.1
Net interest	(2.3)	(0.7)
Taxation	(14.2)	(9.4)
Capital expenditure	(5.8)	(5.0)
Doméo dividend received	3.5	3.7
Free cash flow	2.3	23.7
Acquisitions / disposals	(3.0)	(11.7)
Equity dividends paid	(22.5)	(20.7)
Issue of shares	0.9	0.8
Net movement in cash and bank borrowings	(22.3)	(7.9)
Impact of foreign exchange	(1.3)	(0.7)
Finance leases	(0.7)	-
Opening net debt	(12.3)	(52.9)
Closing net debt	(36.6)	(61.5)

The working capital outflow is in line with our expectations and principally reflects the growth in our International businesses. The working capital inflow in the prior year principally reflected the timing of the declaration of our second interim dividend for the year ended 31 March 2010.

During the first six months of the financial year we incurred capital expenditure of £5.8m (HY11: £5.0m) primarily in respect of information systems to support our growing businesses. The cash outflow related to taxation is higher in the first six months of this financial year principally because the prior year benefited from the utilisation of tax losses generated from the closure of certain parts of the discontinued Emergency Services division.

Free cashflow in the first half of the year is £2.3m. This is lower than the £23.7m achieved in HY11 due to the working capital outflow and higher taxation payments.

Net debt at 30 September 2011 was £36.6m (HY11: £61.5m), a reduction of £24.9m over the 12 month period.

Outlook

Following the suspension of our UK sales and marketing activity on 28 October we have started to reintroduce activity on a phased basis, as and when the retraining and re-scripting processes are completed. The roll-out of activity will take time to complete and our UK marketing plans for the final quarter have been reduced accordingly.

We expect to incur one-off restructuring costs, fees and other expenses of up to £10m in the second half, with on-going additional costs of up to £10m per annum as we invest further in improving the customer focus and our business processes.

The impact of reduced marketing activity over the balance of the year is likely to reduce year end UK customer numbers by up to 5%. The impact of this on renewals income in FY13 is likely to be a reduction of approximately £15m.

Our retention activities to date have been unaffected and we have continued to renew policies as usual with renewal rates since the end of October being in line with expectations. We will continue to closely monitor both the renewal rate and the level of mid-term cancellations over the coming months. Although it is too early to assess the effectiveness of our new marketing, we are confident that we will be able to continue growing customer and policy numbers in the coming years.

Our International businesses are unaffected by the UK issues and we are planning for continued growth in earnings.

Group statutory results

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

£million	Six months ended September 2011	Six months ended September 2010
Total revenue	213.1	171.0
Operating profit	18.9	19.2
Net finance costs	(0.7)	(1.4)
Profit before tax⁽¹⁾	23.5	21.3
Amortisation of acquisition intangibles	(4.9)	(3.4)
Tax on JV	(0.4)	(0.1)
Statutory Profit before tax	18.2	17.8
Tax	(4.6)	(5.0)
Profit for the period, being attributable to equity holders of the parent	13.5	12.8

Statutory operating profit, after the amortisation of acquisition intangibles and tax on joint ventures was £18.9m (HY11: £19.2m). Statutory profit before tax includes the amortisation of acquisition intangibles of £4.9m (HY11: £3.4m) which principally relates to customer and other contracts held by the acquired entities at the date of acquisition. The reduction in statutory operating profit reflects the increase in the amortisation of acquisition intangibles following the acquisition of National Grid Energy Services in August 2010 and tax on joint ventures compared to the comparative period.

For Doméo, our joint venture in France, the operating result is defined under IFRS as profit after tax and therefore a charge of £0.4m (HY11: £0.1m) of joint venture tax is reported within statutory operating profit and statutory profit before tax.

Earnings per share

Adjusted earnings per share⁽²⁾ for the period increased by 11% from 4.7p to 5.2p. The increase in adjusted earnings per share is higher than the 10% increase in adjusted profit before tax⁽¹⁾

reflecting a lower effective tax rate partially offset by an increase in the average number of shares in issue from 320m to 322m.

On a statutory basis, earnings per share increased by 5% to 4.2p.

Finance costs

The Group's net finance costs in the first six months of the financial year were £0.7m (HY11: £1.4m), £0.7m lower than in the same period last year. The reduction reflects a lower level of debt throughout the period.

