HomeServe plc
Interim results for the period ended 30 September 2016

	Six months ended 30 September 2016	Six months ended 30 September 2015	Change
Revenue	**£314.3m**	£262.3m	+20%
Adjusted EBITDA	**£47.9m**	£39.5m	+21%
Adjusted profit before tax	**£28.7m**	£26.2m	+9%
Adjusted earnings per share	**6.8p**	6.0p	+13%
Statutory profit before tax	**£22.2m**	£21.3m	+4%
Basic earnings per share	**5.4p**	5.0p	+8%
Ordinary dividend per share	**4.1p**	3.8p	+8%
Net debt	**£252.9m**	£202.2m	+25%
Total customer numbers	**7.5m**	6.6m	+14%

Strong start to the year with record partner signings in the USA

- Customer numbers up 2% in the UK to 2.2m with further development in our gas capability
  - agreement to acquire npower's "domestic care and maintenance" contracts
- Step change in the USA
  - Acquisition of USP added 9.4m households, integration progressing well
  - Further 6.8m utility households added in the period, now marketing to 49m households
  - Strong customer growth, customer numbers up 32% to 2.8m
- Good growth in France and Spain, with customer numbers up 6% and 10% respectively
- Positive joint venture discussions in New Markets and continued momentum in innovation
- Strong cash generation, 114% cash conversion[2]
- Net debt 1.9x adjusted EBITDA reflecting USP acquisition
- Interim dividend up 8% to 4.1p

Richard Harpin, Chief Executive, HomeServe plc, commented:

"During the first half of this year we delivered the most rapid period of expansion in the US in HomeServe's history. We added a record number of new US partners, increasing partner households to 49m and making excellent progress towards our long-term target of 80m. Customer numbers in the US increased by 32% and the US now accounts for more than a third of HomeServe's customers.

We have had a strong start to the year delivering profit growth combined with very good and increasing levels of customer service in all of our businesses. HomeServe now markets to 100m households across five countries with 7.5m customers. The winning combination of customer focus, innovation and a great business model gives me confidence about our future prospects and we remain confident of achieving good growth for the full year in line with our expectations."

1. All references to adjusted EBITDA, adjusted operating profit or loss, adjusted profit before tax and adjusted earnings per share throughout the announcement exclude the amortisation of acquisition intangibles, as reconciled to their statutory equivalents in the Financial Review on page 16.
2. Cash conversion calculated as cash generated by operations divided by adjusted operating profit.

Enquiries

A presentation for analysts and investors will take place at 9am this morning at UBS, 5 Broadgate, London EC2M 2QS.

There will be a listen-only conference call via +44 203 139 4830, pin code 92198629#, and also an audio webcast available via www.homeserveplc.com.

HomeServe plc Tel: 01922 427997
Richard Harpin, Chief Executive Officer
David Bower, Chief Financial Officer
Linda Hardy, Investor Relations

Tulchan Group Tel: 0207 353 4200
Martin Robinson
Siobhan Weaver

BUSINESS REVIEW

The Group has had a very good start to the year. In the USA, we added a record number of new partners, increasing partner households to 49m making excellent progress towards our long-term target of 80m. Across all of our businesses we have 451 partnerships serving 100m households with 7.5m home assistance customers.

In the USA, we completed the acquisition of Utility Service Partners Inc (USP) on 1 July 2016, increasing our affinity partner footprint by 9.4m households. During the period we also added a further 60 affinity partners, with 6.8m partner households and now offer our products and services to 49m households through a utility brand.

Customer numbers increased in all of our businesses and we continue to see good response rates to our product offers and a high degree of customer loyalty with Group retention rate remaining strong at 82% (HY16: 83%). High levels of customer acquisition activity in prior periods impacted retention in the UK, USA and Spain, as year 1 customers typically renew at lower rates. France continues to have the highest retention rate in the Group at 89% (HY16: 89%).

The Group has five operating segments: UK, USA, France, Spain and New Markets. All of our established businesses reported an improvement in their adjusted operating result while also increasing customer numbers and investing in service delivery, technology, business development and innovation. The following sections report on the operational and financial performance of each of our operating segments.

Financial performance for the period ended 30 September

£million		**Revenue**		**Adjusted operating profit/(loss)**		**Adjusted operating margin**
	2016	2015	**2016**	2015	**2016**	2015
UK	**134.8**	123.6	**21.2**	20.7	**16%**	17%
Established International						
USA	**86.0**	59.2	**(1.1)**	(1.4)	**-**	-
France	**31.4**	27.5	**8.0**	7.1	**25%**	26%
Spain	**57.8**	44.4	**4.7**	3.7	**8%**	9%
	175.2	131.1	**11.6**	9.4	**7%**	7%
New Markets	**6.7**	9.9	**(1.7)**	(2.3)	-	-
Inter-segment	**(2.4)**	(2.3)	**-**	-	-	-
Group	**314.3**	262.3	**31.1**	27.8	**10%**	11%

Adjusted operating margin is adjusted operating profit divided by revenue. Inter-segment revenue principally includes royalty charges between our UK and Established International businesses.

Performance metrics for the period ended 30 September

		Affinity partner households (m)		**Customer numbers (m)**		**Policy retention rate**
	2016	2015	**2016**	2015	**2016**	2015
UK	**24**	24	**2.2**	2.1	**80%**	83%
Established International						
USA	**49**	31	**2.8**	2.1	**81%**	82%
France	**15**	15	**1.0**	1.0	**89%**	89%
Spain	**12**	15	**1.2**	1.1	**77%**	78%
	76	61	**5.0**	4.2	**83%**	84%
New Markets	**-**	6	**0.3**	0.3	-	-
Group	**100**	91	**7.5**	6.6	**82%**	83%

We are very pleased with the progress we are making on our expansion into new countries. Our proposal to create a home services partnership resonates with utilities as a way of enhancing their customer service ratings and as a means to increase customer loyalty thereby reducing customer attrition in competitive energy markets. Discussions with prospects are encouraging, giving us confidence that we can achieve our international strategy and expect to open in a new country during the course of the next twelve months.

We believe the impact of the EU Referendum and subsequent decision to leave the EU on the underlying performance of the Group will be limited. All of our businesses trade exclusively within their own borders and we are not exposed to any cross border transactional currency risk. The Group remains subject to translation risk on the presentation of our results in Sterling however this is within the ordinary course of business and we note that in the short-term a weaker Sterling has had a beneficial impact on our results.

We continue to evaluate bolt-on policy book acquisitions and other appropriate acquisition opportunities that could accelerate achievement of our strategic objectives.

UK

- Customer numbers up 2% to 2.2m (HY16: 2.1m)
- Solid customer acquisition activity added 0.1m gross new customers (HY16: 0.1m)
- Gas capability strengthened with agreement to acquire npower's "domestic care and maintenance" contracts

UK results £million	HY17	HY16	Change
Revenue			
Net policy income	**92.1**	81.3	+13%
Repair network	**38.8**	38.7	-
Other income	**3.9**	3.6	+8%
Total revenue	**134.8**	123.6	+9%
Adjusted operating costs	**(113.6)**	(102.9)	+10%
Adjusted operating profit	**21.2**	20.7	+2%
Adjusted operating margin	**16%**	17%	-1ppts

Net policy income is defined as policy revenue net of sales taxes and underwriting.

