

HomeServe plc
Interim Results for the six months ended 30 September 2009

HomeServe on track to deliver another year of strong growth

	Core operations			Core and non-core		
	Sep 09	Sep 08	Change	Sep 09	Sep 08	Change
Revenue†	£135.0m	£107.7m	25.3%	£163.6m	£168.9m	-3.2%
Operating profit*	£20.8m	£18.6m	11.9%	£12.9m	£21.2m	-39.3%
Profit before tax*	£18.9m	£16.5m	14.6%	£11.0m	£19.1m	-42.5%
Profit before tax	£26.0m	£15.1m	72.8%	£18.1m	£13.8m	31.0%
Earnings per share^	21.3p	18.5p	15.4%	11.5p	21.5p	-46.4%
Dividend per share	11.5p	10.5p	9.5%			

"Core operations" comprises the policy membership businesses: UK, Continental Europe and USA

"Non-core operations" is the remaining UK Emergency Services businesses (Property Repairs and Anglia)

"Discontinued operations" comprises Glazing & Locks, ChemDry and Contents

Highlights

- Strong growth from core membership operations:
 - 25% revenue† growth to £135m
 - 15% growth in profit before tax* to £18.9m
 - 14% growth in policies to 9.6m (September 2008: 8.4m) and 8% growth in customers to 4.4m (September 2008: 4.1m)
 - access to 56m households worldwide (September 2008: 53m)
- 15% growth in core earnings per share^ and 10% growth in dividend per share
- Very good performance from UK Membership business: 0.77m gross new policy sales, retention rate of 83% and 15% growth in income per customer
- Strong revenue growth of 57% in Europe driven by policy growth in France of 31% with retention rates remaining high at 88%
- Continued expansion of the US business with increase in total policies of 40% and increase in the retention rate to 81% (September 2008: 78%)
- Entry into gas utility sector in the US with affinity partner deals signed with SEMCO Energy and Piedmont Gas
- Exit from UK Emergency Services to be completed by end of January 2010
- Statutory loss after tax for the group of £12.3m includes loss on disposal of £24.6m

† Excluding exceptional operating income received during the period

*Excluding amortisation of acquisition intangibles, joint venture taxation and exceptional operating items, see Financial Review

^ Denotes adjusted earnings per share: excluding amortisation of acquisition intangibles and exceptional operating items, see Financial Review

Brian Whitty, Chairman, commented:

“We are very pleased with the performance of our core membership divisions in the first half delivering an increase in revenue† of 25% and profit before tax* of 15% on the back of continuing growth in both our customer and policy numbers.

During the first six months of the financial year, we have achieved good levels of new policy sales and retention rates remain high as we continue to expand all of our membership divisions through the development of new products and affinity partnerships.

With our membership businesses continuing to perform well, a number of growth initiatives in the UK and international markets and a strong pipeline of business development opportunities, we remain confident of delivering another year of strong profits growth.”

REPORTED RESULTS EXPLANATORY NOTE

The reported results and the results contained within this statement reflect the structure of the Group following the transfer in December 2008 of the claims management and policy repair networks from UK Emergency Services into UK Membership.

24 November 2009

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† Excluding exceptional operating income received during the period

*Excluding amortisation of acquisition intangibles, joint venture taxation and exceptional operating items, see Financial Review

^ Denotes adjusted earnings per share: excluding amortisation of acquisition intangibles and exceptional operating items, see Financial Review

INTERIM MANAGEMENT REPORT

CHAIRMAN'S STATEMENT

We are pleased to report a strong performance from our core membership operations where we continue to see good levels of new policy sales and high levels of retention. We now have 4.4m customers (September 2008: 4.1m) and 9.6m policies (September 2008: 8.4m) worldwide, with access to 56m households underpinning our future growth potential.

Our growth initiatives in our UK and international policy membership divisions are progressing well. Our focus on customer growth in the UK has started to generate positive results and this will continue to be a key objective for us in the second half.

In May, we began the next stage of development in France with the acquisition of Societe Francaise de Garantie ("SFG"), France's leading provider of extended warranties for domestic appliances. This acquisition provides an ideal platform from which to broaden our product offering and increase household penetration in France and other European markets.

In the US, the signing of a 10 year marketing agreement in September with Piedmont Gas (based in North Carolina) expands our US footprint of marketable households to 10.2m (September 2008: 8.6m) and reinforces our presence in the gas utility sector following the signing of SEMCO Energy (based in Michigan) in May.

The exit from our non-core UK Emergency Services division is almost complete. In September, we sold Glazing & Locks, ChemDry and Contents and the closure of the remaining Property Repair businesses will be completed by the end of January 2010.

Revenue† for our core membership businesses increased by 25% to £135.0m (September 2008: £107.7m) and operating profit* by 12% to £20.8m (September 2008: 18.6m). Earnings per share^ for our core operations increased by 15% to 21.3p (September 2008: 18.5p).

Revenue within our non-core UK Emergency Services division decreased by 53% to £28.6m (2008: £61.2m) resulting in an operating loss* for the period of £8.0m (September 2008: operating profit* of £2.6m). In addition, we incurred a loss on disposal of £24.6m from the sale of our Emergency Services business.

Revenue† for the total Group declined 3% to £163.6m (September 2008: £168.9m) and operating profit* decreased by 39% to £12.9m (September 2008: £21.2m). First half statutory profit before tax for the Group grew by 31% to £18.1m (September 2008: £13.8m) and statutory earnings per share grew by 26% to 19.3p.

The Board is proposing an interim dividend of 11.5p per share to be paid on 4 January 2010 to shareholders on the register at 4 December 2009. This represents a year on year increase of 10%.

The business continues to be highly cash generative and our balance sheet remains strong, ending the period with net debt of £71.6m (September 2008: £73.0m) and with significant headroom on our borrowing facilities of £150m.

† Excluding exceptional operating income received during the period

*Excluding amortisation of acquisition intangibles, joint venture taxation and exceptional operating items, see Financial Review

^ Denotes adjusted earnings per share: excluding amortisation of acquisition intangibles and exceptional operating items, see Financial Review

PROSPECTS

We are very pleased with the first half performance of our core membership divisions which continue to demonstrate the resilience of the business model and attractiveness of our products.

In the UK, we are well placed to deliver our core objective of customer growth and we continue to expand our international businesses through a combination of increased penetration of our existing affinity partners and new business development opportunities.

As we enter the second half, which is the busiest part of our financial year, we continue to see good levels of new policy sales and high levels of renewals, providing us with confidence for the full year.

With our membership businesses performing well, a number of growth initiatives in the UK and international markets and a strong pipeline of business development opportunities, we remain confident of delivering another year of strong profits growth.

