

ANNUAL REPORT + ACCOUNTS 2021

TRANSFORMING

FOR THE

FUTURE

OUR PURPOSE

We lead the way in the domestic appliance care market delivering an essential service that our customers can rely on.

Strategic Report

- 01 2021 Highlights
- 02 Where we operate
- 03 Our Business at a glance
- 04 Executive Chairman's Statement
- 08 Our Market
- 10 Our Business Model
- 12 Our Strategy in Action
- 20 Stakeholder Engagement
- 22 Our People
- 24 Our Customers
- 26 Our Partners
- 28 Environmental, Social and Governance
- 30 Streamlined Energy and Carbon Reporting (SECR)
- 31 Our Response to COVID-19
- 32 Risk Management
- 37 Financial Review

Governance

- 41 Chairman's Welcome
- 42 Governance Roles and Responsibilities
- 44 Board of Directors
- 46 Executive Committee
- 48 Board Composition
- 50 Corporate Governance Framework
- 51 Corporate Governance Statement
- 52 Directors' Report of Galaxy Finco Limited
- 55 Statement of Directors' Responsibilities

Financial Statements

- 56 Independent Auditor's Report
- 65 Consolidated Income Statement
- 66 Consolidated Statement of Comprehensive Income
- 67 Consolidated Balance Sheet
- 68 Consolidated Statement of Changes in Equity
- 69 Consolidated Cash Flow Statement
- 70 Notes to the Financial Statements
- 108 Other Information
- 110 Glossary of Terms



See more online at
www.domesticandgeneral.com

The Annual Report & Accounts is presented for Galaxy Finco Limited, a subsidiary of Domestic and General Limited.

FY21 HIGHLIGHTS

Financial performance

- Good financial performance with double digit growth in new business subscription plan sales
- Strong retention rates driving growth in renewals and 8% growth in subscription revenue
- Group adjusted EBITDA excluding US costs increased slightly despite the impact of COVID-19 on our operating costs

Operational progress

- Progressing with digitalisation as set out in our strategy
- Our US launch preparations remain on track for early Autumn 2021
- Homeworking has been a success for the Group and will form the basis of our new hybrid working model

Cashflow and capital

- As part of our Brexit preparations, we successfully completed a Part VII transfer of our European business to our German regulated subsidiary, DGIEU
- Free cashflow impacted by higher capital requirements following our Part VII transfer. We continue to be well covered from an insurance capital perspective at 199%
- £100m raised in July 2020 to fund our investment in the US and our digitalisation programme

