

## HOMESERVE PLC

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

#### Highlights of the period

Continuing operations	2007	2006	Increase/ (decrease)
Revenue	£247.5m	£206.0m	20%
Operating profit *	£21.6m	£17.3m	25%
Profit before tax *	£19.4m	£16.2m	20%
Profit before tax	£12.9m	£13.3m	(3%)
Earnings per share **	22.4p	18.0p	25%
Earnings per share	14.8p	14.7p	1%

#### Financial highlights

- Operating profit\* increased by 25% to £21.6m
- Profit before tax\* increased by 20% to £19.4m
- Earnings per share\*\* increased by 25% to 22.4p
- Interim dividend increased by 25% to 9.4p per share
- Profit before tax, including the amortisation of acquisition intangibles and exceptional costs relating to the aborted acquisition of Domestic & General Group plc has decreased by 3% to £12.9m

#### Operational highlights

- UK utility branded gross new policy sales of 587,000 (2006: 575,000)
- Two new partners in the US and extension of our agreement with FirstEnergy adds 1.8m households in the period
- European development progressing well with over 1m policies in France and the acquisition of Reparalia in Spain
- Continued development and integration of trades within Emergency Services – progressing the integrated solution to household insurers

\* Excluding amortisation of acquisition intangibles, joint venture taxation and £2.2m of exceptional operating costs relating to the aborted acquisition of Domestic & General Group plc, see income statement and notes 3 & 4.

\*\* Excluding amortisation of acquisition intangibles and £2.2m of exceptional operating costs relating to the aborted acquisition of Domestic & General Group plc, see income statement and notes 4 & 6.

Brian Whitty, Chairman, commented;

"I am delighted to announce another excellent set of results for Homeserve.

We have achieved a 25% increase in operating profit\* and continued growth in our UK policy business and Emergency Services network. We are committed to broadening our UK customer base through product innovation and new routes to market.

We are making good progress internationally with two new water company partners in the US and our acquisition of a Spanish network in August significantly expands our European presence.

Homeserve's proven policy membership business and established relationships with household insurers continue to deliver strong recurring revenues and therefore good visibility of future profits."

#### 26 November 2007

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##### Homeserve plc

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## **CHAIRMAN'S STATEMENT**

### **INTRODUCTION**

We are pleased to report another strong set of results, continuing our track record of delivering operating profit growth across our businesses, combined with an increase in the number of new policies sold in the UK and overseas, and continued expansion of our Emergency Services network.

We have made progress towards our main strategic goals by increasing the number of US households covered by marketing agreements, expanding our European operations into the Spanish market and building the 'hub' solution for household insurers in the UK.

### **HEADLINE RESULTS**

In the six months ended September 2007 revenue increased by 20% to £247.5m (September 2006: £206.0m). Operating profit\* increased by 25% to £21.6m (September 2006: £17.3m). These results include revenue of £11.6m and operating profit\* of £1.1m from acquisitions completed in the last year. Profit before tax\* has increased by 20% to £19.4m (September 2006: £16.2m). After deducting the amortisation of acquisition intangibles, exceptional operating costs and the tax arising on our joint venture in France, profit before tax is £12.9m (September 2006: £13.3m).

Earnings per share\*\* increased by 25% to 22.4p (September 2006: 18.0p), while basic earnings per share increased to 14.8p from 14.7p.

The Board has approved an interim dividend to be paid on 3 January 2008 of 9.4p (September 2006: 7.5p), an increase of 25%, providing an interim dividend payment of £5.9m (September 2006: £4.7m).

### **PROSPECTS**

Homeserve has made good progress in the first half of 2007, providing a solid foundation as we move into our busiest period for marketing activity and emergency repairs.

We expect our Policy Membership businesses to continue to progress in the second half, with new product and partner offerings being further developed. We expect to see further growth in the number of policies, both in the UK and overseas, particularly in the US as we commence marketing activity with our new partners.

Our Emergency Services business in the UK is continuing to develop its network and realise the scale and efficiency benefits that such a proposition offers. In particular, the continued harmonisation and integration of the businesses, supported by leading edge technology solutions, provides an excellent opportunity for the development of long term partnership arrangements with household insurers.

Our Policy Membership model, combined with long term relationships with the insurers continues to generate high levels of recurring revenues and therefore good visibility of future profits.

The financial year continues to develop in line with our expectations, with the full year outlook remaining unchanged.

## **OPERATING REVIEW**

### **POLICY MEMBERSHIP**

Revenue and operating profit\* of the Policy Membership businesses both increased by 24% to £91.8m and £16.2m respectively with continued policy growth in all of our Policy Membership businesses. We have increased the first half investment in developing our international operations by £1.5m to £3.7m, whilst our Warranties business has improved its contribution by over £1m. We expect the second half result from Doméo, our French joint venture, to offset any further investment this year. The operating profit of the Policy Membership businesses after the amortisation of acquisition intangibles and the tax on the joint venture in France is £15.9m (September 2006: £12.7m). We now have 7.4m policies and 3.9m customers on a worldwide basis, an increase of 24% and 15% respectively over this time last year.