OPERATING REVIEW

UK MEMBERSHIP

Revenue† increased by 17% to £102.0m (September 2008: £86.8m) driven by high levels of renewals and good levels of policy sales. During the period, the UK business has increased investment in marketing and product testing in line with our focus on customer growth resulting in operating profit* increasing by 10% to £22.1m (2008: £20.1m). As at 30 September 2009, the policy, customer and market performance metrics of our UK Membership business were:

	Sep 09	Sep 08
Total number of households (m)	25.9	25.9
Affinity partner households (m)	23.4	22.0
Penetration of affinity partner households	13.5%	14.2%
Total customers (000)	3,169	3,126
Core renewable customers (000)	2,832	2,789
Policies per customer	2.28	2.13
Number of policies (000):		
- Plumbing & drains and water supply pipe	4,147	4,054
- Electrical	770	746
- Gas and gas supply pipe	838	762
- Manufacturer warranties	367	246
- Other, including housebuilder	1,101	849
Total policies	7,223	6,657
Retention rate	83%	84%

The business achieved gross new policy sales of 768,000 (September 2008: 765,000) through a combination of sales to new customers and another good performance in cross-sell with policies per customer growing to 2.28 (September 2008: 2.13). We are pleased to report a retention rate of 83%, the same rate we achieved for the 12 months to 31 March 2009. UK customer numbers grew by 1.4% in the 12 months to September 2009 with income per customer growing by 15% to £63 (September 2008:

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£55). Our core renewable customers grew by 1.5% in the 12 months to September 2009 (0.9% in the last 6 months), with income per core renewable customer growing by 15% from £61 to £70.

We are making progress with a range of initiatives to grow customers in the UK. We have developed new products covering flats and landlords and in the second half we will leverage new marketing and sales channels, including credit card companies and IFA networks, to sell our policies. We are also in discussions with potential new affinity partners and remain on track to deliver our target of 2-3% UK customer growth for the full year.

In addition, we continue to make good progress with our pay on use service, One Contact, having recently extended the trial to include the East Midlands. In September, we acquired Reactfast, a national emergency trades business which sources jobs from directories and the internet, which will provide us with approximately 50,000 new customer leads per year. In the second half our focus will be to test additional marketing channels to promote One Contact, integrate Reactfast and continue to optimise the business model of converting pay on use customers into full policy members.

Our Manufacturer Warranties business continues to perform well with total policies increasing by 49% to 367,000 in the 12 months to September 2009 (September 2008: 246,000). We continue to develop relationships with potential partners and are delighted to announce the signing of an agreement with Baumatic, a leading provider of kitchen appliances.

During the period, we continued to focus on improving customer service and network efficiency by increasing the number of directly employed plumbers in our network, through the acquisition of a number of local plumbing businesses. As a result, 80% of our plumbing jobs are now carried out by our own engineers. Having completed the franchising of our Electrics network last year, we have made significant progress in franchising our Gas network, thereby further increasing the number of jobs carried out by HomeServe tradesmen. We have also introduced new technology in the claims handling process which will lead to an improvement in job deployment efficiency and customer service levels.

CONTINENTAL EUROPE

Revenue in our Continental European business increased by 42% in local currency (57% in GBP), driven by continuing policy growth and high retention rates. As in previous years, the phasing of marketing investment and associated renewals profile, combined with additional investment during the first half in international business development, resulted in Continental Europe reporting an operating loss* of £0.5m (September 2008: operating loss* of £0.7m).

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France

Our French joint venture, Doméo, reported a 37% increase in revenue in local currency (52% in GBP) for the period. As at 30 September 2009, the policy, customer and market performance metrics of our French business were as follows:

	Sep 09	Sep 08
Total number of households (excl apartments) (m)	18.6	18.6
Affinity partner households (excl apartments) (m)	13.6	13.5
Penetration of affinity partner households	5.3%	4.4%
Total customers (000)	718	600
Policies per customer	2.39	2.18
Number of policies (000):		
- Plumbing & drains and water supply pipe	937	763
- Electrical	191	131
- Other, including waterloss and gas products	589	412
Total policies	1,717	1,306
Retention rate	88%	89%

The total number of policies in our French joint venture, Doméo, has increased by 32% to 1.72m since September 2008 with gross new policy sales in the first half of 230,000 (September 2008: 191,000). The retention rate has remained high at 88% (September 2008: 89%).

Doméo has grown its policy book across all categories through a combination of customer growth and the sale of additional policies to existing customers with policies per customer increasing to 2.39 (September 2008: 2.18).

In May 2009, we acquired Societe Francaise de Garantie ("SFG") France's leading provider of extended warranties for domestic appliances for cash consideration of £15.6m. This acquisition marks the start of the next phase of development of the Continental European business and provides an ideal platform from which to broaden our product offering and increase household penetration in France and other European markets.

Spain

Our Spanish business has had a good first half with revenue increasing by 20% in local currency (33% in GBP) and ending the period with 55,000 policies (September 2008: nil) on the back of a good start to marketing with Endesa. The business has now entered the peak marketing period and take ups continue to be encouraging.

The results from test marketing with Agbar and Acciona, two Spanish water utilities, have been encouraging and we remain in discussions with these and other potential partners about a range of development opportunities including long-term affinity marketing agreements.

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Belgium

Our Belgian business, SPT, contributed £1.5m of revenue and £0.4m of operating profit in its first full six month period under HomeServe ownership. We continue to progress discussions with a range of potential affinity partners including both utilities and financial services companies as we look to develop our membership business in the region.

UNITED STATES OF AMERICA

The US business grew revenue by 29% in local currency (55% in GBP) during the first 6 months. As in previous years, the phasing of marketing campaigns and associated renewals profile has resulted in the business reporting an operating loss* in the first half of £0.8m (September 2008: loss* of £0.7m). As at 30 September 2009 the policy, customer and market performance metrics of our US Membership business were:

	Sep 09	Sep 08
Total number of households (m)	112	112
Affinity partner households (m)	10.2	8.6
Penetration of affinity partner households	4.8%	4.2%
Total customers (000)	492	362
Policies per customer	1.28	1.24
Number of policies (000):		
- Plumbing & drains and water supply pipe	439	360
- Electrical	62	51
- Other	128	37
Total policies	629	448
Retention rate	81%	78%

Over the last 12 months, customers have increased by 36% to 492,000 (September 2008: 362,000) and policies by 40% to 629,000 (September 2008: 448,000) driven by gross new policy sales of 132,000 in the first half (September 2008: 107,000) and strong levels of policy renewals, with an increased retention rate of 81% (September 2008: 78%).

Results from initial marketing with SEMCO Energy have been very encouraging and with the recent signing of a 10 year marketing agreement with Piedmont Gas, which takes the total number of affinity partner households in the US to 10.2m (September 2008: 8.6m), we are excited about the future potential of working with gas utilities.

During the period, alongside our core strategy of signing long-term affinity partner agreements with utilities, we successfully tested a new initiative designed to accelerate our footprint of marketable households involving marketing directly to customers under the Home Service brand in states where we do not yet have a full affinity partner agreement with a local utility. We believe this has great potential to increase our footprint in the US, create a profitable source of new customers and demonstrate to potential utility partners the benefits of entering into a long-term marketing agreement with us.

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*Excluding amortisation of acquisition intangibles, joint venture taxation and exceptional operating items, see Financial Review

^ Denotes adjusted earnings per share: excluding amortisation of acquisition intangibles and exceptional operating items, see Financial Review

We continue to develop the pipeline of potential affinity partnerships and with the profile of renewals weighted towards the second half and retention rates remaining high, we are on target to deliver a maiden operating profit in the US for the full year.