During the first half of the year we renewed our banking facilities. As part of the agreement we have increased the size of the facility from £150m to £250m as well as increasing the number of banks with whom we are working. The new facility, which has a similar cost to the previous arrangement, will ensure we maintain our financial flexibility over the next few years.

Taxation

The tax charge in the first half of the financial year was £4.6m (HY11: £5.0m).

In order to calculate an effective tax rate that reflects the tax burden of the Group, it is necessary to take account of the effect of joint venture results on the Group's profits and tax for the year. The earnings of our Doméo joint venture are shown net of tax within statutory profit before tax. Adjusting the tax rate to include the tax relating to joint ventures (an adjusted tax charge of £5.1m) and similarly grossing up for the joint venture tax on the statutory profit before tax, the joint venture adjusted tax rate is 27.2% (HY11: 28.7%). The reduction in the rate reflects the lower UK corporation tax rate as well as the continued availability of brought forward tax losses in our International businesses. The rate in the first half of the year represents the estimated tax rate for the full year.

Dividend

The interim dividend of 3.63p per share (HY11: 3.3p) will be paid on 3 January 2012 to shareholders on the register on 2 December 2011.

Foreign exchange impact

The total reported adjusted operating profit⁽¹⁾ of our International businesses increased by £0.1m and revenue was £0.5m higher due to changes in the € and \$ exchange rates compared to the same period 12 months ago.

Acquisitions

Acquisition spend during the period totalled £3.0m (HY11: £11.7m), the majority of which reflects deferred consideration in relation to acquisitions completed in prior periods.

Statutory and pro-forma reconciliations

The Group continues to believe that adjusted operating profit⁽¹⁾ and adjusted profit before tax⁽¹⁾, which exclude the amortisation of acquisition intangibles and tax on joint ventures, are important performance indicators for monitoring the business.

This report uses a number of pro-forma measures to highlight the Group's results excluding the above amounts. The table below provides a reconciliation between the statutory and pro-forma items.

	Six months ended September 2011	Six months ended September 2010
£million		
Operating profit (statutory)	18.9	19.2
Amortisation of acquisition intangibles	4.9	3.4
Tax on joint ventures	0.4	0.1
Adjusted operating profit⁽¹⁾	24.3	22.7
£million		
Profit before tax (statutory)	18.2	17.8
Amortisation of acquisition intangibles	4.9	3.4
Tax on joint ventures	0.4	0.1
Adjusted profit before tax⁽¹⁾	23.5	21.3
Pence per share		
Earnings per share (statutory)	4.2	4.0
Amortisation of acquisition intangibles	1.0	0.7
Adjusted earnings per share⁽²⁾	5.2	4.7

Principal risks and uncertainties

The principal risks and uncertainties, together with the mitigating activities, detailed on pages 36 - 39 of the Group's 2011 Annual Report and Financial Statements, continue to have the potential to impact the Group's performance and are as follows:

- The potential loss of a commercial relationship
- A change in customer loyalty and retention
- The impact of competition
- Our marketing effectiveness
- Exposure to legislation or regulatory reforms
- Availability of underwriters
- The quality of customer service
- Recruitment and retention of skilled personnel
- Exposure to country and regional risks
- Financial and treasury risks including credit risk

In addition, the issues identified in this statement in relation to the UK business have given rise to further risks and uncertainties as follows:

- Ability to reinvigorate the customer focused culture
- Uncertainty as to the scope and costs of the steps required to remedy the issues identified in the UK business.

We regard the reinvigoration of the customer focused culture in the UK business as being of considerable importance to the future of this business. If we are not able to achieve the reinvigoration as effectively or as rapidly as we intend, the future performance of the UK business may be adversely affected, potentially materially.

We continue to develop our responses to the issues identified in our UK business, including being in regular dialogue with the FSA. There is currently no certainty as to the additional activities that we may need to undertake, or action that the FSA may take, if any.

Information on financial risk management is also set out on pages 141-142 of the Annual Report, a copy of which is available on the Group's website www.HomeServeplc.com.

Going concern and asset impairment

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Chief Executive's Review. This financial review also includes the headline financial results, cash flow and financing information as well as details on the principal risks and uncertainties.

The Directors have reviewed the Group's forecasts and cash flows, including reviewing a number of scenarios in connection with the future financial performance of the UK business, and have concluded that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In addition, the Directors have considered the issues facing the UK business at this time in relation to the carrying value of goodwill and other assets and have concluded that there is no impairment of these assets.