### **UK Policy Membership**

Our UK utilities branded policy business has continued to combine strong growth in profits with gross new policy sales of 587,000 (September 2006: 575,000) bringing the total number of policies to 5.9m. Within our Warranty business, the number of manufacturer policies has increased to 199,000 (September 2006: 156,000, March 2007: 190,000) with growth across all major accounts. Revenue in our UK Policy Membership business increased by 23% to £89.4m (September 2006: £72.6m).

As at 30 September 2007, policy and customer performance metrics of our UK Policy Membership business were:

	<b>Sep-07</b>	<b>Mar-07</b>	<b>Sep-06</b>
Number of policies (000):			
- Plumbing & drains and water supply pipe	3,971	3,933	3,496
- Electrical	753	766	770
- Gas and gas supply pipe	557	560	458
- Other, including housebuilder	648	530	482
- Manufacturer warranties	199	190	156
<b>Total policies</b>	<b>6,128</b>	<b>5,979</b>	<b>5,362</b>
Total customers (000)	3,212	3,174	2,980
Policies per customer	1.91	1.88	1.80

We continue to increase the number of customers and policies in the UK, with increases of 8% and 14% respectively compared to last year. In our utility branded policy business retention rates remain high at 85% (September 2006: 87%, March

2007: 86%) and policies per customer have increased to 1.95 (September 2006: 1.83, March 2007: 1.92).

We firmly believe that providing a whole home product range to our customer base provides an exciting strategic opportunity. We are developing this proposition through the extension of our existing utility products and enhancements to our warranty offering.

We continue to develop a pipeline of new products. In September we launched our Combined Policies products, which provide customers with the opportunity to bundle a number of our individual policies into one single transaction. Combined Policies have been developed following consistent customer feedback on the convenience of a single policy document and payment. Initial responses have been positive, with take-up rates and conversion exceeding our expectations. In addition, we are launching kitchen appliance cover through both utilities and boiler manufacturers in the coming weeks.

We have recently signed agreements with a number of new partners, extending our whole home proposition. These include a trial of multi appliance, home entertainment cover with BT, furniture warranties with Homebase and electrical warranties for Bennetts Retail.

As part of these developments, we are combining our two UK Policy Membership businesses, Homeserve GB and Homeserve Warranties, in order to provide a fully integrated approach to our combined UK customer base. The integration is still in its early stages and we are targeting completion by the end of the year, with the operational benefits commencing next year.

In September we signed a new agreement with Inter Partner Assistance (part of AXA) whereby they take the full risk on new policy sales and we cease reinsuring 49% of the risk through our captive insurer in Guernsey. This agreement significantly improves the underwriting terms for all of our UK Policy Membership businesses, where we anticipate an increase in annualised profits of approximately £1.5m, including the benefits of improved working capital.

### **International Policy Membership**

Our International businesses continue to make good progress. Revenue in the first six months, including our share of the joint venture in France, was £5.4m (September 2006: £3.2m) and the operating loss\* was £3.6m (September 2006: £2.2m loss). The majority of our increased investment continues to be in the US, where significant developments have been made since March 2007. The total number of international policies has increased to 1.3m (September 2006: 0.6m, March 2007: 1.1m).

In the US, we have now extended our marketable household database to 6.7m households from 4.9m households in March 2007. Our European operations have made excellent progress with our successful joint venture in France, reaching important milestones of 1m policies and 0.5m customers.

In August we announced the addition of a further 1.1m available households in the State of New Jersey, under an extension to our existing marketing agreement with FirstEnergy. Today we are announcing the signing of two further US partners, California Water, which is the largest publicly traded water company in California, and includes the acquisition of 25,000 contracts, and Louisville Water, one of the largest municipal water companies in the US, together providing access to 0.7m additional households. These agreements mean that we now have access to 6.7m households in the US, compared to our UK total of 21.9m.

Take up and retention rates remain strong in the US, where overall retention rates for our policies run at around 79%. "Bill on the bill" policies tend to enjoy better retention rates at around 90%. We now have 291,000 policies in the US (September 2006: 166,000, March 2007: 263,000). As at 30 September 2007, policy and customer performance metrics were:

	<b>Sep-07</b>	<b>Mar-07</b>	<b>Sep-06</b>
Number of policies (000):			
- Plumbing & drains and water supply pipe	219	202	162
- Electrical and other	72	61	4
<b>Total policies</b>	<b>291</b>	<b>263</b>	<b>166</b>
Total customers (000)	228	214	133
Policies per customer	1.28	1.23	1.25

Doméo, our joint venture with Veolia in France now has more than 1m policies (September 2006: 480,000, March 2007: 863,000). In addition, retention rates have remained stable at approximately 88%. The principal products supporting this growth are Water Supply Pipe and Waterloss cover. As at 30 September 2007, policy and customer performance metrics were:

	<b>Sep-07</b>	<b>Mar-07</b>	<b>Sep-06</b>
Number of policies (000):			
- Plumbing & drains, and water supply pipe	618	549	442
- Electrical and other	397	314	38
<b>Total policies</b>	<b>1,015</b>	<b>863</b>	<b>480</b>
Total customers (000)	490	433	304
Policies per customer	2.07	2.00	1.58

Testing with Endesa, the largest energy company in Spain with 8.5 million domestic customers, continues and the scope has been widened to include outbound sales.