UK performance metrics		HY17	HY16	Change
Affinity partner households	m	**24**	24	+1%
Customers	m	**2.2**	2.1	+2%
Income per customer	£	**97**	93	+5%
Policies	m	**5.4**	5.3	+2%
Policy retention rate	%	**80**	83	-3ppts

Income per customer is calculated by dividing the last twelve months net policy income by the number of customers. The policy retention rate and income per customer performance measures exclude HESL, a business acquired in October 2015. HY17 policy income includes £8.3m in respect of HESL.

In the UK, we have continued to focus on delivering good customer service, while also increasing customer numbers, expanding the heating business and investing in our front-line staff and networks.

Operational performance

Our affinity partner relationships remain strong and during July we signed a partnership with Dee Valley Water, a business providing water services to over 250,000 customers in North East Wales and the North West. We continue to invest in business development and have a pipeline of partner opportunities, with a mix of utilities and non utilities, some with small policy books.

Customer numbers increased by 0.1m to 2.2m up 2% on the prior year (HY16: 2.1m). Leading with our comprehensive water product, we acquired 0.1m gross new customers (HY16: 0.1m), with increased activity through our digital and partner channels compared to the prior period.

Retention remained strong at 80% (FY16: 82%, HY16: 83%) with the reduction reflecting the higher number of year one customers, who typically have lower renewal rates. We continue to see higher retention rates for customers in years two and beyond at 86%. We expect over 2% customer growth for the full year with year end customer numbers of at least 2.2m.

Following the successful acquisition of the Home Energy Services Limited (HESL) business last year, during November our UK business agreed to acquire npower's "domestic care and maintenance" contracts together with 76 experienced heating engineers. We expect to complete the transaction during December. While still small scale, we now have 18 branded installation franchisees fitting boilers and smart thermostats with plans to develop further in the second half of the year.

We completed a total of 0.4m jobs (HY16: 0.4m) in the period and saw an increase in the number of these claims initiated online. Our in-house network of directly employed plumbers completed 94% of water jobs

(HY16: 86%). We have continued to increase the number of directly employed engineers, particularly in respect of gas services, such that we now have a total of 760 (HY16: 450) directly employed plumbers and heating engineers in our UK business.

Our customer satisfaction score has improved to 9.3 from 8.2 at the end of FY16 and we see good levels of satisfaction indicated on Reevoo and Trust Pilot where our scores are currently 95% and 8.5 respectively (FY16: 93% and 8.2 respectively).

During the period we launched LeakBot, a smart home water leak detector that enables early leak detection, preventing or limiting damage to customers' homes. The product appeals to the home insurance market with escape of water being the biggest expense incurred by home insurers. We have launched tests with home insurers including Aviva.

Financial performance

Total revenue was £134.8m (HY16: £123.6m) up 9% compared to the prior period reflecting an increase in net policy income and other income.

Net policy income increased by £10.8m to £92.1m reflecting the HESL acquisition and higher customer numbers at 2.2m with income per customer of £97 (FY16: £94, HY16: £93). On average our Year 2+ customers contributed £126, up from £125 in FY16 and this is expected to result in revenue growth for the full year.

Other income relates to revenue in respect of pay on use repairs, third party claims handling services and transactions with other Group companies. Repair revenue of £38.8m (HY16: £38.7m) was broadly in line with the prior year.

Adjusted operating costs were £113.6m (HY16: £102.9m), 10% higher than the prior period, principally reflecting costs associated with the HESL business, the investment in our front-line people and networks to manage the higher volume of activity and investment in innovation.

Adjusted operating profit was £21.2m, up from £20.7m in the prior period with the full year margin expected to be 20%, in line with FY16.

United States of America

- Increased momentum with 49m affinity partner households
- Significant increase in customer numbers, up 32% to 2.8m
- A record 60 new affinity partners signed in the period adding 6.8m households
- Integration of recently acquired Utility Service Partners Inc. (USP) making good progress

USA results $million	**HY17**	HY16	Change
Revenue			
Net policy income	**108.7**	83.7	+30%
Other income	**8.5**	7.4	+15%
Total revenue	**117.2**	91.1	+29%
Adjusted operating costs	**(118.8)**	(93.3)	+28%
Adjusted operating loss	**(1.6)**	(2.2)	-27%

USA results £million	**HY17**	HY16	Change
Revenue			
Net Policy Income	**79.8**	54.4	+47%
Other Income	**6.2**	4.8	+29%
Total Revenue	**86.0**	59.2	+45%
Adjusted operating costs	**(87.1)**	(60.6)	+44%
Adjusted operating loss	**(1.1)**	(1.4)	-21%

USA performance metrics		**HY17**	HY16	Change
Affinity partner households	m	**49**	31	+55%
Customers	m	**2.8**	2.1	+32%
Income per customer	$	**96**	92	+4%
Policies	m	**4.3**	3.2	+32%
Policy retention rate	%	**81**	82	-1ppts

Income per customer is calculated by dividing the last twelve months net policy income by the number of customers. The policy retention rate and income per customer performance measures exclude USP, a business acquired in July 2016. HY17 policy income included $9.2m (£7.0m) in respect of USP.

Our US business has had another step change making significant progress towards achieving our target 80m US utility partner households. The acquisition of USP added 9.4m affinity partner households and successful business development added a record 60 new partners with 6.8m households.

Operational performance

The USA remains our most significant opportunity with 134m households of which we now have affinity partner relationships that provide services to 49m and the business continues to make very good progress.

On 1 July we completed the acquisition of USP, a leading provider of home assistance services with 0.4m customers, for a net cash outflow of $72.6m (£54.5m). USP operates an affinity partner model and is the exclusive home warranty partner of the National League of Cities, an organisation dedicated to helping city leaders and an advocate to around 19,000 towns and cities across the USA, covering around 66m households. This relationship enables us to access smaller water municipal prospects previously outside our target market.

The acquisition of USP also accelerates our expansion into the Canadian market, a market with 13m households. Collectively we have 25 partnerships in Canada, across energy and water providers, most recently signing an affinity partnership with Region of Peel based in Ontario, a water utility serving over 0.4m households.

The USP business integration is progressing to plan with several autumn and winter marketing campaigns now launched with responses as we anticipated. We expect USP to be earnings neutral in FY17 and deliver $15m adjusted EBITDA in FY18, the first full year of ownership.

Business development momentum continued at pace in the first six months of the year. Combined with USP we signed 60 new partnerships adding 6.8m affinity partner households. This represents the highest number of new partners and new households added in any six month period since entering the USA in 2003. It includes a number of larger utility partners, delivered by HomeServe's existing business development team in addition to a higher number of smaller, regional municipal partners delivered through USP. The average number of households for our USP partners is typically much lower than that of the existing business, reflecting their municipal target market. Our pipeline of partner opportunities remains strong, with discussions at all stages of negotiation.