NON-CORE UK EMERGENCY SERVICES

The exit from our non-core UK Emergency Services division is nearly complete, following the sale of Glazing and Locks, ChemDry and Contents to Lloyds Development Capital and the decision to close our remaining Property Repair businesses.

During the period, ongoing challenging trading conditions and lower volumes in Property Repairs resulted in revenue for our non-core UK Emergency Services division falling by 53% to £28.6m (September 2008: £61.2m) resulting in an operating loss* of £8.0m (September 2008: operating profit* of £2.6m). This result, together with the loss on disposal of £24.6m, resulted in a statutory loss in the division for the period of £30.8m.

In the second half, we anticipate incurring additional costs of up to £15m as a result of the closure of Property Repairs which will be complete by the end of January 2010.

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FINANCIAL REVIEW

The presentation of the half year results and comparisons with the corresponding period last year is impacted by the exit from UK Emergency Services. In this section, we are therefore providing additional analysis to assist with comparison of the Group's performance in prior periods and to present the results of the business as it will look going forward without the UK Emergency Services division.

Group reported results

The headline statutory financial results are presented below to show the results for core, non-core and total operations:

Continuing operations	Core		Non-core		Continuing	
	Sep 2009	Sep 2008	Sep 2009	Sep 2008	Sep 2009	Sep 2008
£million						
Revenue†	135.0	107.7	28.6	61.2	163.6	168.9
Exceptional revenue	10.2	-	-	-	10.2	-
Total revenue	145.2	107.7	28.6	61.2	173.8	168.9
Operating profit/(loss)	27.9	17.2	(8.0)	(1.3)	20.0	15.9
Net interest	(1.9)	(2.1)	-	-	(1.9)	(2.1)
Profit before tax*	18.9	16.5	(8.0)	2.6	11.0	19.1
Amortisation of acquisition intangibles	(3.3)	(1.5)	-	(2.3)	(3.3)	(3.8)
Exceptional revenue	10.2	-	-	-	10.2	-
Exceptional operating costs	-	-	-	(1.5)	-	(1.5)
Tax on JV	0.2	-	-	-	0.2	-
Profit/(loss) before tax	26.0	15.1	(8.0)	(1.3)	18.1	13.8
Tax	(7.6)	(4.5)	1.7	0.4	(5.8)	(4.1)
Profit/(loss) for the period	18.5	10.6	(6.2)	(0.9)	12.2	9.7
Discontinued operations						
Loss/profit for the period from discontinued operations			(24.6)	0.5	(24.6)	0.5
Profit/(loss) attributable to equity holders of the parent	18.5	10.6	(30.8)	(0.4)	(12.3)	10.1

In accordance with IFRS, statutory operating profit for continuing operations, which has increased by 26% to £20.0m (September 2008: £15.9m), includes amortisation of acquisition intangibles of £3.3m, £10.2m of exceptional income and a loss of £0.3m from our share of our joint venture in France. The amortisation of acquisition intangibles of £3.3m (September 2008: £3.8m) principally relates to customer and other contracts held by the acquired entities at the date of acquisition. Exceptional operating income of £10.2m relates to the recovery of previous years' Insurance Premium Tax in UK Membership. For our French joint venture, the operating result under IFRS is defined as profit after tax and hence £0.2m of tax credit is reported within operating profit and profit before tax.

In accordance with IFRS, statutory operating profit for continuing operations, after amortisation of acquisition intangibles, tax on joint ventures and exceptional operating items, were: UK Membership £31.8m (September 2008: £19.6m); Continental Europe

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an operating loss of £2.3m (September 2008: loss of £1.3m); and USA an operating loss of £1.6m (September 2008: loss of £1.2m) resulting in a statutory operating profit for the core operations of £27.9m (September 2008: £17.2m). The non-core UK Emergency Services business reported a statutory operating loss under IFRS of £8.0m (September 2008: loss of £1.3m).

The Group's net interest charge decreased in the period to £1.9m (September 2008: £2.1m).

The overall tax rate for the first half, including the impact of non-core losses, is 32% (September 2008: 29.9% for total group) with the increase on the prior period due to costs not deductible for tax purposes arising on non-core operations. The effective rate of corporation tax for our core membership operations is 29% and this represents the estimate of the full year tax rate for this part of the business.

Earnings per share[^] for core operations increased by 15% from 18.5p to 21.3p with a statutory loss per share for the total Group, including both continuing and discontinued operations, of 19.5p. The interim dividend has increased by 10% from 10.5p to 11.5p.

Net debt as at 30 September 2009 has improved by £1.4m to £71.6m (September 2008: £73.0m). Cash generated from operations was £22.7m (September 2008: £7.4m) which includes £7.9m of exceptional income and an increase in working capital of £6.1m (September 2008: £21.7m). A total of £24.9m was spent on acquisitions during the period (September 2008: £7.4m).

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*Excluding amortisation of acquisition intangibles, joint venture taxation and exceptional operating items, see Financial Review

[^] Denotes adjusted earnings per share: excluding amortisation of acquisition intangibles and exceptional operating items, see Financial Review

Core and non-core operations

The table below sets out the revenue† and operating profit* of our core membership and non-core divisions. As in previous years, profit is stated before the amortisation of acquisition intangibles and tax on our joint venture in France which we believe represents an important performance measure for monitoring the business. In addition, in the period the £10.2m of exceptional operating income has been excluded in calculating these pro-forma managerial measures.

£million	Sep 09	Sep 08	Change %
Revenue†			
- UK Membership	102.0	86.8	17.5%
- Europe	35.0	22.3	56.7%
- USA	7.6	4.9	54.7%
- JV/inter-division	(9.6)	(6.3)	-52.4%
Total core operations	135.0	107.7	25.3%
- Non-core operations	28.6	61.2	-53.2%
Group	163.6	168.9	-3.2%
Operating profit *			
- UK Membership	22.1	20.1	10.2%
- Europe	(0.5)	(0.7)	+£0.2m
- USA	(0.8)	(0.7)	-£0.1m
Total core operations	20.8	18.6	11.9%
- Non-core operations	(8.0)	2.6	-£10.6m
Group operating profit*	12.9	21.2	-39.3%
Interest	(1.9)	(2.1)	9.8%
Profit before tax*	11.0	19.1	-42.5%

Revenue† for core operations increased by 25% to £135.0m (September 2008: £107.7m) and operating profit* increased by 12% to £20.8m (September 2008: £18.6m). Acquisitions made during the last 12 months contributed £4.3m of revenue and £0.4m of operating profit in the period. Excluding the impact of acquisitions and foreign currency movements, revenue† for core operations increased by 18% and operating profit* by 11%.

Revenue in our non-core UK Emergency Services business (Property Repairs) declined by 53% to £28.6m (September 2008: £61.2m) and operating profit* decreased by £10.6m to report a loss* of £8.0m (September 2008: profit of £2.6m). The decline in revenue is due to an underlying fall in volumes as a result of ongoing challenging market conditions in this non-core division.