## **EMERGENCY SERVICES**

### **UK Emergency Services**

Revenue and operating profit\* of these businesses increased by 15% and 26% to £157.7m and £5.3m respectively. The acquisitions of Homeserve Contents Services Limited and Anglia (NW) Limited contributed revenue of £6.1m (September 2006: £nil) and operating profit\* of £0.8m (September 2006: £nil). Excluding the contribution from these acquisitions, the organic development of the business increased revenues and operating profits\* by 10% and 7% respectively. The

operating profit of these businesses after the amortisation of acquisition intangibles is £1.5m (September 2006: £1.7m).

The summer floods suffered across the UK gave rise to a significant number of claims in the Fire & Flood (Chem-Dry) and Property Repair businesses. We estimate that we received an additional 20,000 claims from these storms. This severely tested our network capacity which responded well with customer service levels maintained.

Whilst the floods are generating significant drying out and property repair work, we are experiencing two compensating factors in the market. Firstly, in an effort to manage their call handling capacity limitations during this surge in activity, many household insurers have opted to cash settle smaller claims in other trades. This has been particularly evident in our Glass & Locks and Plumbing & Drains businesses, where lead volumes have reduced. Secondly, excluding the impact of the summer floods, the overall level of claims across the industry has declined, continuing the trend of recent years. Accordingly, and as previously indicated, on balance we do not expect the full year effect of the floods to be material.

Over the past five years we have built a network of trades that is capable of delivering a complete solution to household insurers. Our focus is to achieve sustained margin progression through the consolidation and harmonisation of these businesses and to leverage the capability that our network offers through the development of long term partnerships with household insurers.

We continue to improve our operating model and have further developed our directly employed capability, particularly within our buildings business supplemented by the acquisition of Anglia.

As part of this development, we have disposed of our Servowarm gas business. This was a complex area in which to deliver an economic model for a high quality service. This capability will now be provided by a combination of specialist boiler manufacturers and subcontractors.

We continue to review the operational structure of the business. This has seen the closure of a number of sites as part of our on-going progress towards improving our efficiency.

We are rolling-out our claims management and workflow management systems across the division. The two systems are already live with Liverpool Victoria, our first integrated multi-trade insurer client, and enable the seamless passing of claims across our trade network.

We have signed 'Heads of Terms' with a leading household insurer for the development of our second hub partnership demonstrating that our claims management skills, network of tradesmen and enhanced systems capability provide a compelling solution to household insurers to deliver greater efficiency of claims handling and completion, reduce costs and improve satisfaction levels.

We are also in the final stages of contract negotiation with another household insurer for the provision of claims validation and fulfilment services relating to household contents.

### **International Emergency Services**

In August we completed the acquisition of Reparalia S.A., which is a leading provider of property repair services and emergency claims handling for some of Spain's fastest growing home insurers. Operating through its network of 3,400 contractors, it has a history of strong organic growth with revenues in 2006 of €33m, having been founded just seven years ago. This business significantly increases our presence in Spain and provides an established sub-contractor network and credible platform from which to replicate our proven utility branded policy membership model.

Revenue and operating profit\* at Reparalia since acquisition amounts to £4.0m and £0.1m respectively (September 2006: £nil).

### **FINANCIAL REVIEW**

In the six months ended September 2007 revenue increased by 20% to £247.5m (September 2006: £206.0m). Operating profit\* increased by 25% to £21.6m (September 2006: £17.3m) and includes revenue of £11.6m and operating profit\* of £1.1m from acquisitions completed in the past year.

During the period we incurred £2.2m of one-off incremental costs resulting from the aborted acquisition of Domestic & General Group plc, which we have recorded as exceptional operating costs.

After deducting these exceptional costs, together with increased interest and amortisation of intangibles arising on the acquisitions completed in the past year, profit before tax decreased by 3% to £12.9m (September 2006: £13.3m).

The reported tax charge in the period (excluding tax on joint ventures) has reduced to 28.5% of reported profit before tax (September 2006: 31.2%), principally as a result of the reduction in the UK corporation tax rate from 30% to 28% confirmed in June of this year, which will take effect in April 2008. While this reduction has no impact on the current tax charge in the period, deferred tax balances have been reduced to reflect the revised rate, with a one-off reduction to the Group's deferred tax charge amounting to £0.6m.

Earnings per share\*\* increased by 25% to 22.4p (September 2006: 18.0p), while basic earnings per share increased to 14.8p from 14.7p.

Cash generated from operations was £15.5m (September 2006: £23.0m) following a net increase in working capital required of £11.1m (September 2006: reduction of £1.0m). The increased working capital required principally reflects timing changes arising from our new underwriting deal with IPA and a general build within Emergency Services due to the surge in activity following the floods,, which are expected to reverse by the year end. Net debt at 30 September amounted to £92.2m (September 2006: £44.5m, March 2007: £27.1m) and principally reflects the

consideration relating to acquisitions completed during the current and previous periods of £41.6m and the purchase of shares by the Employee Benefit Trust to hedge our share scheme obligations of £7.3m.