Martin Bennett
Chief Financial Officer
22 November 2011

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS34 “Interim Financial Reporting”;

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

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

By order of the Board
Chief Executive Officer
Richard Harpin
22 November 2011

Chief Financial Officer
Martin Bennett
22 November 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Note	Six months ended 30 September 2011 £000 (Unaudited)	Six months ended 30 September 2010 £000 (Unaudited)	Year ended 31 March 2011 £000 (Audited)
Continuing operations				
Revenue	3	213,129	171,049	467,117
Operating costs:				
Amortisation of acquisition intangibles		(4,919)	(3,431)	(9,234)
Other operating costs		(189,997)	(149,416)	(356,462)
Operating costs		(194,916)	(152,847)	(365,696)
Share of profit of joint ventures		705	979	5,531
Operating profit		18,918	19,181	106,952
Investment income		35	36	80
Finance costs		(777)	(1,430)	(2,198)
Profit before tax, amortisation of acquisition intangibles, and tax on joint ventures		23,513	21,343	117,051
Amortisation of acquisition intangibles		(4,919)	(3,431)	(9,234)
Tax on joint ventures		(418)	(125)	(2,983)
Profit before tax		18,176	17,787	104,834
Tax	4	(4,643)	(5,009)	(27,893)
Profit for the period, being attributable to equity holders of the parent		13,533	12,778	76,941
Dividends per share	5	3.63p	3.3p	10.3p
Earnings per share				
Basic	6	4.2p	4.0p	24.0p
Diluted	6	4.1p	3.9p	23.3p

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Six months ended 30 September 2011 £000 (Unaudited)	Six months ended 30 September 2010 £000 (Unaudited)	Year Ended 31 March 2011 £000 (Audited)
Profit for the period	13,533	12,778	76,941
Exchange differences on translation of foreign operations	(788)	(1,680)	(895)
Actuarial (losses)/gains on defined benefit pension scheme	(1,418)	59	3,656
Tax on items taken directly to equity	280	(196)	(1,264)
Total comprehensive income for the period attributable to equity holders of the parent	11,607	10,961	78,438

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Share capital £000	Share premium account £000	Merger reserve £000	Own shares reserve £000	Share incentive reserve £000	Capital redemption reserve £000	Hedging & retranslation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2011	8,225	36,661	70,992	(21,535)	8,102	1,200	7,827	176,713	288,185
Total comprehensive income	-	-	-	-	-	-	(788)	12,395	11,607
Dividends paid	-	-	-	-	-	-	-	(22,528)	(22,528)
Issue of share capital	1	123	-	-	-	-	-	-	124
Issue of trust shares	-	-	-	2,192	-	-	-	(1,421)	771
Share based payments	-	-	-	-	2,241	-	-	-	2,241
Share options exercised	-	-	-	-	(691)	-	-	691	-
Tax on exercised share options	-	-	-	-	-	-	-	324	324
Deferred tax on share options	-	-	-	-	-	-	-	331	331
Balance at 30 September 2011 (Unaudited)	8,226	36,784	70,992	(19,343)	9,652	1,200	7,039	166,505	281,055

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Share capital £000	Share premium account £000	Merger reserve £000	Own shares reserve £000	Share incentive reserve £000	Capital redemption reserve £000	Hedging & retranslation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2010	8,218	36,102	70,992	(24,958)	6,538	1,200	8,722	127,247	234,061
Total comprehensive income	-	-	-	-	(12)	-	(1,668)	12,641	10,961
Dividends paid	-	-	-	-	-	-	-	(20,724)	(20,724)
Issue of share capital	2	161	-	-	-	-	-	-	163
Issue of trust shares	-	-	-	1,855	-	-	-	(1,190)	665
Share based payments	-	-	-	-	1,787	-	-	-	1,787
Share options exercised	-	-	-	-	(632)	-	-	632	-
Tax on exercised share options	-	-	-	-	-	-	-	725	725
Deferred tax on share options	-	-	-	-	-	-	-	973	973
Balance at 30 September 2010 (Unaudited)	8,220	36,263	70,992	(23,103)	7,681	1,200	7,054	120,304	228,611