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*Excluding amortisation of acquisition intangibles, joint venture taxation and exceptional operating items, see Financial Review

^ Denotes adjusted earnings per share: excluding amortisation of acquisition intangibles and exceptional operating items, see Financial Review

Revenue† for core and non-core operations decreased by 3% to £163.6m (September 2008: £168.9m). Operating profit* decreased by 39% to £12.9m (September 2008: £21.2m). The reconciliations between the statutory and pro-forma measures are as follows:

£million	Core		Core and non-core	
	Sep 09	Sep 08	Sep 09	Sep 08
Operating profit (statutory)	27.9	17.2	20.0	15.9
Amortisation of acquisition intangibles	3.3	1.5	3.3	3.8
Exceptional revenue	(10.2)	-	(10.2)	-
Exceptional operating costs – cessation of hub negotiations	-	-	-	1.5
Tax on joint ventures	(0.2)	-	(0.2)	-
Operating profit*	20.8	18.6	12.9	21.2
Profit before tax (statutory)	26.0	15.1	18.1	13.8
Amortisation of acquisition intangibles	3.3	1.5	3.3	3.8
Exceptional revenue	(10.2)	-	(10.2)	-
Exceptional operating costs – cessation of hub negotiations	-	-	-	1.5
Tax on joint ventures	(0.2)	-	(0.2)	-
Profit before tax*	18.9	16.5	11.0	19.1
Pence per share				
Earnings per share (statutory)	29.2	16.8	19.3	15.4
Amortisation of acquisition intangibles	3.8	1.7	3.8	4.4
Exceptional revenue	(11.6)	-	(11.6)	-
Exceptional operating costs – cessation of hub negotiations	-	-	-	1.8
Earnings per share^	21.3	18.5	11.4	21.5

Loss on disposal and exceptional operating items

During the period, we benefited from a one off exceptional revenue gain of £10.2m in respect of previous years' Insurance Premium Tax following a successful appeal to the High Court.

On 24 September 2009, we sold three of the UK Emergency Services businesses to Lloyds Development Capital resulting in a loss on disposal of £24.6m.

Foreign exchange impact

The financial performance reported for our international businesses and comparison with the corresponding period last year is impacted by foreign exchange movements on translation. The reported revenue growth in Europe and the US of 57% and 55% respectively, equates to 42% and 29% in local currency. Of the total reported operating loss* of £1.3m in our international membership divisions, £0.2m of this loss relates to foreign currency movements.

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Acquisitions

HomeServe continues to support its organic growth through the completion of strategic acquisitions within its core membership divisions. Acquisition spend during the period totalled £24.9m, including the purchase of SFG (£15.6m), acquisitions within our Plumbing and Drainage business, Reactfast and policies acquired from SEMCO, with a further £2.0m of deferred consideration paid in relation to acquisitions completed in prior years.

Risks and uncertainties

There are a number of potential risks and uncertainties that could have an impact on the Group's performance over the remaining six months of the financial year as detailed below.

Financial Risk

As part of its ordinary activities, HomeServe is exposed to a number of financial risks, principally liquidity risk and credit risk. The Group has policies and procedures on how these risks will be monitored and managed.

Liquidity risk relates to the Group's ability to meet the cash flow requirements of the operations, while avoiding excessive levels of debt. The Group's borrowings are principally in the form of short and medium term revolving credit facilities, which can be drawn down on demand, providing flexible access to debt when required. The total amount available under the facility is £150m and the renewal date is December 2012. The amount of any committed undrawn facilities is closely monitored by the Board on a regular basis.

The business is not currently exposed to significant foreign currency risk in relation to overseas transactions. However, as the overseas businesses grow, its exposure to risks relating to the translation of overseas profits increases. These risks are kept under constant review and policies exist to mitigate them should they increase in significance.

Credit risk principally relates to trade receivables from customers. Detailed policies and procedures for the assessment of all customers are in place including reviewing credit history and setting appropriate credit limits before trading commences. The majority of our trade receivable balances within our core operations relate to our membership customers who either pay in advance or by continuous payment methods, such as direct debit.

Commercial relationships

Underpinning the success in each of our chosen markets are close commercial relationships with a number of utility companies, household insurers, household appliance manufacturers and furniture retailers. Many of these are long term contractual relationships and the loss of these relationships could have a significant effect on the Group's future profitability and cash flows. This risk is managed through regular reviews and contact with the senior management of these customers in order to ensure that we respond to their needs and deliver the service that they expect.

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Competitors

Additionally, there are a number of other businesses that provide services that are similar to those of the Group and as such could compete in one or more of our chosen markets. In order to address this risk, a regular review of the market and our position is undertaken and the activities of other participants are closely monitored. The development of innovative products and solutions which address the needs of our customers is seen as paramount to maintaining our competitive advantage.

Going concern

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. Principal risks and uncertainties are detailed in this review. In addition, this review includes, amongst other things, cash flow and financing information.

The Directors confirm that, after reviewing the Group's budget and cash flows, 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 accounts.

Brian Whitty
Chairman
24 November 2009

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
Chairman
Brian Whitty
24 November 2009

Chief Financial Officer
Martin Bennett
24 November 2009

† Excluding exceptional operating income received during the period

*Excluding amortisation of acquisition intangibles, joint venture taxation and exceptional operating items, see Financial Review

^ Denotes adjusted earnings per share: excluding amortisation of acquisition intangibles and exceptional operating items, see Financial Review

**Consolidated Income Statement
for the six months ended 30 September 2009**

	Note	Six months ended 30 September 2009 £000 (Unaudited)	Six months ended 30 September 2008 £000 (Unaudited)	Year ended 31 March 2009 £000 (Audited)
Continuing operations				
Revenue - Core		134,970	107,716	283,840
Exceptional revenue - Core ¹	4	10,195	-	-
Revenue - Non-core ²		28,633	61,209	113,011
Total revenue	3	173,798	168,925	396,851
Operating costs:				
Amortisation of acquisition intangibles		(3,321)	(3,797)	(8,328)
Exceptional operating costs ¹	4	-	(1,535)	(4,506)
Impairment of Non-core ² assets		-	-	(50,282)
Other operating costs - Core		(113,612)	(89,090)	(196,951)
Other operating costs - Non-core ²		(36,589)	(58,613)	(112,717)
Operating costs		(153,522)	(153,035)	(372,784)
Share of (loss)/profit of joint ventures		(319)	-	3,451
Operating profit		19,957	15,890	27,518
Investment income		363	537	1,237
Finance costs		(2,263)	(2,643)	(4,809)
Core profit before tax, amortisation of acquisition intangibles, exceptional items¹ and tax on joint ventures				
		18,940	16,520	88,710
Non-core ² operating (loss)/profit pre amortisation and exceptional items				
		(7,956)	2,596	293
Amortisation of acquisition intangibles		(3,321)	(3,797)	(8,328)
Exceptional revenue ¹ - Core	4	10,195	-	-
Exceptional operating costs ¹ - Non-core	4	-	(1,535)	(4,506)
Impairment of Non-core ² assets		-	-	(50,282)
Tax on joint ventures		199	-	(1,941)
Profit before tax		18,057	13,784	23,946
Tax	5	(5,812)	(4,121)	(18,274)
Profit for the period		12,245	9,663	5,672
Discontinued operations				
(Loss)/profit for the period from discontinued operations	8	(24,575)	482	(40,978)
(Loss)/profit for the period, being attributable to equity holders of the parent		(12,330)	10,145	(35,306)
Dividends per share	6	11.5p	10.5p	35.5p
Earnings per share from continuing operations				
Basic		19.3p	15.4p	9.0p
Diluted		18.9p	14.9p	8.7p
(Loss)/earnings per share from continuing and discontinued operations				
Basic		(19.5)p	16.2p	(56.2)p
Diluted		(19.5)p	15.7p	(56.2)p

1 In the current period, exceptional revenue of £10,195,000 relates to income arising from the successful recovery of previous years' Insurance Premium Tax. In the year ended 31 March 2009, exceptional operating costs of £4,506,000 comprise £1,535,000 relating to the cessation of discussions with our second hub partner, recognised in the period to 30 September 2008, and £2,971,000 relating to the reorganisation of our UK businesses.