Customer numbers were up 32% to 2.8m (HY16: 2.1m), reflecting the acquisition of USP (0.4m) together with good marketing and retention performance. During the period we acquired 0.3m gross new customers (HY16: 0.3m) principally through our direct mail channel with an increasing number of customers joining through our partner and digital channels. We have recently re-launched our website enabling more effective digital marketing and an improved customer experience.

The retention rate was strong at 81% (HY16: 82%) reflecting the high proportion of year one customers, who typically renew at lower rates and we expect to maintain this performance for the full year.

Good customer service delivered efficiently is central to our business and we have invested in technology across the claims process to drive this efficiency. We now deploy 80% of all contractor jobs directly to an engineer's handheld device and have plans to enable end-to-end digital engagement with our contractors, to further improve efficiencies. Our network of 172 directly employed engineers (HY16: 161) and just over 1,000 sub-contractors (HY16: 874) completed 0.2m jobs (HY16: 0.2m) and an increasing number of HVAC installations.

Financial performance

Revenue was up 29% to $117.2m (HY16: $91.1m) due to an increase in the number of customers renewing and new customers added in the period together with post acquisition income of $9.2m in respect of USP. Other income primarily reflects revenue from on demand repairs and HVAC installations.

Income per customer was $96, up $4 compared to HY16 principally reflecting pricing initiatives and improved efficiency in the network. We expect income per customer to remain around this level in the short term increasing to $100 over time.

Adjusted operating costs were $118.8m, up 28% from $93.3m, reflecting higher customer numbers, post acquisition costs of USP and transaction costs together with continued investment in marketing and business development.

France

- Customer numbers up 6%, ending the period with over 1.0m customers
- Continued high retention rate at 89% (HY16: 89%)
- Good pipeline of partner prospects

France results €million	**HY17**	HY16	Change
Total revenue	**38.4**	38.1	+1%
Adjusted operating costs	**(28.7)**	(28.4)	+1%
Adjusted operating profit	**9.7**	9.7	-
Adjusted operating margin	**25%**	26%	-1ppt

France results £million	**HY17**	HY16	Change
Total revenue	**31.4**	27.5	+14%
Adjusted operating costs	**(23.4)**	(20.4)	+15%
Adjusted operating profit	**8.0**	7.1	+13%
Adjusted operating margin	**25%**	26%	-1ppt

France performance metrics		**HY17**	HY16	Change
Affinity partner households	m	**15**	15	-
Customers	m	**1.0**	1.0	+6%
Income per customer	€	**101**	101	-
Policies	m	**2.3**	2.3	+2%
Policy retention rate	%	**89**	89	-

Our business in France has strong affinity partnerships with Veolia and Lyonnaise des Eaux (LDE) which have delivered good customer growth, with high levels of retention, enabling the business to further invest in business development and innovation.

Operational performance

We continue to have an excellent relationship with Veolia, the leading water provider in France. During the period we have extended our relationship further and we are now working with their new centralised call centre based in Toulouse to sell our products. This new activity is expected to commence during 2017. We continue to work with LDE, principally offering our products through its call centres. We have developed a good pipeline of partner prospects with some initial testing in progress.

Customer numbers were up 6% to 1.0m (HY16: 1.0m) principally driven by acquisition activity in the second half of FY16. During the current period we added 0.1m gross new customers (HY16: 0.1m) with direct mail and partner sales the two dominant channels. Retention remains strong at 89% (HY16: 89%).

Repairs in France are managed through our network of around 700 sub-contractors (HY16: 700) which completed 0.1m jobs in the period, in line with the prior period.

Financial performance

Revenue was €38.4m, €0.3m higher than the prior period (HY16: €38.1m). Adjusted operating costs were €28.7m, €0.3m higher than the prior period (HY16: €28.4m) principally reflecting investment in business development and innovation. Income per customer was €101 (HY16: €101), in line with the prior year. We expect a slight reduction at year end due to the weighting of customer acquisition activity in the second half.

Spain

- Customer numbers up 10% to 1.2m
- Adjusted operating profit up 12% to €5.9m
- Strong partnership with Endesa delivering continued growth

Spain results €million	HY17	HY16	Change
Revenue			
Membership	**26.3**	23.3	+13%
Claims	**44.3**	38.3	+15%
Total revenue	**70.6**	61.6	+15%
Adjusted operating costs	**(64.7)**	(56.3)	+15%
Adjusted operating profit	**5.9**	5.3	+12%
Adjusted operating margin	**8%**	9%	-1ppts

Spain results £million	HY17	HY16	Change
Revenue			
Membership	**21.5**	16.8	+28%
Claims	**36.3**	27.6	+32%
Total revenue	**57.8**	44.4	+30%
Adjusted operating costs	**(53.1)**	(40.7)	+31%
Adjusted operating profit	**4.7**	3.7	+27%
Adjusted operating margin	**8%**	9%	-1ppts

Spain performance metrics		HY17	HY16	Change
Affinity partner households	m	**12**	15	-20%
Customers	m	**1.2**	1.1	+10%
Income per customer	€	**41**	39	+5%
Policies	m	**1.4**	1.3	+7%
Policy retention rate	%	**77**	78	-1ppts

The Spanish business has delivered good customer and profit growth in the period with both the Membership and the Claims businesses performing well.

Operational performance

Endesa, our largest partner in Spain, continued to offer our products through its sales channels with ongoing success and we expect this activity will continue in the second half of the year. We have been unable to make the progress we wanted with Agbar, a water utility with 3m households and so, following a period of limited marketing activity, we have agreed to end the partnership and hence removed it from our affinity partner household count. We have retained the 39,000 customers previously acquired together and we will continue to renew them under our brand in the future. Business development remains active with good prospects for Membership, the Claims business and also opportunities to support the development of an on-demand business.

Customer numbers increased 10% to 1.2m at the end of September 2016 (HY16: 1.1m), the majority being acquired through Endesa's sales channels. In line with FY16, retention in the period was 77% (HY16: 78%), reflecting the high proportion of customers in the first renewal cycle, where retention rates are lower than more mature customers.

Our claims handling business performed well completing 0.4m jobs, up 19% compared to the prior period (HY16: 0.3m). Our network comprises around 2,000 sub-contractors and 178 franchised engineers (HY16: 1,900 sub-contractors, 176 franchised engineers).

Financial performance

Revenue increased 15% to €70.6m (HY16: €61.6m) with increases in both our Membership and Claims businesses. The increase in Membership revenue was principally due to the higher number of customers renewing on full priced products, as reflected in the increase in income per customer to €41 (HY16: €39). The Claims business benefitted from an increase in job volumes from third party insurance relationships.

Adjusted operating costs were up 15% reflecting the higher job volumes in the Claims business and, as expected, a higher amortisation charge in the Membership business resulting from customer acquisition with Endesa in prior periods. Adjusted operating profit increased 12% to €5.9m (HY16: €5.3m) with an adjusted operating profit margin of 8% (HY16: 9%).