We continue to consider that profit before the amortisation of acquisition intangibles and tax on our joint venture in France, represents an important performance measure for monitoring the business. In addition, in the current period, the exceptional operating costs of £2.2m are excluded in calculating these pro-forma managerial measures. The reconciliations between these statutory and pro-forma measures are as follows:

<b>£million</b>	<b>Sep-07</b>	<b>Sep-06</b>
Operating profit (statutory)	15.1	14.4
Amortisation of acquisition intangibles	4.6	2.9
Exceptional operating costs – aborted acquisition	2.2	-
Tax on joint ventures	(0.3)	-
<b>Operating profit*</b>	<b>21.6</b>	<b>17.3</b>
Profit before tax (statutory)	12.9	13.3
Amortisation of acquisition intangibles	4.6	2.9
Exceptional operating costs – aborted acquisition	2.2	-
Tax on joint ventures	(0.3)	-
<b>Profit before tax*</b>	<b>19.4</b>	<b>16.2</b>
Earnings per share (statutory)	14.8p	14.7p
Exceptional operating costs – aborted acquisition	2.4p	-
Amortisation of acquisition intangibles	5.2p	3.3p
<b>Earnings per share**</b>	<b>22.4p</b>	<b>18.0p</b>

## **RELATED PARTY TRANSACTIONS**

Related party transactions are disclosed in note 11 to the condensed set of financial statements. There have been no material changes in the related party transactions described in the last annual report.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The Board keeps the risks and uncertainties facing the Group under regular review and has set out those that the Board considers to have the most significant potential impact 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 amount of any committed undrawn facilities is closely monitored by the Board on a regular basis.

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.

Interest rate risk and foreign exchange rate risk are not considered to represent significant risks at this time due to the low levels of net debt held in the business and the absence of significant foreign currency transactions. However, these risks are kept under constant review and policies exist to mitigate them should they increase in significance.

### **Other risks and uncertainties**

There are a number of other risks and uncertainties that could have a material impact on the Group's future performance.

#### Commercial relationships:

The Group has 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; however, 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.

#### Competitor risk:

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 the other participants are closely monitored. The development of innovative products and solutions, addressing the needs of our customers is seen as paramount to maintaining our competitive advantage.

#### Acquisitions:

The Group continues to expand through a combination of organic growth and acquisitions. The ability to effectively manage and integrate the acquired businesses represents a particular risk. Prior to making any acquisition approach, a detailed assessment of the market and our existing position, together with that of the target, is undertaken. In addition, the ability to integrate the acquisitions into the existing operation is considered at the outset. We have a dedicated acquisitions team which involves and coordinates functional managers from our existing businesses and draws on the services of independent advisers when necessary. Immediately post acquisition, a full internal controls benchmarking assessment is undertaken and the Group's internal control standards are implemented as soon as practicable. The performance of acquisitions is reported and reviewed by the Board on a monthly basis.

## **CONCLUSION**

Homeserve has made excellent progress in the first half of 2007 and the financial year continues to develop in line with our expectations, with the full year outlook remaining unchanged.

**Brian Whitty**  
**Executive Chairman**

26 November 2007

\* Excluding amortisation of acquisition intangibles, joint venture taxation and £2.2m of exceptional operating costs relating to the aborted acquisition of Domestic & General Group plc, see income statement and notes 3 & 4.

\*\* Excluding amortisation of acquisition intangibles and £2.2m of exceptional operating costs relating to the aborted acquisition of Domestic & General Group plc, see income statement and notes 4 & 6.

**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;
- (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

Brian Whitty

Jonathan Simpson-Dent

26 November 2007

**Homeserve plc**  
**Condensed Consolidated Income Statement**  
**for the six months ended 30 September 2007**

	Note	Six months ended 30 September 2007 £000 (Unaudited)	Six months ended 30 September 2006 £000 (Unaudited)	Year ended 31 March 2007 £000 (Audited)
<b>Continuing Operations</b>				
Revenue	3	247,526	205,975	477,362
Operating costs:				
Amortisation on acquisition intangibles		(4,621)	(2,898)	(6,451)
Exceptional operating costs#	4	(2,154)	-	-
Other operating costs		(224,944)	(188,416)	(407,822)
Operating costs		(231,719)	(191,314)	(414,273)
Share of results of joint ventures		(637)	(268)	555
<b>Operating profit</b>		<b>15,170</b>	<b>14,393</b>	<b>63,644</b>
Investment income		551	576	1,030
Finance costs		(2,788)	(1,660)	(3,596)
<b>Profit before tax, amortisation of acquisition intangibles, exceptional operating costs# and tax on joint ventures</b>		<b>19,383</b>	<b>16,207</b>	<b>67,683</b>
Tax on joint ventures	5	325	-	(154)
Exceptional operating costs#	4	(2,154)	-	-
Amortisation of acquisition intangibles		(4,621)	(2,898)	(6,451)
<b>Profit before tax</b>		<b>12,933</b>	<b>13,309</b>	<b>61,078</b>
Tax	5	(3,692)	(4,156)	(19,118)
<b>Profit for the period, being attributable to equity holders of the parent</b>		<b>9,241</b>	<b>9,153</b>	<b>41,960</b>
<b>Dividends per share</b>	7	<b>9.4p</b>	<b>7.5p</b>	<b>25.0p</b>
<b>Earnings per share</b>	6			
Basic		<b>14.8p</b>	<b>14.7p</b>	<b>67.3p</b>
Diluted		<b>14.2p</b>	<b>14.2p</b>	<b>64.8p</b>