2 'Core' operations include the policy membership businesses: UK Membership, Europe and USA. 'Non-core' operations is the HomeServe Property Repairs business of the UK Emergency Services division.

Consolidated Statement of Comprehensive Income
For the six months ended 30 September 2009

	Six months ended 30 September 2009 £000 (Unaudited)	Six months ended 30 September 2008 £000 (Unaudited)	Year ended 31 March 2009 £000 (Audited)
(Loss)/profit for the period	(12,330)	10,145	(35,306)
Gain/(loss) arising on cash flow hedge	838	(147)	(1,947)
Exchange differences on translation of foreign operations	6,110	762	4,173
Actuarial losses on defined benefit pension scheme	(2,246)	(1,889)	(2,049)
Tax on items taken directly to equity	(305)	519	537
Total comprehensive (expense)/income for the period attributable to equity holders of the parent	(7,933)	9,390	(34,592)

Consolidated Statement of Changes in Equity
for the six months ended 30 September 2009

	Share capital £000	Share premium account £000	Merger reserve £000	Own shares reserve £000	Share incentive reserve £000	Capital redemption reserve £000	Hedging and retranslation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2009	8,167	33,486	70,992	(27,523)	8,381	1,200	2,336	115,945	212,984
Total comprehensive income	-	-	-	-	-	-	6,948	(14,881)	(7,933)
Dividends paid	-	-	-	-	-	-	-	(15,867)	(15,867)
Issue of share capital	8	445	-	-	-	-	-	-	453
Issue of trust shares	-	-	-	1,011	-	-	-	(333)	678
Share based payments	-	-	-	-	792	-	-	-	792
Share options exercised	-	-	-	-	(1,377)	-	-	1,377	-
Tax on exercised share options	-	-	-	-	-	-	-	563	563
Deferred tax on share options	-	-	-	-	-	-	-	1,067	1,067
Balance at 30 September 2009 (Unaudited)	8,175	33,931	70,992	(26,512)	7,796	1,200	9,284	87,871	192,737

for the six months ended 30 September 2008

	Share capital £000	Share premium account £000	Merger reserve £000	Own shares reserve £000	Share incentive reserve £000	Capital redemption reserve £000	Hedging and retranslation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2008	8,147	32,507	70,992	(29,586)	6,550	1,200	110	175,493	265,413
Total comprehensive income	-	-	-	-	-	-	615	8,775	9,390
Dividends paid	-	-	-	-	-	-	-	(13,772)	(13,772)
Issue of share capital	4	176	-	-	-	-	-	-	180
Issue of trust shares	-	-	-	1,713	-	-	-	67	1,780
Share based payments	-	-	-	-	1,432	-	-	-	1,432
Share options exercised	-	-	-	-	(992)	-	-	992	-
Tax on exercised share options	-	-	-	-	-	-	-	875	875
Deferred tax on share options	-	-	-	-	-	-	-	(3,778)	(3,778)
Balance at 30 September 2008 (Unaudited)	8,151	32,683	70,992	(27,873)	6,990	1,200	725	168,652	261,520

for the year ended 31 March 2009

	Share capital £000	Share premium account £000	Merger reserve £000	Own shares reserve £000	Share incentive reserve £000	Capital redemption reserve £000	Hedging and retranslation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2008	8,147	32,507	70,992	(29,586)	6,550	1,200	110	175,493	265,413
Total comprehensive income	-	-	-	-	-	-	2,226	(36,818)	(34,592)
Dividends paid	-	-	-	-	-	-	-	(20,415)	(20,415)
Issue of share capital	20	979	-	-	-	-	-	-	999
Issue of trust shares	-	-	-	2,063	-	-	-	(53)	2,010
Share based payments	-	-	-	-	3,217	-	-	-	3,217
Share options exercised	-	-	-	-	(1,386)	-	-	1,386	-
Tax on exercised share options	-	-	-	-	-	-	-	1,129	1,129
Deferred tax on share options	-	-	-	-	-	-	-	(4,777)	(4,777)
Balance at 31 March 2009 (Audited)	8,167	33,486	70,992	(27,523)	8,381	1,200	2,336	115,945	212,984

Consolidated Balance Sheet
30 September 2009

		30 September 2009	30 September 2008	31 March 2009
		£000	£000	£000
	Note	(Unaudited)	(Unaudited)	(Audited)
Non-current assets				
Goodwill		189,035	218,070	175,667
Other intangible assets		47,931	61,990	43,814
Property, plant and equipment		32,466	40,836	34,518
Interests in joint ventures		4,783	864	5,224
Deferred tax assets		1,166	-	4,189
		275,381	321,760	263,412
Current assets				
Inventories		1,856	12,031	9,495
Trade and other receivables		180,491	183,797	206,132
Cash and cash equivalents	9	13,741	21,294	21,345
		196,088	217,122	236,972
Total assets		471,469	538,882	500,384
Current liabilities				
Trade and other payables		(171,354)	(164,953)	(206,033)
Current tax liabilities		(6,542)	(6,086)	(11,790)
Derivative financial instruments		(1,109)	-	(1,947)
Bank overdrafts and loans	9	(35,300)	(94,302)	(55,300)
		(214,305)	(265,341)	(275,070)
Net current liabilities		(18,217)	(48,219)	(38,098)
Non-current liabilities				
Bank loans	9	(50,000)	-	-
Other financial liabilities		(10,496)	(6,560)	(10,411)
Retirement benefit obligation		(3,931)	(1,832)	(1,919)
Deferred tax liabilities		-	(3,629)	-
		(64,427)	(12,021)	(12,330)
Total liabilities		(278,732)	(277,362)	(287,400)
Net assets		192,737	261,520	212,984
Equity				
Share capital	10	8,175	8,151	8,167
Share premium account		33,931	32,683	33,486
Merger reserve		70,992	70,992	70,992
Own shares reserve		(26,512)	(27,873)	(27,523)
Share incentive reserve		7,796	6,990	8,381
Capital redemption reserve		1,200	1,200	1,200
Hedging and currency translation reserve		9,284	725	2,336
Retained earnings		87,871	168,652	115,945
Total equity		192,737	261,520	212,984