New Markets (including innovation initiatives)

- Encouraging joint venture discussions in Italy
- Positive discussions in new international markets
- Evaluating a new low cost membership model

Our New Markets segment consists of investment in new territories and also in digital and innovation initiatives. We continue to expect annual investment in this segment to be around £6m.

In Italy, we have 0.3m customers which were acquired through our test agreement with Enel (HY16: 0.3m). We have seen good consumer demand for our products but due to a change in Enel's approach to home services the test agreement has not been extended. We retain the renewal rights on the existing 0.3m customers acquired through this relationship. We have developed a good pipeline of opportunities with encouraging joint venture partner discussions under way.

Our international expansion plans are well progressed. Having established an initial list of 13 countries to commence prospecting, we extended it to 15 countries (Australia, Brazil, Chile, China, Czech Republic, India, Finland, Japan, Mexico, Netherlands, Poland, Sweden, South Korea, Taiwan and Turkey). We expect to form a utility joint venture, replicating the success we had with South Staffordshire Water in the UK and Veolia in France. Our proposal to launch a home services partnership resonates with the utilities as an additional income stream and a proven retention tool. Discussions with prospects are encouraging and we expect to open in one new country over the course of the next 12 months.

Our Chief Digital Officer, appointed earlier this year, is leading the transformation of the customer journey, enhancing self-serve and enabling more effective product sales. Consistent digital platforms across all of our businesses will deliver efficiencies and during the period we have launched new websites in the USA and France. We have also developed Trace software, an end-to-end job management platform connecting our customers directly to engineers, delivering a great customer experience and operational efficiencies across our networks.

Platform technology will enable us to expand further into the on-demand repair and home improvements market, a market that appeals to a younger demographic, with tests in progress in France and Spain.

Dividend

The interim dividend of 4.1p per share (HY16: 3.8p), an increase of 8%, will be paid on 6 January 2017 to shareholders on the register on 9 December 2016.

Outlook

We are confident in meeting our expectations for good underlying growth in FY17. As previously stated, we expect USP to be earnings neutral in FY17, while the full year translation impact of a weaker Sterling is estimated to result in a benefit of up to £9m on adjusted operating profit at current rates compared to those prevailing throughout the prior year.

Looking further ahead, we expect USP to accelerate our US growth adding $15m EBITDA in FY18. In addition, given the ongoing strategic and operational progress of the Group, we are well positioned to deliver further good underlying growth over the medium-term.

Richard Harpin
Chief Executive
22 November 2016

FINANCIAL REVIEW

These financial results have been prepared in accordance with International Financial Reporting Standards (IFRS).

Group statutory results

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

£million	**Six months ended 30 September 2016**	Six months ended 30 September 2015
Total revenue	**314.3**	262.3
Operating profit	**24.6**	22.9
Net finance costs	**(2.4)**	(1.6)
Adjusted profit before tax	**28.7**	26.2
Amortisation of acquisition intangibles	**(6.5)**	(4.9)
Statutory profit before tax	**22.2**	21.3
Tax	**(5.5)**	(5.4)
Profit for the period, being attributable to equity holders of the parent	**16.7**	15.9

Statutory profit before tax was £22.2m, £0.9m higher than the prior year (HY16: £21.3m). Statutory profit before tax is reported after the amortisation of acquisition intangibles as detailed below.

Amortisation of acquisition intangibles

The amortisation of acquisition intangibles of £6.5m (HY16: £4.9m) principally relates to customer and other contracts, which were acquired as part of business combinations and has increased year on year due to the acquisition of HESL in the UK and USP in the USA.

Taxation

The tax charge in the financial year was £5.5m (HY16: £5.4m). The adjusted effective tax rate was 25% (HY16: 26%), primarily reflecting changes in tax rates in the UK and Spain. UK corporation tax is calculated at 20% decreasing to 19% in FY18, FY19 and FY20, with a proposed reduction to 17% in FY21. Taxation for other jurisdictions is calculated at the rates prevailing in the respective countries, all of which are higher than the UK rate.

Cash flow and financing

Cash generated by operations in the period to 30 September 2016 was £35.5m (HY16: £25.2m), representing a cash conversion ratio against adjusted operating profit of 114% (HY16: 90%).

£million	Six months ended 30 September 2016	Six months ended 30 September 2015
Adjusted operating profit	**31.1**	27.8
Amortisation of acquisition intangibles	**(6.5)**	(4.9)
Operating profit	**24.6**	22.9
Depreciation and amortisation	**23.3**	16.6
Non cash items	**3.2**	2.4
Increase in working capital	**(15.6)**	(16.7)
Cash generated by operations	**35.5**	25.2
Net interest	**(2.9)**	(1.4)
Taxation	**(8.3)**	(8.1)
Capital expenditure	**(21.5)**	(29.2)
Repayment of finance leases	**(0.4)**	(0.2)
Free cash flow	**2.4**	(13.7)
Purchase of investments	**-**	(0.5)
Acquisitions	**(54.0)**	(0.1)
Equity dividends paid	**(27.5)**	(125.3)
Issue of shares	**0.1**	1.4
Net movement in cash and bank borrowings	**(79.0)**	(138.2)
Impact of foreign exchange	**(4.8)**	(0.1)
Finance leases	**0.4**	0.2
Opening net debt	**(169.5)**	(64.1)
Closing net debt	**(252.9)**	(202.2)

During the period 1 April to 30 September 2016, net debt increased by £83.4m to £252.9m, principally due to the acquisition of USP, dividend payments and capital expenditure.

Working capital increased by £15.6m in the period (HY16: £16.7m) reflecting the timing of payments to affinity partners, underwriters and other suppliers, offset in part by the seasonal reduction in trade receivables.

During the period we invested capital expenditure of £21.5m (HY16: £29.2m) which included payments of £4.1m in respect of the acquisition of customers originated by Endesa in Spain and LDE in France (HY16: £7.8m), investment in our new core customer system, together with normal investment, primarily technology related, across the businesses.

Technology plays an increasingly important role throughout the customer journey. We have increased the scope and functionality of our new core customer management system which will add an additional cost of around £10m to the project. We expect to invest £45m in technology and systems in FY17 and £20m in respect of partner payments.

The acquisitions investment of £54.0m principally related to the purchase of USP.

Earnings per share

Adjusted earnings per share increased 13% in the period from 6.0p to 6.8p. The weighted average number of shares decreased from 320.2m to 309.4m due to the impact of the share consolidation completed in July 2015. On a statutory basis, earnings per share increased from 5.0p to 5.4p.

Dividend

The interim dividend of 4.1p per share (HY16: 3.8p) will be paid on 6 January 2017 to shareholders on the register on 9 December 2016.

Net debt and finance costs

Net debt at 30 September 2016 was £252.9m (FY16: £169.5m; HY16: £202.2m), well within our revolving credit facility of £300m and other financial arrangements, which are committed through to at least 2019. The Group targets leverage in the range of 1.0-1.5x adjusted EBITDA, measured at 31 March each year. As expected, half year net debt to EBITDA was outside of this range at 1.9x due to the seasonality of the business and the acquisition of USP.