# relates to exceptional operating costs relating to the aborted acquisition of Domestic & General Group plc, see note 4

**Condensed Consolidated Statement of Recognised Income and Expense**  
**for the six months ended 30 September 2007**

	Note	Six months ended 30 September 2007 £000 (Unaudited)	Six months ended 30 September 2006 £000 (Unaudited)	Year ended 31 March 2007 £000 (Audited)
Exchange differences on translation of foreign operations	9	40	(60)	(56)
Actuarial gains/(losses) on defined benefit pension scheme		551	(186)	654
Current tax on additional pension contribution		-	132	132
Deferred tax on items taken directly to equity		(607)	(46)	(32)
<b>Net (expense)/income recognised directly in equity</b>		<b>(16)</b>	<b>(160)</b>	<b>698</b>
Profit for the period		9,241	9,153	41,960
<b>Total recognised income and expense for the period attributable to equity holders of the parent</b>	9	<b>9,225</b>	<b>8,993</b>	<b>42,658</b>

**Condensed Consolidated Balance Sheet**  
**30 September 2007**

	30 September 2007 £000	30 September 2006 £000	31 March 2007 £000
Note	(Unaudited)	(Unaudited)	(Audited)
<b>Non-current assets</b>			
Goodwill	224,304	189,263	191,722
Other intangible assets	57,085	37,168	42,072
Property, plant and equipment	43,125	32,363	38,020
Interests in joint ventures	1,110	924	1,747
Deferred tax assets	-	-	211
	<b>325,624</b>	<b>259,718</b>	<b>273,772</b>
<b>Current assets</b>			
Inventories	7,926	6,852	7,236
Trade and other receivables	160,096	115,296	158,692
Cash and cash equivalents	18,729	21,824	14,885
	<b>186,751</b>	<b>143,972</b>	<b>180,813</b>
<b>Total assets</b>	<b>512,375</b>	<b>403,690</b>	<b>454,585</b>
<b>Current liabilities</b>			
Trade and other payables	(158,922)	(126,053)	(161,435)
Current tax liabilities	(7,644)	(7,269)	(11,523)
Obligations under finance leases	(20)	-	-
Bank overdrafts and loans	(110,816)	(66,280)	(42,026)
	<b>(277,402)</b>	<b>(199,602)</b>	<b>(214,984)</b>
<b>Net current liabilities</b>	<b>(90,651)</b>	<b>(55,630)</b>	<b>(34,171)</b>
<b>Non-current liabilities</b>			
Other financial liabilities	(7,658)	(3,542)	(8,506)
Retirement benefit obligation	-	(983)	(647)
Obligations under finance leases	(46)	-	-
Deferred tax liabilities	(1,512)	(2,006)	-
	<b>(9,216)</b>	<b>(6,531)</b>	<b>(9,153)</b>
<b>Total liabilities</b>	<b>(286,618)</b>	<b>(206,133)</b>	<b>(224,137)</b>
<b>Net assets</b>	<b>225,757</b>	<b>197,557</b>	<b>230,448</b>
<b>Equity</b>			
Share capital	8,122	8,108	8,119
Share premium account	31,481	30,925	31,379
Merger reserve	70,992	70,992	70,992
Own shares reserve	(30,769)	(24,226)	(25,047)
Share incentive reserve	5,341	2,989	4,727
Capital redemption reserve	1,200	1,200	1,200
Currency translation reserve	104	60	64
Retained earnings	139,286	107,509	139,014
<b>Total equity</b>	<b>225,757</b>	<b>197,557</b>	<b>230,448</b>