FOR THE YEAR ENDED 31 MARCH 2011

	Share capital £000	Share premium account £000	Merger reserve £000	Own shares reserve £000	Share incentive reserve £000	Capital redemption reserve £000	Hedging & retranslation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2010	8,218	36,102	70,992	(24,958)	6,538	1,200	8,722	127,247	234,061
Total comprehensive income	-	-	-	-	-	-	(895)	79,333	78,438
Dividends paid	-	-	-	-	-	-	-	(31,345)	(31,345)
Issue of share capital	7	559	-	-	-	-	-	-	566
Issue of trust shares	-	-	-	3,423	-	-	-	(1,583)	1,840
Share based payments	-	-	-	-	2,899	-	-	-	2,899
Share options exercised	-	-	-	-	(1,335)	-	-	1,335	-
Tax on exercised share options	-	-	-	-	-	-	-	1,698	1,698
Deferred tax on share options	-	-	-	-	-	-	-	28	28
Balance at 31 March 2011 (Audited)	8,225	36,661	70,992	(21,535)	8,102	1,200	7,827	176,713	288,185

CONDENSED CONSOLIDATED BALANCE SHEET

30 SEPTEMBER 2011

	30 September 2011	30 September 2010	31 March 2011
	£000	£000	£000
Note	(Unaudited)	(Unaudited)	(Audited)
Non-current assets			
Goodwill	191,248	193,209	192,080
Other intangible assets	63,689	66,955	65,618
Property, plant and equipment	38,257	32,480	38,525
Interests in joint ventures	4,753	2,921	7,614
Deferred tax assets	7,922	5,543	5,572
	305,869	301,108	309,409
Current assets			
Inventories	1,325	1,957	2,025
Trade and other receivables	215,043	192,392	247,532
Cash and cash equivalents	7 9,457	14,686	16,101
	225,825	209,035	265,658
Total assets	531,694	510,143	575,067
Current liabilities			
Trade and other payables	(177,692)	(176,064)	(222,941)
Current tax liabilities	(7,867)	(6,133)	(16,093)
Obligations under finance leases	7 (388)	-	(285)
Bank and other loans	7 (44,864)	(31,559)	(27,924)
	(230,811)	(213,756)	(267,243)
Net current liabilities	(4,986)	(4,721)	(1,585)
Non-current liabilities			
Bank loans	7 -	(44,634)	-
Other financial liabilities	(17,896)	(19,118)	(19,397)
Retirement benefit obligation	(1,150)	(4,024)	(74)
Obligations under finance leases	7 (782)	-	(168)
	(19,828)	(67,776)	(19,639)
Total liabilities	(250,639)	(281,532)	(286,882)
Net assets	281,055	228,611	288,185
Equity			
Share capital	8 8,226	8,220	8,225
Share premium account	36,784	36,263	36,661
Merger reserve	70,992	70,992	70,992
Own shares reserve	(19,343)	(23,103)	(21,535)
Share incentive reserve	9,652	7,681	8,102
Capital redemption reserve	1,200	1,200	1,200
Hedging and currency translation reserve	7,039	7,054	7,827
Retained earnings	166,505	120,304	176,713
Total equity	281,055	228,611	288,185

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Six months ended 30 September 2011 £000 (Unaudited)	Six months ended 30 September 2010 £000 (Unaudited)	Year ended 31 March 2011 £000 (Audited)
Operating profit from continuing operations	18,918	19,181	106,952
Adjustments for:			
Depreciation of property, plant and equipment	2,996	2,079	4,880
Amortisation of acquisition intangibles	4,919	3,431	9,234
Amortisation of other intangible assets	3,086	2,789	5,725
Share based payments expense	2,241	1,787	2,944
Share of results of joint ventures	(705)	(979)	(5,531)
Gain on disposal of property, plant and equipment and software licences	(37)	(124)	(147)
Operating cash flows before movements in working capital	31,418	28,164	124,057
Decrease/(increase) in inventories	733	25	(53)
Decrease/(increase) in receivables	35,618	41,636	(10,366)
(Decrease)/increase in payables	(46,662)	(34,732)	5,370
Net movement in working capital	(10,311)	6,929	(5,049)
Cash generated by operations	21,107	35,093	119,008
Income taxes paid	(14,169)	(9,431)	(23,760)
Interest paid	(2,321)	(759)	(1,410)
Net cash from operating activities	4,617	24,903	93,838
Investing activities			
Interest received	35	36	80
Dividend from joint venture	3,496	3,719	3,719
Proceeds on disposal of property, plant and equipment	281	589	1,001
Purchases of intangible assets	(3,964)	(3,538)	(5,031)
Purchases of property, plant and equipment	(2,135)	(2,008)	(7,420)
Net cash outflow on acquisitions	(2,998)	(11,708)	(16,233)
Net cash used in investing activities	(5,285)	(12,910)	(23,884)
Financing activities			
Dividends paid	(22,528)	(20,724)	(31,345)
Proceeds on issue of shares from the employee share option trust	771	665	1,840
Proceeds on issue of share capital	124	163	566
Increase/(decrease) in bank overdrafts and loans	15,668	(2,107)	(50,376)
Net cash used in financing activities	(5,965)	(22,003)	(79,315)
Net decrease in cash and cash equivalents	(6,633)	(10,010)	(9,361)
Cash and cash equivalents at beginning of period	16,101	25,409	25,409
Effect of foreign exchange rate changes	(11)	(713)	53
Cash and cash equivalents at end of period	9,457	14,686	16,101