During the period the Group secured €50m medium-term funding in the form of a term loan due for repayment by 2020. Excluding any M&A activity, year end leverage is expected to be around 1.5x by 31 March 2017.

The Group's net interest paid was £2.9m, £1.5m higher than the prior period, principally reflecting the higher levels of debt during the period.

Foreign exchange impact

The impact of changes in the Euro and USD exchange rates between HY16 and HY17 has resulted in a £21.4m increase in the reported revenue and a £2.2m increase in adjusted operating profit of our international businesses as summarised in the table below.

		Average exchange rate			**Effect on (£m)**	
					Revenue	**Adjusted operating profit**
		HY17	HY16	Change	**HY17**	**HY17**
USA	$	**1.37**	1.54	(11%)	10.0	0.3
France	€	**1.22**	1.39	(12%)	3.8	0.9
Spain	€	**1.22**	1.39	(12%)	6.9	0.8
New Markets	€	**1.22**	1.39	(12%)	0.7	0.2
Total International					**21.4**	**2.2**

The current USD exchange rate is $1.23. If the average HY17 USD exchange rate had been at this level rather than $1.37, revenue would have been £10.0m higher and the adjusted operating loss would have been £0.1m higher than reported.

The current Euro exchange rate is €1.16. If the average HY17 Euro exchange rate had been at this level rather than €1.22, revenue would have been £9.6m higher and the adjusted operating profit would have been £1.6m higher than reported.

Due to the seasonality of our business and the weighting of profits to the second half, the full year translation impact of a weaker Sterling is estimated to benefit adjusted operating profit by around £9m at current rates. A ten cent movement from current rates in the USD and the Euro would have around a £2.0m and £2.5m impact respectively on full year adjusted operating profit respectively.

Statutory and pro-forma reconciliations

The Group believes that adjusted EBITDA, adjusted operating profit, adjusted profit before tax and adjusted earnings per share, all of which exclude the amortisation of acquisition intangibles and exceptional items 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.

£million	**Six months ended 30 September 2016**	Six months ended 30 September 2015
Operating profit (statutory)	**24.6**	22.9
Depreciation	**3.4**	2.7
Amortisation	**13.4**	9.0
Amortisation of acquisition intangibles	**6.5**	4.9
Adjusted EBITDA	**47.9**	39.5
Operating profit (statutory)	**24.6**	22.9
Amortisation of acquisition intangibles	**6.5**	4.9
Adjusted operating profit	**31.1**	27.8
Profit before tax	**22.2**	21.3
Amortisation of acquisition intangibles	**6.5**	4.9
Adjusted profit before tax	**28.7**	26.2
Pence per share		
Earnings per share (statutory)	**5.4**	5.0
Amortisation of acquisition intangibles (net of tax)	**1.4**	1.0
Adjusted earnings per share	**6.8**	6.0

Principal risks and uncertainties

The principal risks and uncertainties, together with the mitigating activities, detailed on pages 28 - 33 of the Group's 2016 Annual Report & Accounts, continue to have the potential to impact the Group's performance and are as follows:

- The potential loss of a commercial relationship
- The impact of competition
- A change in customer loyalty and retention
- Our marketing effectiveness
- Exposure to legislation or regulatory requirements
- The quality of customer service
- Availability of underwriters
- Recruitment and retention of skilled personnel
- Exposure to country and regional risks
- Our IT systems become a constraint to growth and drive inefficiency instead of efficiency improvements
- Information Security
- Financial strategy and treasury risks including credit risk.

Information on financial risk management is also set out on pages 154-158 of the Annual Report, a copy of which is available on the Group's website www.HomeServeplc.com.

Condensed consolidated income statement

For the six months ended 30 September 2016

£million	Note	Six months ended 30 September 2016 (Unaudited)	Six months ended 30 September 2015 (Unaudited)	Year ended 31 March 2016 (Audited)
Continuing operations				
Revenue	**3**	**314.3**	262.3	633.2
Operating costs		**(289.7)**	(239.4)	(546.3)
Operating profit		**24.6**	22.9	86.9
Investment income		**0.1**	0.1	0.3
Finance costs		**(2.5)**	(1.7)	(4.6)
Profit before tax and amortisation of acquisition intangibles		**28.7**	26.2	93.0
Amortisation of acquisition intangibles		**(6.5)**	(4.9)	(10.4)
Profit before tax		**22.2**	21.3	82.6
Tax	**4**	**(5.5)**	(5.4)	(21.0)
Profit for the period, being attributable to equity holders of the parent		**16.7**	15.9	61.6
Dividends per share	**5**	**4.1p**	3.8p	12.7p
Earnings per share				
Basic	**6**	**5.4p**	5.0p	19.6p
Diluted	**6**	**5.3p**	4.9p	19.3p

Condensed consolidated statement of comprehensive income

For the six months ended 30 September 2016

£million	**Six months ended 30 September 2016 (Unaudited)**	**Six months ended 30 September 2015 (Unaudited)**	**Year ended 31 March 2016 (Audited)**
Profit for the period	**16.7**	15.9	61.6
Items that will not be classified subsequently to profit and loss:			
Actuarial (loss)/gain on defined benefit pension scheme	**(4.7)**	0.8	0.5
Tax relating to items not reclassified	**0.9**	(0.2)	(0.1)
	(3.8)	0.6	0.4
Items that may be reclassified subsequently to profit and loss:			
Exchange movements on translation of foreign entities	**20.4**	0.1	14.8
Gain on revaluation of available for sale investments	**-**	-	2.5
Deferred tax charge relating to revaluation of available for sale investments	**-**	-	(0.7)
	20.4	0.1	16.6
Total comprehensive income for the period	**33.3**	16.6	78.6

Condensed consolidated balance sheet
As at 30 September 2016

£million	Note	30 September 2016 (Unaudited)	30 September 2015 (Unaudited)	31 March 2016 (Audited)
Non-current assets				
Goodwill		**290.8**	237.0	247.7
Other intangible assets	**7**	**264.5**	180.5	210.0
Property, plant and equipment		**36.2**	30.5	34.9
Investments		**8.6**	4.9	7.8
Deferred tax assets		**5.5**	5.6	6.8
Retirement benefit asset		**-**	1.5	2.1
		605.6	460.0	509.3
Current assets				
Inventories		**3.0**	1.0	2.9
Trade and other receivables		**378.3**	292.2	367.7
Cash and cash equivalents	**8**	**76.2**	48.4	54.2
		457.5	341.6	424.8
Total assets		**1,063.1**	801.6	934.1
Current liabilities				
Trade and other payables		**(376.4)**	(267.7)	(360.7)
Current tax liabilities		**(3.2)**	(0.8)	(7.0)
Obligation under finance leases	**8**	**(0.8)**	(0.6)	(0.9)
Bank and other loans	**8**	**(25.0)**	-	(25.0)
		(405.4)	(269.1)	(393.6)
Net current assets		**52.1**	72.5	31.2
Non-current liabilities				
Bank and other loans	**8**	**(302.1)**	(249.6)	(196.5)
Other financial liabilities		**(4.2)**	(2.0)	(5.6)
Retirement benefit obligation		**(1.6)**	-	-
Deferred tax liabilities		**(22.1)**	(17.3)	(20.5)
Obligations under finance leases	**8**	**(1.2)**	(0.4)	(1.3)
		(331.2)	(269.3)	(223.9)
Total liabilities		**(736.6)**	(538.4)	(617.5)
Net assets		**326.5**	263.2	316.6
Equity				
Share capital	**9**	**8.4**	8.3	8.3
Share premium account		**44.2**	40.7	41.1
Merger reserve		**71.0**	71.0	71.0
Own shares reserve		**-**	(0.1)	(0.1)
Share incentive reserve		**15.5**	13.5	16.0
Capital redemption reserve		**1.2**	1.2	1.2
Currency translation reserve		**25.9**	(9.2)	5.5
Available for sale reserve		**1.8**	-	1.8
Retained earnings		**158.5**	137.8	171.8
Total equity		**326.5**	263.2	316.6