**Condensed Consolidated Cash Flow Statement  
for the six months ended 30 September 2007**

	Six months ended 30 September 2007 £000	Six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
Note	(Unaudited)	(Unaudited)	(Audited)
<b>Operating profit</b>	<b>15,170</b>	<b>14,393</b>	<b>63,644</b>
Adjustments for:			
Depreciation of property, plant and equipment	3,110	2,301	5,169
Amortisation of acquisition intangibles	4,621	2,898	6,451
Amortisation of other intangible assets	913	880	1,738
Share based payments expense	2,009	1,541	3,361
Share of results of joint ventures	637	268	(555)
Loss/(gain) on disposal of property, plant and equipment and software licences	44	(300)	(308)
<b>Operating cash flows before movements in working capital</b>	<b>26,504</b>	<b>21,981</b>	<b>79,500</b>
Decrease/(increase) in inventories	1,530	(1,078)	(1,363)
Decrease/(increase) in receivables	5,269	14,891	(28,453)
(Decrease)/increase in payables	(17,850)	(12,794)	23,957
<b>Net movement in working capital</b>	<b>(11,051)</b>	<b>1,019</b>	<b>(5,859)</b>
<b>Cash generated by operations</b>	<b>15,453</b>	<b>23,000</b>	<b>73,641</b>
Income taxes paid	(10,130)	(7,167)	(17,313)
Interest paid	(2,594)	(1,799)	(3,790)
<b>Net cash from operating activities</b>	<b>2,729</b>	<b>14,034</b>	<b>52,538</b>
<b>Investing activities</b>			
Interest received	551	576	1,030
Proceeds on disposal of property, plant and equipment	2,102	553	611
Purchases of intangible assets	(4,701)	(629)	(4,519)
Purchases of property, plant and equipment	(7,211)	(4,060)	(12,609)
Net cash outflow on acquisitions	10	(41,592)	(30,171)
<b>Net cash used in investing activities</b>	<b>(50,851)</b>	<b>(15,966)</b>	<b>(45,658)</b>
<b>Financing activities</b>			
Dividends paid	(11,010)	(8,668)	(13,367)
Repayments of obligations under finance leases	(12)	-	-
Purchase of own shares	(7,331)	(7,558)	(8,379)
Issue of shares from the employee share option trust	1,427	-	-
Proceeds on issue of share capital	105	960	1,425
Increase in bank overdrafts	68,787	21,941	11,245
<b>Net cash from/(used in) financing activities</b>	<b>51,966</b>	<b>6,675</b>	<b>(9,076)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,844</b>	<b>4,743</b>	<b>(2,196)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>14,885</b>	<b>17,081</b>	<b>17,081</b>
<b>Cash and cash equivalents at end of period</b>	<b>18,729</b>	<b>21,824</b>	<b>14,885</b>

## Notes to the condensed set of financial statements

### 1. General information

The information for the year ended 31 March 2007 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 and did not contain statements under Sections 237(2) or 237(3) of the Companies Act 1985. The condensed set of financial statements for 30 September 2007 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 were approved by the Board of Directors on 26 November 2007.

### 2. Accounting policies

The condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and in accordance with IAS34 'Interim Financial Reporting'. 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. 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.

#### Change in accounting policies

In the current financial year, the Group will adopt International Financial Reporting Standard 7 'Financial Instruments: Disclosures' (IFRS 7) for the first time. As IFRS 7 is a disclosure standard, there is no impact of that change in accounting policy on the condensed set of interim financial statements. Full details of the change will be disclosed in the annual financial statements for the year ended 31 March 2008.

### 3. Segmental analysis

For management purposes, the Group is currently organised into two operating divisions: Policy Membership and Emergency Services. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Policy Membership 2007 £000	Emergency Services 2007 £000	Consolidated 2007 £000
<b>Revenue</b>			
Total revenue	91,753	163,725	255,478
Intra-segment sales	-	(1,983)	(1,983)
	91,753	161,742	253,495
Inter-segment sales			(5,969)
External sales			247,526

Intra-Group sales are charged at prevailing market prices.

#### Result

Segment result before joint ventures, amortisation of acquisition intangibles and exceptional operating costs (note 4)	17,176	5,406	22,582
Share of pre tax results of joint ventures	(962)	-	(962)
	16,214	5,406	21,620
Tax on joint ventures	325	-	325
Amortisation of acquisition intangibles	(614)	(4,007)	(4,621)
Operating profit before exceptional operating costs (note 4)	15,925	1,399	17,324
Exceptional operating costs (note 4)			(2,154)
Operating profit			15,170
Investment income			551
Finance costs			(2,788)
Profit before tax			12,933
Tax			(3,692)
Profit for the period being attributable to equity holders of the parent			9,241

	Policy Membership 2006 £000	Emergency Services 2006 £000	Consolidated 2006 £000
Total revenue	73,767	139,116	212,883
Intra-segment sales	-	(1,551)	(1,551)
	73,767	137,565	211,332
Inter-segment sales			(5,357)
External sales			205,975

Intra-Group sales are charged at prevailing market prices.

#### Result

Segment result before joint ventures and amortisation of acquisition intangibles	13,318	4,241	17,559
Share of results of joint ventures	(268)	-	(268)
	13,050	4,241	17,291
Amortisation of acquisition intangibles	(350)	(2,548)	(2,898)
Operating profit	12,700	1,693	14,393
Investment income			576
Finance costs			(1,660)
Profit before tax			13,309
Tax			(4,156)
Profit for the period being attributable to equity holders of the parent			9,153

#### 4. Exceptional operating costs

The exceptional operating costs of £2,154,000 represent costs relating to the aborted acquisition of Domestic & General Group plc (six months ended 30 September 2006: £nil, year ended 31 March 2007: £nil).

#### 5. Taxation

The tax charge is based on the expected effective tax rate, calculated on profit before tax, amortisation of acquisition intangibles, exceptional operating costs and tax on joint ventures for the full year to 31 March 2008 of 31.0% (six months ended 30 September 2006: 31.0%, year ended 31 March 2007: 31.3%), including deferred tax.

The following table provides a reconciliation between the expected effective tax rate of 31.0% and the reported charge at 28.5%.