**Consolidated Cash Flow Statement
for the six months ended 30 September 2009**

	Six months ended 30 September 2009 £000 (Unaudited)	Six months ended 30 September 2008 £000 (Unaudited)	Year ended 31 March 2009 £000 (Audited)
Operating profit from continuing operations	19,957	15,890	27,518
Operating (loss)/profit from discontinued operations	(968)	686	(45,010)
Operating profit/(loss) from continuing and discontinued operations	18,989	16,576	(17,492)
Adjustments for:			
Depreciation of property, plant and equipment	3,625	3,425	6,706
Amortisation of acquisition intangibles	4,199	5,712	12,105
Amortisation of other intangible assets	1,085	1,869	4,217
Impairment of UK Emergency Services assets	-	-	97,184
Share based payments expense	805	1,432	3,217
Share of loss/(profit) of joint ventures	319	-	(3,451)
(Gain)/loss on disposal of property, plant and equipment and software licences	(44)	56	527
Operating cash flows before movements in working capital	28,978	29,070	103,013
Decrease/(increase) in inventories	2,687	(4,107)	(1,547)
Decrease/(increase) in receivables	29,466	12,920	(14,435)
(Decrease)/increase in payables	(38,365)	(30,529)	5,199
Net movement in working capital	(6,212)	(21,716)	(10,783)
Cash generated by operations	22,766	7,354	92,230
Income taxes paid	(10,287)	(8,321)	(21,009)
Interest paid	(1,933)	(2,811)	(5,739)
Net cash from/(used in) operating activities	10,546	(3,778)	65,482
Investing activities			
Interest received	363	537	1,353
Proceeds on disposal of property, plant and equipment	272	78	1,104
Purchases of intangible assets	(4,702)	(6,244)	(13,210)
Purchases of property, plant and equipment	(2,061)	(1,470)	(4,065)
Net cash outflow on acquisitions	(24,861)	(7,394)	(23,380)
Disposal of subsidiary undertakings	(2,715)	-	-
Acquisition of investment in joint venture	-	-	(731)
Net cash used in investing activities	(33,704)	(14,493)	(38,929)
Financing activities			
Dividends paid	(15,867)	(13,772)	(20,415)
Proceeds on issue of shares from the employee share option trust	678	1,780	2,010
Proceeds on issue of share capital	453	180	999
Increase/(decrease) in bank overdrafts and loans	30,000	4,000	(35,000)
Net cash from/(used in) financing activities	15,264	(7,812)	(52,406)
Net decrease in cash and cash equivalents	(7,894)	(26,083)	(25,853)
Cash and cash equivalents at beginning of period	21,345	47,198	47,198
Effect of foreign exchange rate changes	290	179	-
Cash and cash equivalents at end of period	13,741	21,294	21,345

Notes to the condensed set of financial statements

1. General information

The information for the year ended 31 March 2009 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under Section 237(2) or (3) of the Companies Act 1985. The condensed set of financial statements for the six months ended 30 September 2009 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 24 November 2009.

2. Accounting policies

The condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in accordance with IAS 34 'Interim Financial Reporting'. 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.

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, except as described below.

IAS 1(revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented. Revenues from the Group's core activities are more heavily weighted to the second half of the year, accordingly comparative financial information relating to the full year position and results has been presented.

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.

3. Segmental analysis

The Group is managed around four operating divisions - UK Membership, Continental Europe, United States of America and Non-core, which is the HomeServe Property Repairs business.

The sale and renewal of policies across our Membership businesses are more heavily weighted to the second half of our financial year.

Segment information about these businesses is presented below:

	UK Membership 2009 £000	Continental Europe 2009 £000	United States of America 2009 £000	Core 2009 £000	Non-core 2009 £000	Consolidated 2009 £000
Revenue						
Revenue	101,958	34,959	7,644	144,561	28,633	173,194
Exceptional revenue	10,195	-	-	10,195	-	10,195
Joint venture revenues not recognisable for statutory reporting	-	(9,591)	-	(9,591)	-	(9,591)
External sales	112,153	25,368	7,644	145,165	28,633	173,798

Inter-segment sales are charged at prevailing market prices.

Result

Segment operating profit/(loss) pre amortisation of acquisition intangibles, tax on joint ventures and exceptional items	22,139	(453)	(846)	20,840	(7,956)	12,884
Amortisation of acquisition intangibles	(485)	(2,076)	(760)	(3,321)	-	(3,321)
Tax on joint ventures	-	199	-	199	-	199
Exceptional revenue	10,195	-	-	10,195	-	10,195
Operating profit/(loss)	31,849	(2,330)	(1,606)	27,913	(7,956)	19,957
Investment income				363	-	363
Finance costs				(2,263)	-	(2,263)
Profit/(loss) before tax from continuing operations				26,013	(7,956)	18,057
Tax				(7,558)	1,746	(5,812)
Profit/(loss) after tax from continuing operations				18,455	(6,210)	12,245
Loss from discontinued operations				-	(24,575)	(24,575)
Profit/(loss) for the period				18,455	(30,785)	(12,330)

	UK Membership 2008 £000	Continental Europe 2008 £000	United States of America 2008 £000	Core 2008 £000	Non-core 2008 £000	Consolidated 2008 £000
Revenue						
Revenue	86,791	22,312	4,940	114,043	61,209	175,252
Eliminations	(35)	-	-	(35)	-	(35)
Joint venture revenues not recognisable for statutory reporting	-	(6,292)	-	(6,292)	-	(6,292)
External sales	86,756	16,020	4,940	107,716	61,209	168,925

Inter-segment sales are charged at prevailing market prices.

Result

Segment operating profit/(loss) pre amortisation of acquisition intangibles, tax on joint ventures and exceptional operating costs	20,098	(739)	(733)	18,626	2,596	21,222
Amortisation of acquisition intangibles	(500)	(531)	(434)	(1,465)	(2,332)	(3,797)
Exceptional operating costs	-	-	-	-	(1,535)	(1,535)
Operating profit/(loss)	19,598	(1,270)	(1,167)	17,161	(1,271)	15,890
Investment income				537	-	537
Finance costs				(2,643)	-	(2,643)
Profit/(loss) before tax from continuing operations				15,055	(1,271)	13,784
Tax				(4,501)	380	(4,121)
Profit/(loss) after tax from continuing operations				10,554	(891)	9,663
Profit from discontinued operations				-	482	482
Profit/(loss) for the period				10,554	(409)	10,145

4. Exceptional items

In the current period, exceptional revenue of £10,195,000 relates to income arising from the successful recovery of previous years' Insurance Premium Tax. This has been treated as revenue to reflect where this income would originally have been recorded. In the year ended 31 March 2009, exceptional operating costs of £4,506,000 comprise £1,535,000 relating to the cessation of discussions with our second hub partner, recognised in the period to 30 September 2008, and £2,971,000 relating to the reorganisation of our UK businesses.

5. Tax

The overall tax rate for the first half, including the impact of non-core losses, is 32.2% (September 2008: 29.9% for total Group; year ended 31 March 2009: 29.9% for total Group pre impairment) with the increase on the prior period due to costs not deductible for tax purposes arising on non-core operations. The effective rate of corporation tax for our core membership operations is 29.0% and this represents the estimate of the full year tax rate for this part of the business.