Revenue

£872m +5%

2020: £831m

Adjusted EDITDA excluding US costs¹

£107m +0.2%

2020: £107m

Group subscription revenue

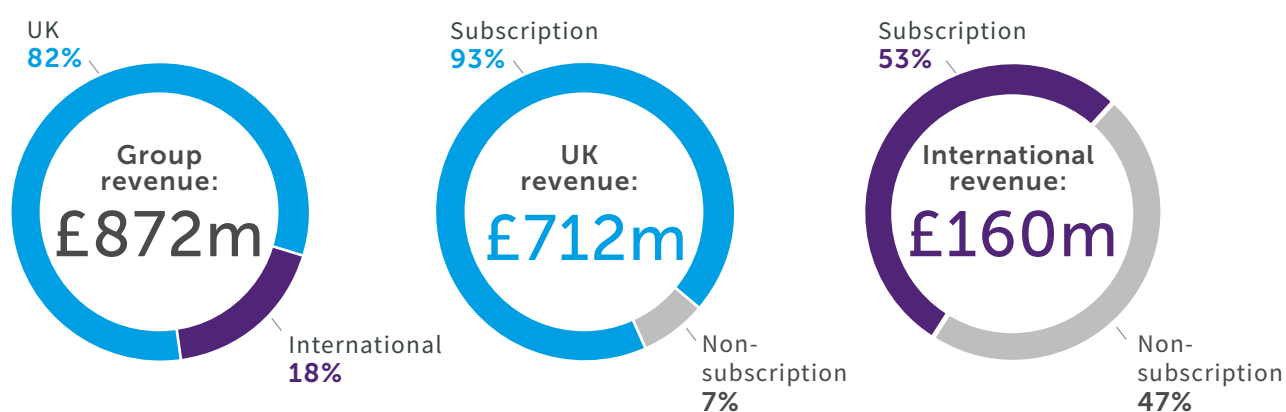
£748m +8%

2020: £695m

Free cash flow

£32m -65%

2020: £91m



Community



Partnered with

'SalutetheNHS.org' to help provide 1 million meals to NHS staff

Customers



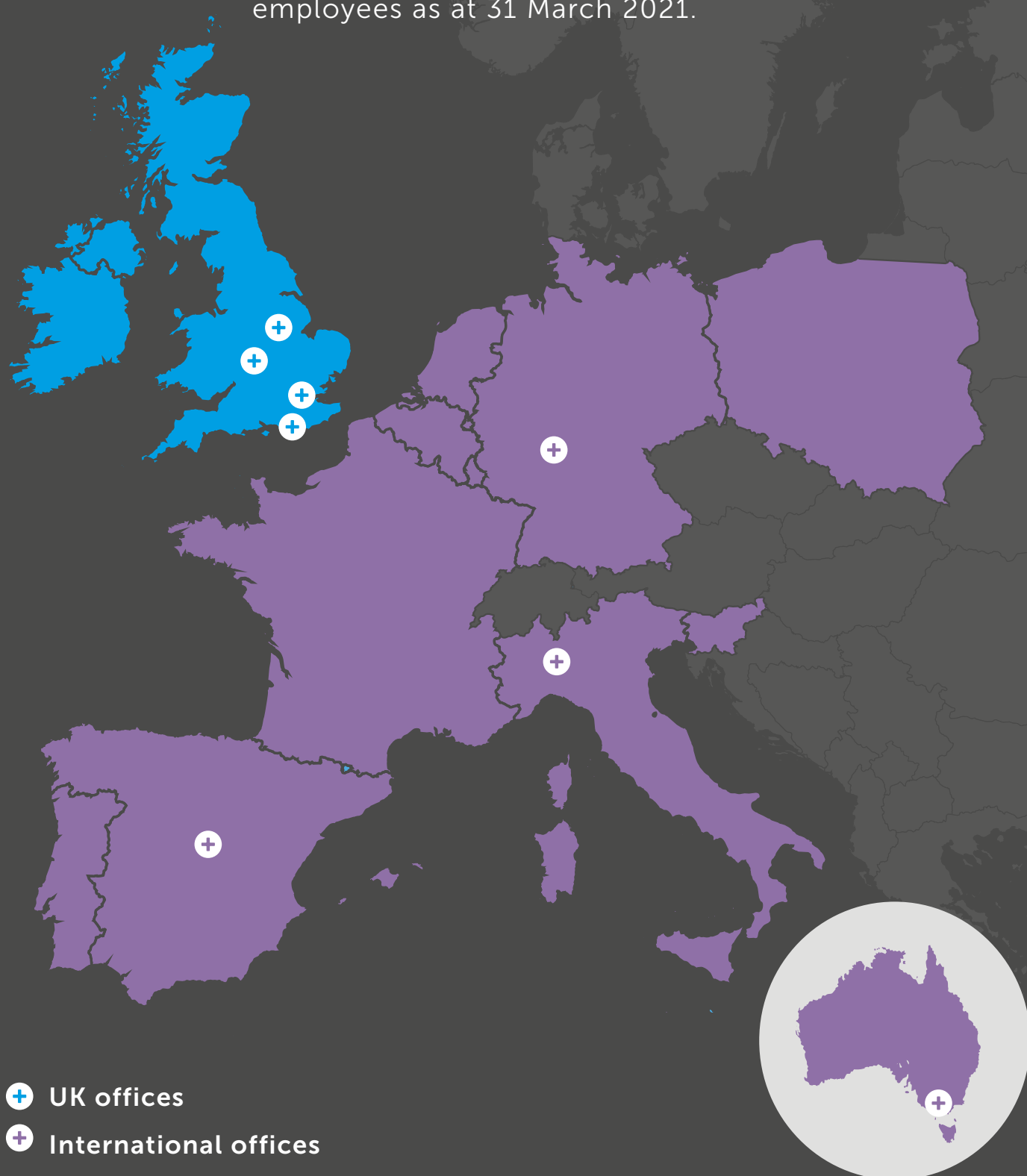
84%
First fix

98%
Second fix

¹ See other information on pages 108-109 for details on alternative performance measures ('APMs') and reconciliation to financial statement line items.

WHERE WE OPERATE

D&G operates across 11 markets, including the UK, Spain, Germany, France, Portugal, Italy and Australia. The Group had approximately 3,000 employees as at 31 March 2021.



OUR BUSINESS AT A GLANCE

Subscription customers

5.8m

Subscription plans

9.0m

Replacements annually

0.5m

Repairs annually

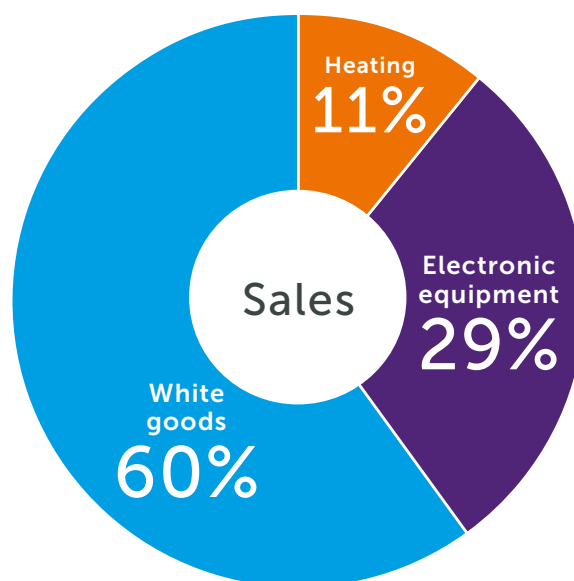
2.4m

Subscription plans per customer

1.6

Subscription customer retention rate

87%



We have a simple and transparent product range...

Product care

Breakdown and accidental damage protection, and repair or replacement cover for the most important home products, including large domestic and electrical appliances, mobile phones and heating.

Replacement care

Breakdown and accidental damage protection for small domestic appliances costing under £200. Replacement Care has a fixed-term payment plan and offers instant replacement.

Repair & care

A point-of-need solution for customers who have experienced a breakdown of large domestic appliances, including washing machines, fridges, freezers and heating.