Condensed consolidated statement of changes in equity

For the six months ended 30 September 2016

£million	Share capital	Share premium account	Merger reserve	Own shares reserve	Share incentive reserve	Capital redemption reserve	Currency translation reserve	Available for sale reserve	Retained earnings	**Total equity**
Balance at 1 April 2016	8.3	41.1	71.0	(0.1)	16.0	1.2	5.5	1.8	171.8	**316.6**
Total comprehensive income	-	-	-	-	-	-	20.4	-	12.9	**33.3**
Dividends paid	-	-	-	-	-	-	-	-	(27.5)	**(27.5)**
Issue of share capital	0.1	3.1	-	-	-	-	-	-	-	**3.2**
Issue of trust shares	-	-	-	0.1	-	-	-	-	(0.1)	**-**
Share-based payments	-	-	-	-	2.6	-	-	-	-	**2.6**
Share options exercised	-	-	-	-	(3.1)	-	-	-	0.1	**(3.0)**
Tax on exercised share options	-	-	-	-	-	-	-	-	1.3	**1.3**
Deferred tax on share options	-	-	-	-	-	-	-	-	-	**-**
Balance at 30 September 2016 (Unaudited)	8.4	44.2	71.0	-	15.5	1.2	25.9	1.8	158.5	**326.5**

For the six months ended 30 September 2015

£million	Share Capital	Share Premium Account	Merger Reserve	Own Shares Reserve	Share Incentive Reserve	Capital Redemption Reserve	Currency Translation Reserve	Retained Earnings	Total Equity
Balance at 1 April 2015	8.3	40.5	71.0	(11.1)	15.7	1.2	(9.3)	252.2	368.5
Total comprehensive Income	-	-	-	-	-	-	0.1	16.5	16.6
Dividends paid	-	-	-	-	-	-	-	(125.3)	(125.3)
Issue of share capital	-	0.2	-	-	-	-	-	-	0.2
Issue of trust shares	-	-	-	11.0	-	-	-	(9.8)	1.2
Share-based payments	-	-	-	-	1.2	-	-	-	1.2
Share options exercised	-	-	-	-	(3.4)	-	-	3.4	-
Tax on exercised share options								2.2	2.2
Deferred tax on share options	-	-	-	-	-	-	-	(1.4)	(1.4)
Balance at 30 September 2015 (Unaudited)	8.3	40.7	71.0	(0.1)	13.5	1.2	(9.2)	137.8	263.2

For the year ended 31 March 2016

£million	Share capital £m	Share premium account £m	Merger reserve £m	Own shares reserve £m	Share incentive reserve £m	Capital redemption reserve £m	Currency translation reserve £m	Available for sale reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2015	8.3	40.5	71.0	(11.1)	15.7	1.2	(9.3)	-	252.2	368.5
Total comprehensive income	-	-	-	-	-	-	14.8	1.8	62.0	78.6
Dividends paid	-	-	-	-	-	-	-	-	(137.0)	(137.0)
Issue of share capital	-	0.6	-	-	-	-	-	-	-	0.6
Issue of trust shares	-	-	-	11.0	-	-	-	-	(9.8)	1.2
Share-based payments	-	-	-	-	2.6	-	-	-	-	2.6
Share options exercised	-	-	-	-	(2.3)	-	-	-	2.3	-
Tax on exercised share options	-	-	-	-	-	-	-	-	2.3	2.3
Deferred tax on share options	-	-	-	-	-	-	-	-	(0.2)	(0.2)
Balance at 31 March 2016 (Audited)	8.3	41.1	71.0	(0.1)	16.0	1.2	5.5	1.8	171.8	316.6

Condensed consolidated cash flow statement
For the six months ended 30 September 2016

£million	Six months ended 30 September 2016 (Unaudited)	Six months ended 30 September 2015 (Unaudited)	Year ended 31 March 2016 (Audited)
Operating profit	**24.6**	22.9	86.9
Adjustments for:			
Depreciation of property, plant and equipment	**3.4**	2.7	5.4
Amortisation of acquisition intangibles	**6.5**	4.9	10.4
Amortisation of other intangible assets	**13.4**	9.0	20.0
Share-based payments expenses	**3.2**	2.4	5.1
Operating cash flows before movements in working capital	**51.1**	41.9	127.8
Increase in inventories	**-**	(0.2)	(1.7)
Decrease/(increase) in receivables	**12.9**	26.1	(25.1)
(Decrease)/increase in payables	**(28.5)**	(42.6)	20.7
Net movement in working capital	**(15.6)**	(16.7)	(6.1)
Cash generated by operations	**35.5**	25.2	121.7
Incomes taxes paid	**(8.3)**	(8.1)	(17.3)
Interest paid	**(3.0)**	(1.5)	(3.3)
Net cash from operating activities	**24.2**	15.6	101.1
Investing activities			
Interest received	**0.1**	0.1	0.3
Proceeds on disposal of property, plant and equipment	**-**	-	0.2
Purchases of intangible assets	**(18.5)**	(27.1)	(56.8)
Purchases of property, plant and equipment	**(3.0)**	(2.1)	(7.1)
Purchases of investments	**-**	(0.5)	(0.5)
Net cash outflow on acquisitions	**(54.0)**	(0.1)	(5.3)
Net cash used in investing activities	**(75.4)**	(29.7)	(69.2)
Financing activities			
Dividends paid	**(27.5)**	(125.3)	(137.0)
Repayment of finance leases	**(0.4)**	(0.2)	(0.5)
Issue of shares from the employee benefit trust	**-**	1.2	1.2
Proceeds on issue of share capital	**0.1**	0.2	0.6
Increase in bank overdrafts and loans	**97.5**	112.1	82.7
Net cash from/(used in) financing activities	**69.7**	(12.0)	(53.0)
Net increase/(decrease) in cash and cash equivalents	**18.5**	(26.1)	(21.1)
Cash and cash equivalents at beginning of period	**54.2**	74.7	74.7
Effect of foreign exchange rate changes	**3.5**	(0.2)	0.6
Cash and cash equivalents at end of period	**76.2**	48.4	54.2

Notes to the condensed set of financial statements
For the six months ended 30 September 2016

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 2016 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 2016 is unaudited, but has been reviewed by the auditor and their report to the Company is at the end of this statement. This condensed set of financial statements was approved by the Board of Directors on 22 November 2016.