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

1. GENERAL INFORMATION

HomeServe plc is a Company incorporated in the United Kingdom and its shares are listed on the London Stock Exchange. The address of the registered office is Cable Drive, Walsall, WS2 7BN.

The information for the year ended 31 March 2011 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor reported on those accounts, the report was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006. The condensed set of financial statements for the six months ended 30 September 2011 are unaudited, but have been reviewed by the auditors and their report to the Company is set out below.

This condensed set of financial statements was approved by the Board of Directors on 22 November 2011.

2. ACCOUNTING POLICIES

Basis of preparation

The condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as adopted by 'The European Union'. The Group's annual financial statements are prepared in accordance with IFRSs, adopted by the European Union and therefore comply with Article 4 of the EU IAS regulation.

As described in the Financial Review, after making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

Changes in accounting policy

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest audited financial statements.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, who is considered to be the Chief Executive, to allocate resources to the segments and to assess their performance. Performance is reviewed individually for all established businesses, and all other new operations are reviewed collectively as 'New Markets'.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period. The sale and renewal of policies across our businesses are more heavily weighted towards the second half of our financial year.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011 (UNAUDITED)

	UK £000	Doméo £000	Spain £000	USA £000	New Markets £000	Total £000
Revenue						
Total revenue	150,873	12,510	27,505	30,155	6,026	227,069
Inter-segment	(1,430)	-	-	-	-	(1,430)
Joint venture revenues not recognisable for statutory reporting	-	(12,510)	-	-	-	(12,510)
External revenue	149,443	-	27,505	30,155	6,026	213,129
Result						
Segment operating profit / (loss) pre amortisation of acquisition intangibles and tax on joint ventures	25,828	1,256	(1,033)	(842)	(954)	24,255
Amortisation of acquisition intangibles	(568)	-	(881)	(1,950)	(1,520)	(4,919)
Tax on joint ventures	-	(418)	-	-	-	(418)
Operating profit / (loss)	25,260	838	(1,914)	(2,792)	(2,474)	18,918
Investment income						35
Finance costs						(777)
Profit before tax from continuing operations						18,176
Tax						(4,643)
Profit for the period						13,533

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

	UK £000	Doméo £000	Spain £000	USA £000	New Markets £000	Total £000
Revenue						
Total revenue	132,272	10,925	20,243	15,091	4,281	182,812
Inter-segment	(838)	-	-	-	-	(838)
Joint venture revenues not recognisable for statutory reporting	-	(10,925)	-	-	-	(10,925)
External revenue	131,434	-	20,243	15,091	4,281	171,049
Result						
Segment operating profit / (loss) pre amortisation of acquisition intangibles and tax on joint ventures	24,075	1,104	(793)	(1,169)	(480)	22,737
Amortisation of acquisition intangibles	(767)	-	(841)	(957)	(866)	(3,431)
Tax on joint ventures	-	(125)	-	-	-	(125)
Operating profit / (loss)	23,308	979	(1,634)	(2,126)	(1,346)	19,181
Investment income						36
Finance costs						(1,430)
Profit before tax from continuing operations						17,787
Tax						(5,009)
Profit for the period						12,778

FOR THE YEAR ENDED 31 MARCH 2011 (AUDITED)