...and a strong and resilient position in the home

Products

Protecting customers from the cost and inconvenience of appliance breakdown by repairing or replacing key household items such as washing machines, heating, TVs and consumer electronics.

[See more on pages 10-11](#)

Markets

Established in the UK and ten international markets of over 2bn protectable appliances.

We continued to thrive across our markets despite changing external conditions imposed by the global pandemic.

[See more on pages 8-9](#)

Customers

We provide a high quality, expert service for customers and have high levels of customer satisfaction, loyalty and revenue recurrence.

[See more on pages 24-25](#)

Partners

Exclusive long-term partnerships with leading OEMs and retailers.

Highly differentiated distribution model and mutually beneficial eco-system with partners.

[See more on pages 26-27](#)

People

c.3,000 colleagues across the world.

Network of over 9,000 manufacturer-approved engineers.

New people strategy, with focus on culture, people engagement and a smart future.

[See more on pages 22-23](#)

EXECUTIVE CHAIRMAN'S STATEMENT

Resilience in a challenging year



Shortly following the end of our financial year, we received the devastating news of the untimely death of our Chief Executive Officer, Ian Mason. Ian joined the business in July 2016 and over the last five years became the central person in the business - above all in driving our focus on the customer. Not only was Ian our CEO, but he was also a hugely popular character, borne out by the tributes paid by many of our colleagues, partners and those who knew him. We all miss him a great deal.