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 Standards (IAS) 34 "Interim Financial Reporting" as adopted by the European Union. The Group's annual financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and therefore comply with Article 4 of the EU IAS regulation.

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.

Standards in issue but not yet effective
At the date of authorisation of this condensed set of financial statements the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective (not all of which have been endorsed by the EU):

IFRS 9	Financial Instruments
Amendments to IFRS10, IFRS12 and IAS28	Investment Entities – Applying the Consolidation Exception
IFRS14	Regulatory Deferral Accounts
IFRS15	Revenue from Contracts with Customers
IFRS16	Leases
Amendments to IFRS2	Classification and Measurement of Share based payment transactions
Amendments to IFRS4	Applying IFRS9 Financial Instruments with IFRS4 Insurance contracts
Amendments to IAS12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IAS1	Disclosure Initiative
Amendments to IAS7	Disclosure Initiative

The implementation of IFRS9 may impact both the measurement and disclosures of Financial Instruments. The implementation of IFRS15 may have an impact on revenue recognition and related disclosures, IFRS16 will impact both the measurement and disclosures of leases. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS9, IFRS15 and IFRS16 until a detailed review has been completed. The Directors do not expect that the adoption of the other Standards and Interpretations listed above will have a material impact on the financial statements of the Group in the future years

3. Business and geographical segments

Business segments

IFRS8 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.

Segment profit/loss represents the result of each segment including allocated costs associated with head office and shared functions, but before allocating investment income, finance costs and tax. This is the measure reported to the Chief Executive for the purposes of resource allocation and assessment of segment performance.

The accounting policies of the operating segments are the same as those described in Significant Accounting Policies in the Group's latest audited financial statements. Group cost allocations are deducted in arriving at segmental operating profit. Inter-segment revenue is charged at prevailing market prices. The sale and renewal of policies across our business are more heavily weighted towards the second half of our financial year.

For the six months ended 30 September 2016 (unaudited)

£million	UK	USA	France	Spain	New Markets	Total
Revenue						
Total revenue	**134.8**	**86.0**	**31.4**	**57.8**	**6.7**	**316.7**
Inter-segment	**(2.4)**	**-**	**-**	**-**	**-**	**(2.4)**
External revenue	**132.4**	**86.0**	**31.4**	**57.8**	**6.7**	**314.3**
Result						
Segment operating profit/(loss) pre amortisation of acquisition intangibles	**21.2**	**(1.1)**	**8.0**	**4.7**	**(1.7)**	**31.1**
Amortisation of acquisition intangibles	**(0.5)**	**(2.9)**	**(2.9)**	**(0.2)**	**-**	**(6.5)**
Operating profit/(loss)	**20.7**	**(4.0)**	**5.1**	**4.5**	**(1.7)**	**24.6**
Investment income						**0.1**
Finance costs						**(2.5)**
Profit before tax						**22.2**
Tax						**(5.5)**
Profit for the period						**16.7**

For the six months ended 30 September 2015 (unaudited)

£million	UK	USA	France	Spain	New Markets	Total
Revenue						
Total revenue	123.6	59.2	27.5	44.4	9.9	264.6
Inter-segment	(2.0)	-	-	-	(0.3)	(2.3)
External revenue	121.6	59.2	27.5	44.4	9.6	262.3
Result						
Segment operating profit/(loss) pre amortisation of acquisition intangibles	20.7	(1.4)	7.1	3.7	(2.3)	27.8
Amortisation of acquisition intangibles	(0.1)	(2.1)	(2.6)	(0.1)	-	(4.9)
Operating profit/(loss)	20.6	(3.5)	4.5	3.6	(2.3)	22.9
Investment income						0.1
Finance costs						(1.7)
Profit before tax						21.3
Tax						(5.4)
Profit for the period						15.9

For the year ended 31 March 2016 (audited)

£million	**UK**	**USA**	**France**	**Spain**	**New Markets**	**Total**
Revenue						
Total revenue	291.8	152.6	77.4	97.5	20.1	639.4
Inter-segment	(5.8)	-	-	-	(0.4)	(6.2)
External revenue	286.0	152.6	77.4	97.5	19.7	633.2
Result						
Segment operating profit/(loss) pre amortisation of acquisition intangibles	58.0	12.1	23.2	9.9	(5.9)	97.3
Amortisation of acquisition intangibles	(0.6)	(4.3)	(5.2)	(0.3)	-	(10.4)
Operating profit/(loss)	57.4	7.8	18.0	9.6	(5.9)	86.9
Investment income						0.3
Finance costs						(4.6)
Profit before tax						82.6
Tax						(21.0)
Profit for the year						61.6

4. Tax

£million	**Six months ended 30 September 2016 (Unaudited)**	Six months ended 30 September 2015 (Unaudited)	Year ended 31 March 2016 (Audited)
Current tax	**6.2**	4.0	19.7
Deferred tax	**(0.7)**	1.4	1.3
	5.5	5.4	21.0

The effective tax rate for the six months ended 30 September 2016 is 25% (HY16: 26%).

5. Dividends

The interim dividend of 4.1p per share (HY16: 3.8p per share) will be paid on 6 January 2017 to shareholders on the register on 9 December 2016. The interim dividend has not been included as a liability in these financial statements.

£million	**Six months ended 30 September 2016 (Unaudited)**	Six months ended 30 September 2015 (Unaudited)	Year ended 31 March 2016 (Audited)
Amounts recognised as distributions to equity holders in the period:			
Special dividend of 30p per share paid in July 2015	**-**	99.4	99.4
Final dividend for the year ended 31 March 2015 of 7.87p per share	**-**	25.9	25.9
Interim dividend for the year ended 31 March 2016 of 3.8p per share	**-**	-	11.7
Final dividend for the year ended 31 March 2016 of 8.9p per share	**27.5**	-	-
	27.5	125.3	137.0
Interim dividend for the year ended 31 March 2017 of 4.1p per share	**12.7**	-	-

6. Earnings per share

Basic and diluted earnings per ordinary share have been calculated in accordance with IAS33 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 the amortisation of acquisition intangibles. This is considered to be a better indicator of the performance of the Group. Diluted earnings per share includes the impact of dilutive share options in issue throughout the period.