	Six months ended 30 September 2009 £000 (Unaudited)	Six months ended 30 September 2008 £000 (Unaudited)	Year ended 31 March 2009 £000 (Audited)
Current tax	5,914	4,397	22,857
Deferred tax	(102)	(276)	(4,583)
	5,812	4,121	18,274

6. Dividends per share

	Six months ended 30 September 2009 £000 (Unaudited)	Six months ended 30 September 2008 £000 (Unaudited)	Year ended 31 March 2009 £000 (Audited)
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 March 2009 of 25.0p (2008: 21.85p) per share	15,867	13,772	13,772
Interim dividend for the year ended 31 March 2009 of 10.5p per share			6,643
			20,415
Proposed interim dividend for the year ending 31 March 2010 of 11.5p (2009 10.5p) per share	7,291	6,643	
Final dividend for the year ended 31 March 2009 of 25.0p per share			15,795

The proposed interim dividend of 11.5p per share amounting to £7,291,000 (30 September 2008: 10.5p per share amounting to £6,643,000) was approved by the Board on 24 November 2009 and has not been included as a liability as at 30 September 2009. The dividend will be payable on 4 January 2010 to shareholders on the register at the close of business on 4 December 2009. The ex dividend date is 2 December 2009.

7. Earnings per share

Basic and diluted earnings per ordinary share have been calculated in accordance with IAS 33 'Earnings Per Share'. Basic earnings per share is calculated by dividing the profit or loss in the financial period by the weighted average number of ordinary shares in issue during the period. Adjusted earnings per share is calculated excluding amortisation of acquisition intangibles and exceptional items (note 4). 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 on joint ventures of £199,000 credit (six months ended 30 September 2008: £nil, year ended 31 March 2009: charge of £1,941,000). Diluted earnings per share includes the impact of dilutive share options in issue throughout the period.

	Six months ended 30 September 2009 £000 (Unaudited)	Six months ended 30 September 2008 £000 (Unaudited)	Year ended 31 March 2009 £000 (Audited)
From core operations			
Profit for the period	18,455	10,554	56,436
Amortisation of acquisition intangibles	3,321	1,465	3,664
Exceptional revenue (note 4)	(10,195)	-	-
Exceptional operating costs (note 4)	-	-	2,317
Tax impact arising on acquisition intangibles amortisation and exceptional items (note 4)	1,925	(410)	(1,477)
Adjusted profit for the period	13,506	11,609	60,940
Weighted average number of shares (000s)			
Basic	63,285	62,756	62,878
Dilutive impact of share options	1,367	2,034	2,003
Diluted	64,652	64,790	64,881
Basic	29.2p	16.8p	89.8p
Diluted	28.5p	16.3p	87.0p
Basic adjusted	21.3p	18.5p	96.9p
Diluted adjusted	20.9p	17.9p	93.9p
From continuing operations			
Profit for the period	12,245	9,663	5,672
Amortisation of acquisition intangibles	3,321	3,797	8,328
Exceptional revenue (note 4)	(10,195)	-	-
Exceptional operating costs (note 4)	-	1,535	4,506
Impairment of Non-core assets	-	-	50,282
Tax impact arising on acquisition intangibles amortisation and exceptional items (note 4)	1,925	(1,493)	(7,828)
Adjusted profit for the period	7,296	13,502	60,960
Basic	19.3p	15.4p	9.0p
Diluted	18.9p	14.9p	8.7p
Basic adjusted	11.5p	21.5p	96.9p
Diluted adjusted	11.3p	20.8p	94.0p
From continuing and discontinued operations			
(Loss)/profit for the period	(12,330)	10,145	(35,306)
Amortisation of acquisition intangibles from continuing operations	3,321	3,797	8,328
Amortisation of acquisition intangibles from discontinued operations	878	1,915	3,777
Exceptional revenue (note 4)	(10,195)	-	-
Exceptional operating costs (note 4)	-	1,535	6,549
Impairment of UK Emergency Services assets	-	-	97,184
Loss on disposal of HES businesses	23,870	-	-
Tax impact arising on acquisition intangibles amortisation and exceptional items (note 4)	1,679	(2,029)	(13,611)
Adjusted profit for the period	7,223	15,363	66,921
Basic	(19.5)p	16.2p	(56.2)p
Diluted	(19.5)p	15.7p	(56.2)p
Basic adjusted	11.4p	24.5p	106.4p
Diluted adjusted	11.2p	23.7p	103.1p

For 30 September 2009 and 31 March 2009, due to the statutory loss, the effect of share options is anti-dilutive. Consequently, diluted earnings per share have been stated as consistent with basic earnings per share for the total Group.

8. Discontinued operations

On 24 September 2009, the Group announced the sale of its Emergency Services Division (excluding the HomeServe Property Repairs businesses) (the "HES Disposal Division") to a newly incorporated company backed by Lloyds TSB Development Capital Limited and management. The total consideration will be up to £11,000,000 of which £7,652,000 was paid in cash on completion. Deferred consideration relates to successful future contract renewals and the resolution of indemnities as part of the sale. The sale of the HES Disposal Division is consistent with HomeServe plc's previously announced strategic objectives enabling it to focus on the Group's higher margin, higher growth membership businesses.

The HES Disposal Division consists of the businesses operated by HomeServe Glazing & Locks, HomeServe Contents Services and ChemDry. These businesses provide repair and replacement services primarily to the end customer/ policyholder of general insurers in the United Kingdom through a network of directly employed, franchised and sub-contract engineers.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	Six months ended 24 September 2009 £000 (Unaudited)	Six months ended 30 September 2008 £000 (Unaudited)	Year ended 31 March 2009 £000 (Audited)
Revenue	49,932	61,230	120,590
Expenses	(50,900)	(60,544)	(118,698)
Impairment of UK Emergency Services assets	-	-	(46,902)
Operating (loss)/profit	(968)	686	(45,010)
Interest	-	-	(646)
(Loss)/profit before tax	(968)	686	(45,656)
Attributable tax credit/(charge)	263	(204)	4,678
Loss on disposal of discontinued operations	(23,870)	-	-
Attributable tax credit/(charge)	-	-	-
Net (loss)/profit attributable to discontinued operations	(24,575)	482	(40,978)

During the period, the HES Disposal Division contributed £1,359,000 (six months ended 30 September 2008 £7,632,000, year ended 31 March 2009 £15,019,000) to the Group's net operating cash flows, paid £1,403,000 (six months ended 30 September 2008 £2,173,000, year ended 31 March 2009 £3,568,000) in respect of investing activities and paid £nil (six months ended 30 September 2008 £nil, year ended 31 March 2009 £nil) in respect of financing activities.

As set out below, a provisional loss of £23,870,000 arose on the disposal of the HES Disposal Division, being the net proceeds of disposal (less disposal costs) less the carrying amount of the net assets and attributable goodwill.