	Six months ended 30 September 2007 (Unaudited)		
	£000	Tax rate	£000
Profit before tax, amortisation of acquisition intangibles, exceptional operating costs (note 4) and tax on joint ventures	19,383	31.0%	(6,009)
Exceptional operating costs (note 4)	(2,154)	30.0%	646
Amortisation of acquisition intangibles	(4,621)	30.0%	1,386
	12,608	31.5%	(3,977)
Tax on joint ventures			(325)
			(4,302)
Impact of rate change on deferred tax			610
Reported tax charge			(3,692)
Profit before tax	12,933	28.5%	(3,692)

#### 6. Earnings per share

Basic and diluted earnings per ordinary share have been calculated in accordance with IAS 33 'Earnings Per Share'. Basic earnings per share 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 operating costs (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 credit on joint ventures of £325,000 (six months ended 30 September 2006: £nil, year ended 31 March 2007: charge of £154,000). Diluted earnings per share includes the impact of dilutive share options in issue throughout the period.

	Six months ended 30 September 2007 £000 (Unaudited)	Six months ended 30 September 2006 £000 (Unaudited)	Year ended 31 March 2007 £000 (Audited)
Profit for the period	9,241	9,153	41,960
Amortisation of acquisition intangibles	4,621	2,898	6,451
Exceptional operating costs (note 4)	2,154	-	-
Tax impact arising on amortisation acquisition intangibles and exceptional operating costs (note 4)	(2,032)	(869)	(1,875)
Adjusted profit for the period	13,984	11,182	46,536
Weighted average number of shares ('000's)			
Basic	62,522	62,259	62,303
Dilutive impact of share options	2,485	2,254	2,412
Diluted	65,007	64,513	64,715
Adjusted basic	22.4p	18.0p	74.7p
Adjusted diluted	21.5p	17.3p	71.9p

## 7. Dividends per share

	Six months ended 30 September 2007 £000 (Unaudited)	Six months ended 30 September 2006 £000 (Unaudited)	Year ended 31 March 2007 £000 (Audited)
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 March 2007 of 17.5p (2006:13.9p) per share	11,010	8,668	8,668
Interim dividend for the year ended 31 March 2007 of 7.5p per share			4,699
			13,367
Proposed interim dividend for the year ended 31 March 2008 of 9.4p (2007: 7.5p) per share	5,900	4,678	
Proposed final dividend for the year ended 31 March 2007 of 17.5p per share			10,900

The proposed interim dividend of 9.4p amounting to £5,900,000 (30 September 2006: 7.5p per share amounting to £4,678,000) was approved by the Board on 26 November 2007 and has not been included as a liability as at 30 September 2007. The dividend will be payable on 3 January 2008 to shareholders on the register at the close of business on 7 December 2007. The ex dividend date is 5 December 2007.

## 8. Analysis of total net debt

	30 September 2007 £000 (Unaudited)	30 September 2006 £000 (Unaudited)	31 March 2007 £000 (Audited)
Bank overdraft, net of cash at bank and in hand	91,597	30,411	26,654
Finance leases	66	-	-
Loan notes	490	14,045	487
<b>Net debt</b>	<b>92,153</b>	<b>44,456</b>	<b>27,141</b>

## 9. Reconciliation of movements in equity

	Share capital £000	Share premium account £000	Merger reserve £000	Own shares reserve £000	Share incentive reserve £000	Capital redemption reserve £000	Currency translation reserve £000	Retained earnings £000	Total Equity £000
At 1 April 2007	8,119	31,379	70,992	(25,047)	4,727	1,200	64	139,014	230,448
Total statement of recognised income and expense	-	-	-	-	-	-	40	9,185	9,225
Dividends paid	-	-	-	-	-	-	-	(11,010)	(11,010)
Issue of share capital	3	102	-	-	-	-	-	-	105
Purchase of own shares	-	-	-	(7,331)	-	-	-	-	(7,331)
Issue of trust shares	-	-	-	1,609	-	-	-	(182)	1,427
Share based payments	-	-	-	-	2,009	-	-	-	2,009
Share options exercised	-	-	-	-	(1,395)	-	-	1,395	-
Tax on exercised share options	-	-	-	-	-	-	-	884	884
<b>At 30 September 2007</b>	<b>8,122</b>	<b>31,481</b>	<b>70,992</b>	<b>(30,769)</b>	<b>5,341</b>	<b>1,200</b>	<b>104</b>	<b>139,286</b>	<b>225,757</b>

## 10. Acquisitions

On 30 April 2007, the Group acquired 100% of the share capital of Multimaster Limited, a leading furniture warranty and service provider.

On 21 May 2007, the Group acquired 100% of the share capital of Anglia (NW) Limited, one of the UK's leading home insurance repairers providing property repair services to many of the UK's leading household insurers.

On 2 August 2007, the Group acquired 100% of the share capital of Reparalia S.A., one of Spain's leading providers of property repair services and emergency claims handling for some of Spain's fastest growing home insurers.