Earnings per share pence	**Six months ended 30 September 2016 (Unaudited)**	Six months ended 30 September 2015 (Unaudited)	Year ended 31 March 2016 (Audited)
Basic	**5.4p**	5.0p	19.6p
Diluted	**5.3p**	4.9p	19.3p
Adjusted basic	**6.8p**	6.0p	21.8p
Adjusted diluted	**6.6p**	5.8p	21.4p

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

Weighted average number ordinary shares millions	**Six months ended 30 September 2016 (Unaudited)**	Six months ended 30 September 2015 (Unaudited)	Year ended 31 March 2016 (Audited)
Basic	**309.4**	320.2	313.9
Dilutive impact of share options	**5.1**	5.8	6.1
Diluted	**314.5**	326.0	320.0
Earnings £million			
Profit for the period	**16.7**	15.9	61.6
Amortisation of acquisition intangibles	**6.5**	4.9	10.4
Tax impact arising on the amortisation of acquisition intangibles	**(2.3)**	(1.7)	(3.6)
Adjusted profit for the period	**20.9**	19.1	68.4

7. Intangible assets

	Acquisition intangibles £m	Trademarks & access rights £m	Customer Databases £m	Software £m	**Total intangibles £m**
Cost					
At 1 April 2016	146.0	31.6	55.0	125.7	**358.3**
Additions	-	-	6.0	19.1	**25.1**
Acquisition of subsidiary	36.5	-	-	0.1	**36.6**
Disposals	-	-	-	(0.1)	**(0.1)**
Exchange Movements	14.0	0.9	5.6	2.6	**23.1**
At 30 September 2016	**196.6**	**32.5**	**66.6**	**147.4**	**443.1**
Accumulated amortisation and impairment					
At 1 April 2016	70.7	19.5	18.3	39.8	**148.3**
Charge for the year	6.5	2.2	5.8	5.4	**19.9**
Disposals	(0.2)	-	-	(0.1)	**(0.3)**
Exchange movements	7.0	0.5	2.1	1.1	**10.7**
At 30 September 2016	**84.0**	**22.2**	**26.2**	**46.2**	**178.6**
Carrying Amount					
At 30 September 2016	**112.6**	**10.3**	**40.4**	**101.2**	**264.5**
At 1 April 2016	75.3	12.1	36.7	85.9	210.0

8. Analysis of net debt

£million	Six months ended 30 September 2016 (Unaudited)	Six months ended 30 September 2015 (Unaudited)	Year ended 31 March 2016 (Audited)
Cash and cash equivalents	**(76.2)**	(48.4)	(54.2)
Bank loans and other loans	**327.1**	249.6	221.5
Finance leases	**2.0**	1.0	2.2
Net debt	**252.9**	202.2	169.5

9. Share capital

		Six months ended 30 September 2016 (Unaudited)	Six months ended 30 September 2015 (Unaudited)	Year ended 31 March 2016 (Audited)
Issued and fully paid ordinary shares of 2 9/13p	No.	**310,230,874**	307,685,639	307,892,426
	£m	**8.4**	8.3	8.3

During the period from 1 April 2016 to 30 September 2016 the Company issued 2,338,448 shares with a nominal value of 2 9/13p creating share capital of £62,958 and share premium of £3,141,856.

During the period from 1 April 2015 to 20 July 2015 the Company issued 90,856 shares with a nominal value of 2.5p creating share capital of £2,271 and share premium of £166,370. Following payment of a special dividend in July 2015, the Company completed a share consolidation of existing ordinary shares on the basis of 13 new ordinary shares for every 14 existing ordinary shares.

During the period from 21 July 2015 to 30 September 2015 the Company issued 12,832 shares with a nominal value of 2 9/13p creating share capital of £346 and share premium of £24,162.

10. Business combinations and disposals

The Group has incurred a net cash outflow in respect of business combinations and disposals of £54.0m in the year principally related to USP. On 1 July 2016 Homeserve USA, a Group company, acquired 100% of the issued share capital and obtained control of Utility Services Partners Inc (USP).

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

	£m **Fair value**
Property, plant and equipment	0.3
Intangible assets	0.1
Deferred taxation assets	8.9
Cash and cash equivalents	5.8
Trade and other receivables	2.7
Trade and other payables	(12.9)
Total identifiable assets	4.9
Intangible assets identified on acquisition	36.5
Deferred taxation	(14.2)
Goodwill	33.7
	60.9
Satisfied by :	
Cash	60.3
Deferred consideration	0.6
	60.9
Net cash outflow arising on acquisition	
Cash consideration	60.3
Less: cash and cash equivalent balances acquired	(5.8)
	54.5

The goodwill arising on the excess of consideration over the fair value of the assets and liabilities acquired represents the expectation of synergy savings, efficiencies and enhancing the scale and scope of our US business. None of the goodwill is expected to be deducted for income tax purposes.

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

Utility Services Partners Inc contributed £7.0m of revenue and a loss of £0.7m to the Group's adjusted profit before tax for the six months to 30 September 2016

If the acquisition had been completed on the first day of the financial year, Group revenues for the period would have been £323.9m and Group statutory profit before tax would have been £19.5m.

The information above is provisional with fair value assessment activities ongoing, the final acquisition disclosures will be included in the Group annual report to be released in May 2017.

In addition to the net cash outflow on the acquisition, deferred consideration was paid relating to prior period business combinations of £0.3m (HY16: £0.1m). Acquisition-related costs (included in operating costs) amounted to £0.8m.

11. Retirement benefit schemes

The defined benefit plan assets and liabilities have been updated as at 30 September 2016. Differences between the expected return on assets and movement on liabilities have been recognised as an actuarial gain or loss in the Consolidated Statement of Comprehensive Income in accordance with the Group's accounting policy.

12. 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. Related party transactions during HY17 were similar in nature to those in HY16 and amounted to £0.1m (HY16: £0.1m).

Full details of the Group's related party transactions for the year ended 31 March 2016 are included on page 168 of the Annual Report & Accounts 2016.

13. Financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises are described in the Group's latest audited financial statements. All principal financial instruments are stated at amortised cost, with the exception of deferred and contingent consideration and assets classified as available for sale which are held at fair value. The Directors consider that the carrying values of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values.

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

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

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

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

£million	**Six months ended 30 September 2016 (Unaudited)**	Six months ended 30 September 2015 (Unaudited)	Year ended 31 March 2016 (Audited)
Level 2			
Assets classified as available for sale	**8.6**	4.9	7.8
	8.6	4.9	7.8
Level 3			
Deferred and contingent consideration at fair value through profit and loss	**(7.3)**	(2.9)	(6.8)
Current liabilities	**(1.3)**	(0.9)	(1.2)
Non current liabilities	**(6.0)**	(2.0)	(5.6)
	(7.3)	(2.9)	(6.8)

The £0.5m increase in deferred and contingent consideration since 31 March 2016 relates to the deferred consideration in respect of the acquisition of USP.

14. Events after the balance sheet date

On 7 November 2016 Homeserve Membership Limited, a Group company, agreed to acquire npower's "domestic care and maintenance" contracts which comprise service contracts and 76 experienced heating engineers. Following normal course employee consultation we expect to complete the transaction later this year.

Responsibility statement

We confirm that to the best of our knowledge:

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

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

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

By order of the Board

Chief Executive Officer
Richard Harpin
22 November 2016

Forward Looking Statements and Other Information

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

Independent review report to HomeServe Plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2016 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the cash flow statement and related notes 1 to 14. 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 it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

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 Conduct 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 2016 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 Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
22 November 2016