The net assets of HES Disposal Division at 24 September 2009 (the date of disposal), at 30 September 2008 and at 31 March 2009 were as follows:

	24 September 2009 £000	30 September 2008 £000	31 March 2009 £000
Goodwill	14,936	42,710	15,854
Other intangible assets	4,550	18,848	5,593
Property, plant and equipment	704	6,709	2,622
Inventories	4,952	3,306	5,885
Trade and other receivables	20,178	22,924	15,946
Cash and cash equivalents	10,367	(7,079)	2,384
Trade and other payables	(28,828)	(30,951)	(33,762)
Current and deferred tax assets	1,792	1,826	1,877
	28,651	58,293	16,399
Total consideration recognised	9,257		
Loss on disposal before costs and indemnities	(19,394)		
Disposal costs and indemnities	(4,476)		
Loss on disposal	(23,870)		

Disposal costs and indemnities consist of professional fees associated with the disposal, together with indemnities for anticipated liabilities arising from the disposal. These costs are expected to be incurred by 31 March 2011.

Total consideration can be analysed as follows:

	£000
Cash on completion	7,652
Deferred consideration	1,605
Total consideration recognised	9,257

The deferred consideration is expected to be settled in cash by the purchaser, in stages, by 31 March 2011.

9. Analysis of net debt

	30 September 2009 £000 (Unaudited)	30 September 2008 £000 (Unaudited)	31 March 2009 £000 (Audited)
Bank overdrafts and loans net of cash and cash equivalents	21,259	72,706	33,655
Bank loans - non-current	50,000	-	-
Loan notes	300	302	300
Net debt	71,559	73,008	33,955

10. Share capital

	30 September 2009 £000 (Unaudited)	30 September 2008 £000 (Unaudited)	31 March 2009 £000 (Audited)
Authorised: 70,400,000 ordinary shares of 12.5p each	8,800	8,800	8,800
Issued and fully paid: 65,398,000 ordinary shares of 12.5p each (30 September 2008: 65,206,000 ordinary shares of 12.5p each; 31 March 2009: 65,333,000 ordinary shares of 12.5p each)	8,175	8,151	8,167

In the period, an additional 65,000 shares were issued with a nominal value of 12.5p each creating share capital of £8,000 and share premium of £445,000.

11. Acquisitions

On 22 May 2009, the Group acquired 100% of the share capital of Société Française de Garantie S.A. (SFG), a leading French extended warranty seller and service provider. There were also a number of other acquisitions in the year which individually were not significant.

All these transactions have been accounted for by the purchase method of accounting. Fair values are reported as provisional for a period of 12 months following acquisition to allow the incorporation of any subsequent amendments to completion accounts, contingent consideration or directly attributable costs. The acquisition of household contract policies and associated marketing agreements have been accounted for using the purchase method of accounting as the directors consider that policy book acquisitions, combined with the extended and exclusive access to the customer databases represent the purchase of a significant business activity.

Fair value adjustments to the acquired underlying book value of assets and liabilities, prior to the recognition of fair values on intangible assets identified on acquisition, were not significant, and in summary terms consisted of:

SFG – Acquired book value of net assets of £2,987,000, reduced by £635,000 for provision of certain receivables and payables and to recognise additional liabilities.

Other acquisitions – Acquired book value of net liabilities of £98,000, increased by £305,000 for provision of certain receivables and payables, to recognise impairment against redundant fixed assets and to recognise additional liabilities.

As these adjustments were not significant, no separate tabular summary of pre-adjusted balance sheets, together with analysis of the line items that these adjustments relate to, has been presented.

The provisional fair values, after the adjustments noted above, together with the assessment of the fair value of intangible assets identified on acquisition are set in the table below:

	SFG £000	Other acquisitions £000	Total £000
Net assets acquired:			
Property, plant and equipment	257	231	488
Intangible assets	259	-	259
Trade and other receivables	22,438	1,126	23,564
Cash and cash equivalents	7,077	792	7,869
Trade and other payables	(27,679)	(1,942)	(29,621)
Deferred tax liability	(1,893)	(153)	(2,046)
	459	54	513
Intangible assets identified on acquisition	6,312	1,839	8,151
Goodwill	15,857	7,372	23,229
Total consideration	22,628	9,265	31,893
Satisfied by:			
Cash	22,215	7,845	30,060
Deferred consideration	-	1,132	1,132
Directly attributable costs	413	288	701
	22,628	9,265	31,893
Net cash outflow arising on acquisition:			
Cash consideration	22,628	8,133	30,761
Cash and cash equivalents acquired	(7,077)	(792)	(7,869)
	15,551	7,341	22,892

Intangible assets identified on the acquisitions of SFG and the Other acquisitions represent the directors' estimate of the value of the retailer relationships at acquisition, the expected value of trade names associated with the business or the value of acquired customer policy databases. Goodwill represents future cross sell opportunities, efficiency savings and synergies from these acquisitions.

If all the acquisitions had been completed on the first day of the financial year, the Group revenues for the year and Group operating profit attributable to equity holders of the parent would have been £178,744,000 and £20,017,000 respectively.

In addition to the net cash outflow arising on the acquisitions above of £22,892,000, contingent and deferred consideration of £1,969,000 was paid relating to the prior period acquisitions of Endesa, SPT, First Energy and Anglia (NW) Limited.

The post acquisition operating profit from these acquisitions in the period ended 30 September 2009 was as follows:

	SFG £000	Other acquisitions £000	Total £000
Operating profit	12	29	41

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

Trading transactions

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

	Provision of goods £000	Purchases of services £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Six months ended 30 September 2009				
Harpin Limited	-	91	-	8
Pilot Services (GB) Limited	-	17	-	8
Joint ventures	789	154	1,173	3,255
	789	262	1,173	3,271
Six months ended 30 September 2008				
Harpin Limited	-	78	-	55
Pilot Services (GB) Limited	-	20	-	11
Joint ventures	430	-	4,321	-
	430	98	4,321	66
Year ended 31 March 2009				
Harpin Limited	-	232	-	35
Pilot Services (GB) Limited	-	39	-	5
Joint ventures	2,026	-	1,581	-
	2,026	271	1,581	40

Harpin Limited and Pilot Services (GB) Limited are related parties of the Group because they are controlled by Richard Harpin, a director of HomeServe plc.

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

13. Events after the balance sheet date

At the time of the announcement, on 24 September 2009, of the disposal of the HES Disposal Division the Board announced that it would continue to review a range of exit options for the HomeServe Property Repairs business, which consists of HomeServe Property Repairs Limited ("HPR"), based in Nottingham and Anglia (NW) Limited, based in Dyserth, North Wales.

Since then, the performance of the HomeServe Property Repairs business has continued to suffer from challenging market conditions including the loss of a major client. In light of this and following a full review of all options, including the sale of the businesses, the proposed closure of HPR and Anglia was announced on 20 October 2009. This closure process has commenced since the date of the announcement and it is expected to be completed by 31 January 2010. In addition to ongoing operating losses within HPR and Anglia, the incremental costs associated with closing these businesses is estimated to be approximately £15m. These incremental costs arise in addition to trading costs and will be recognised in the second half of the year.

Following the closure of HomeServe Property Repairs business the overall results of the UK Emergency Services division, including the disposed HES Disposal Division, will be presented as "Discontinued operations" in the 31 March 2010 annual report.

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 2009 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 13. 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 2009 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 Auditors
Birmingham, UK
24 November 2009

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.