All of these transactions have been accounted for by the purchase method of accounting. Total fair value adjustments of £518,000 were made on the acquisition of Multimaster Limited to reflect the fair value of certain receivables and acquired property. Fair value adjustments of £461,000 were made on the acquisition of Reparalia to reflect the fair value of certain trade and other receivables. There were no fair value adjustments on the other acquisitions completed during the period.

Subsequent to period end, on 10 October 2007, the Group acquired certain of the trade and assets of Maintenance Xtra, a provider of plumbing and drainage services. On 22 November 2007, the Group acquired certain of the trade and assets of Damand, a provider of plumbing and drainage services. On 23 November 2007, the Group acquired 25,000 water service policies from California Water and simultaneously signed a marketing agreement with California Water providing access to up to 0.5m households.

The provisional fair value of the identifiable assets and liabilities of the acquisitions were:

	Multimaster Ltd £000	Anglia (NW) Ltd £000	Reparalia S.A. £000	Total £000	Post period end acquisitions £000
Net assets acquired:					
Property, plant and equipment	1,380	1,189	75	<b>2,644</b>	-
Intangible assets	-	-	461	<b>461</b>	-
Goodwill	-	60	-	<b>60</b>	-
Inventories	218	1,833	-	<b>2,051</b>	-
Trade and other receivables	1,033	1,126	4,008	<b>6,167</b>	-
Cash and cash equivalents	410	1,642	510	<b>2,562</b>	-
Trade and other payables	(2,708)	(2,209)	(4,363)	<b>(9,280)</b>	-
Deferred tax liability	(308)	(2,408)	(343)	<b>(3,059)</b>	(1,793)
	<b>25</b>	<b>1,233</b>	<b>348</b>	<b>1,606</b>	<b>(1,793)</b>
Intangible assets identified on acquisition	720	7,701	6,544	<b>14,965</b>	6,402
Goodwill	3,976	17,261	11,018	<b>32,255</b>	1,793
Total consideration	<b>4,721</b>	<b>26,195</b>	<b>17,910</b>	<b>48,826</b>	<b>6,402</b>
Satisfied by:					
Cash	4,349	17,599	17,231	<b>39,179</b>	2,034
Contingent consideration	-	8,314	-	<b>8,314</b>	4,202
Directly attributable costs	372	282	679	<b>1,333</b>	166
	<b>4,721</b>	<b>26,195</b>	<b>17,910</b>	<b>48,826</b>	<b>6,402</b>
Net cash outflow arising on acquisition:					
Cash consideration and directly attributable costs	4,721	17,881	17,910	<b>40,512</b>	2,200
Cash and cash equivalents acquired	(410)	(1,642)	(510)	<b>(2,562)</b>	-
	<b>4,311</b>	<b>16,239</b>	<b>17,400</b>	<b>37,950</b>	<b>2,200</b>

Intangible assets on all of the above acquisitions represent the director's estimate of the value of the customer relationships at acquisition, the expected value of trade names associated with the businesses or the value of acquired customer policy databases. Goodwill represents future cross sell opportunities, efficiency savings and synergies from these acquisitions.

In addition to the net cash outflow arising on acquisition above of £37,950,000, contingent consideration of £1,896,000 was paid relating to the prior year acquisitions of Recommend Limited (trading as Improveline), Homeserve Emergency Services Limited (formerly Highway Emergency Services Limited) and FirstEnergy. There were further cash outflows in respect of the purchase of a number of individually immaterial acquisitions amounting to £1,746,000 resulting in £1,088,000 of tangible assets, £390,000 of intangible assets and £268,000 of goodwill being recognised.

If all the acquisitions had been completed on the first day of the financial period, Group revenues would have been £257,793,000 and operating profit £15,183,000. The post acquisition operating result from these acquisitions in the six months ended 30 September 2007 was a profit of £184,000 from Multimaster Limited, a profit of £1,163,000 from Anglia (NW) Limited and a profit of £63,000 from Reparalia S.A.

The maximum potential contingent consideration payable on the acquisition of Anglia (NW) Limited, before discounting, is £19,000,000.

## 11. Related party transactions

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

### Trading transactions

During the year, 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	Accounts owed by related parties £000	Amounts owed to related parties £000
<b>Six months ended 30 September 2007</b>				
Harpin Limited	1	127	-	-
Pilot Services (GB) Limited	-	23	-	-
Joint ventures	606	-	1,710	-
	<b>607</b>	<b>150</b>	<b>1,710</b>	-
<b>Six months ended 30 September 2006</b>				
Harpin Limited	-	52	-	-
Pilot Services (GB) Limited	-	7	-	-
Joint ventures	76	-	1,114	-
	<b>76</b>	<b>59</b>	<b>1,114</b>	-
<b>Year ended 31 March 2007</b>				
Harpin Limited	2	174	-	-
Pilot Services (GB) Limited	-	23	-	-
Joint ventures	859	-	724	-
	<b>861</b>	<b>197</b>	<b>724</b>	-

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.

## 12. Other information

This report is being sent to shareholders and further copies will be available from the registered office at Cable Drive, Walsall, WS2 7BN.

## **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 2007 which comprises the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 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 2007 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 & Touche LLP  
Chartered Accountants and Registered Auditor  
26 November 2007  
Birmingham, UK

## **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.