	UK £000	Doméo £000	Spain £000	USA £000	New Markets £000	Total £000
Revenue						
Total revenue	358,877	32,314	48,751	52,649	9,873	502,464
Inter-segment	(3,033)	-	-	-	-	(3,033)
Joint venture revenues not recognisable for statutory reporting	-	(32,314)	-	-	-	(32,314)
External revenue	355,844	-	48,751	52,649	9,873	467,117
Result						
Segment operating profit pre amortisation of acquisition intangibles and tax on joint ventures	104,334	8,198	1,705	6,116	(1,184)	119,169
Amortisation of acquisition intangibles	(1,396)	-	(1,678)	(2,623)	(3,537)	(9,234)
Tax on joint ventures	-	(2,983)	-	-	-	(2,983)
Operating profit / (loss)	102,938	5,215	27	3,493	(4,721)	106,952
Investment income						80
Finance costs						(2,198)
Profit before tax						104,834
Tax						(27,893)
Profit for the year						76,941

4. TAX

The overall tax rate for the six months ended 30th September 2011 is 25.5% (September 2010 28.2%; year ended 31 March 2011 26.6%).

	Six months ended 30 September 2011 £000 (Unaudited)	Six months ended 30 September 2010 £000 (Unaudited)	Year ended 31 March 2011 £000 (Audited)
Current tax	6,266	6,789	32,049
Deferred tax	(1,623)	(1,780)	(4,156)
	4,643	5,009	27,893

5. DIVIDENDS

	Six months ended 30 September 2011 £000 (Unaudited)	Six months ended 30 September 2010 £000 (Unaudited)	Year ended 31 March 2011 £000 (Audited)
Amounts recognised as distributions to equity holders in the period:			
Second interim dividend for the year ended 31 March 2011 of nil (2010: 4.8p per share)	-	15,278	15,278
Final dividend for the year ended 31 March 2011 of 7.0p per share (2010: 1.7p per share)	22,528	5,446	5,446
Interim dividend for the year ended 31 March 2011 of 3.3p per share	-	-	10,621
	22,528	20,724	31,345
Proposed interim dividend for the year ended 31 March 2012 of 3.63p per share (2011: 3.3p per share)	11,718	10,621	-

The proposed interim dividend of 3.63p per share amounting to £11,718,000 was approved by the board on 22 November 2011 and has not been recorded as a liability at 30 September 2011. The dividend will be payable on 3 January 2012 to shareholders on the register at the close of business on 2 December 2011. The ex dividend date is 30 November 2011.

6. 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 are calculated by dividing the profit or loss for the financial period by the weighted average number of ordinary shares in issue during the period. Adjusted earnings per share are calculated excluding amortisation of acquisition intangibles. This is considered to be a better indicator of the performance of the Group. As profit for the period and adjusted profit for the period are stated after tax, it is not considered necessary to include in the reconciliation below the impact of the adjustment for the tax charge on joint ventures of £418,000 (six months ended 30 September 2010: £125,000, year ended 31 March 2011: £2,983,000). Diluted earnings per share include the impact of dilutive share options in issue throughout the period.

	Six months ended 30 September 2011 Pence (Unaudited)	Six months ended 30 September 2010 Pence (Unaudited)	Year ended 31 March 2011 Pence (Audited)
Earnings per share			
Basic	4.2p	4.0p	24.0p
Diluted	4.1p	3.9p	23.3p
Adjusted basic	5.2p	4.7p	25.9p
Adjusted diluted	5.1p	4.6p	25.2p

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

	Six months ended 30 September 2011 000 (Unaudited)	Six months ended 30 September 2010 000 (Unaudited)	Year ended 31 March 2011 000 (Audited)
Weighted average number of ordinary shares			
Basic	322,126	320,161	320,793
Dilutive impact of share options	8,698	9,478	9,245
Diluted	330,824	329,639	330,038
Earnings	£000	£000	£000
Profit for the period	13,533	12,778	76,941
Amortisation of acquisition intangibles	4,919	3,431	9,234
Tax impact arising on the amortisation of acquisition intangibles	(1,646)	(1,132)	(2,965)
Adjusted profit for the period	16,806	15,077	83,210

7. ANALYSIS OF NET DEBT

	Six months ended 30 September 2011 £000 (Unaudited)	Six months ended 30 September 2010 £000 (Unaudited)	Year ended 31 March 2011 £000 (Audited)
Bank overdrafts and loans net of cash and cash equivalents	35,407	16,573	11,823
Bank loans - non-current	-	44,634	-
Loan notes	-	300	-
Finance Leases	1,170	-	453
Net debt	36,577	61,507	12,276

8. SHARE CAPITAL

	Six months ended 30 September 2011 £000 (Unaudited)	Six months ended 30 September 2010 £000 (Unaudited)	Year ended 31 March 2011 £000 (Audited)
Authorised: 352,000,000 ordinary shares of 2.5p each (30 September 2011, 31 March 2011 and 30 September 2010)	8,800	8,800	8,800
Issued and fully paid: 329,039,000 ordinary shares of 2.5p each (30 September 2010: 328,785,000 ordinary shares of 2.5p each; 31 March 2011: 328,975,000 ordinary shares of 2.5p each)	8,226	8,220	8,225

In the period, an additional 64,200 shares were issued with a nominal value of 2.5p each creating share capital of £1,000 and share premium of £123,000.

9. ACQUISITIONS

During the period, the Group entered into transactions to acquire certain policy books, consisting of annually renewing policies or contracts from utility or manufacturer partners. At the same time the Group entered into long term exclusive branding and marketing agreements with these partners, consistent with its stated strategy of growing numbers of Affinity Partner households. These transactions have been treated as business combinations.

The acquisitions result in intangible assets relating to exclusive access rights in respect of customer relationships (policy books) and customer databases (exclusive access to customer and marketing databases). As the consideration relates principally to the acquisition of these exclusive access rights, no goodwill arises. The intangible assets are expected to be deductible for tax purposes.

The acquisitions did not make a significant contribution to the Group's results for the period. It is not practical to disclose the revenue and profit before tax between 1 April 2011 and 30 September 2011 because the acquired businesses were subsumed in the vendors' other activities and therefore this information is not available. Costs in respect of the acquisition of these businesses, relating to legal and financial advisory services, were not significant during the period and were expensed to operating results.

In addition to the net cash outflow arising on the acquisitions above of £1,233,000, £133,000 consideration was deferred into future periods. Contingent and deferred consideration of £1,765,000 was paid relating to prior period acquisitions.

10. RETIREMENT BENEFIT SCHEMES

The defined benefit plan assets have been updated to reflect their market value at 30 September 2011. Differences between the expected return on assets have been recognised as an actuarial gain or loss in the Consolidated Statement of Comprehensive Income in accordance with the Group's accounting policy.

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 between the Group and its other related parties are disclosed below.

During the period, Group companies entered into the following transactions with related parties who are not members of the Group.

	Provision of services £000	Purchases of services £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Six months ended 30 September 2011 (unaudited)				
Harpin Limited	-	114	-	-
Pilot Services (GB) Limited	-	8	-	-
Lexicon Partners (US) LLC	-	8	-	-
Joint ventures	689	185	260	11
Six months ended 30 September 2010 (unaudited)				
Harpin Limited	-	161	-	111
Pilot Services (GB) Limited	-	43	-	-
Joint ventures	824	733	882	309
Year ended 31 March 2011 (audited)				
Harpin Limited	2	470	-	117
Pilot Services (GB) Limited	-	-	-	-
Lexicon Partners (US) LLC	-	104	-	3
Joint ventures	1,711	891	396	447

Harpin Limited and Pilot Services (GB) Limited are related parties of the Group because they are controlled by Richard Harpin, Chief Executive Officer of the Group and Director of HomeServe plc. Lexicon Partners (US) LLC is a New York based US subsidiary of the Lexicon Partnership LLP, a UK based limited liability partnership of which Andrew Sibbald, former Non-Executive Director, was the Senior Partner. Evercore Partners International Limited LLP acquired Lexicon Partners and Andrew Sibbald serves as the Senior Managing Director of the enlarged business.

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

12. CONTINGENT LIABILITIES

As set out in the Chairman's statement, Chief Executive's Review and Financial Review, we continue to develop our responses to the issues identified in our UK business, including being in regular dialogue with the FSA. There is currently no certainty as to the additional activities that we may need to undertake, or action that the FSA may take, if any. As a result, no provisions have been made in this regard in the current period.

INDEPENDENT REVIEW REPORT TO HOMESERVE PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 2 the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
22 November 2011

Forward Looking Statements and Other Information

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