Ian had a deep passion for everything we are doing at the Company and focused relentlessly on putting customers at the heart of the business. Ian's guidance and leadership were never in sharper focus than during the extraordinary last year, with national lockdowns across the UK and our other markets.

After careful consideration, the Board asked me to become Executive Chairman until a permanent Chief Executive Officer is appointed, at which time I will return to the role of Non-Executive Chairman. In the interim period, the Board remains committed to the strategy we were following under Ian's leadership, and there can be no better way to honour his legacy than delivering the exciting future we all believe this business has, as did he.

When I wrote to you last year, we were in the early stages of the COVID-19 pandemic, and explained that we had been able to respond quickly to mobilise our entire workforce to work from home to protect our employees and that we were focused on serving our customers. I am very pleased to be able to say that while the last year has brought many disruptions, the resilience of our business model has shone through. Working closely with our client partners, we have been able to ensure we provide a continuing full repair and replacement service through our service network, which has underpinned the continued appeal of our products. Customer retention has remained strong, and sales conversion has reached all-time highs.

I am very pleased to report that the business has delivered another year of good financial performance. Subscription revenue has grown by 8% and adjusted EBITDA excluding US costs



Stakeholder Engagement
pages 20-29

Corporate Governance
pages 40-55

"We have provided an uninterrupted service to our customers in the face of the challenges of the past year, demonstrating the resilience of our business and reinforcing our commitment to customer service."



remained stable at £107m despite the impact of COVID-19 on our operating costs. This has been achieved alongside continued improvements in customer service. We have also maintained a strong balance sheet and capital in our insurance business remains at prudent levels above our target Solvency Capital Ratio of 130%.

The performance of the UK business continues to demonstrate the resilience of our business model with revenue growth of 4% driven by the strength and maturity of our renewals book and robust new business performance. Alongside this, the International business continues to deliver excellent growth with subscription revenue 27% higher year-on-year, achieved despite the prolonged periods of retail lockdown across markets.

As Government guidance and restrictions on movement have constrained people to their homes, their usage of appliances has increased and we have been pleased with our ability to provide an uninterrupted service to our customers, illustrating the value in our products and demonstrating the

resilience of our business model and commitment to customer service.

We have focused more than ever in the last year on our objective of becoming a more sustainable business. Our 'repair first' ethos is intrinsically linked to this. We have an important role to extend the life of appliances, carrying out 2.4 million repairs a year, and to recycle old ones. We recently signed up to the United Nation's Sustainable Development Goals.

Our people remain a key focus and are critical to our future success. To ensure we are able to deliver the digital transformation of the business, we are investing in a new people strategy focused on the skills and capabilities our people will need. Operationally, we are committed to introducing a hybrid way of working that will support our people to continue to access the benefits of time spent working from home, coupled with purposeful time spent in our offices collaborating with colleagues. As part of these plans, we have reconfigured our real estate, in particular, reducing Head Office space and selling one of our offices in Nottingham. ►

Group adjusted EBITDA
excluding US costs

£107m
+0.2%
2020: £107m

Group subscription revenue

£748m
+8%
2020: £695m





To enhance our customer service levels with smoother journeys and greater efficiencies, we have invested significantly in technology infrastructure and process automation. These investments are making D&G a better place to work for the more than 2,000 employees in our Group Operations function, which includes our contact centres. We have seen the impact of these investments reflected in improved employee engagement scores, and as our agent tenure has increased, we have seen enhanced levels of productivity and sales performance, which in turn drive improved customer metrics.

We are progressing well against our 5-year plan, despite the challenges of the past year, and our strategic priorities remain unchanged. Ian set out a clear vision for the first two years in his statement to shareholders last year and I am very pleased to report strong progress against the delivery of these priorities.

Enhancements to our digital capabilities have enabled us to respond to the changing needs of our customers with quicker, easier, and more convenient journeys that operate in tandem with our Contact Centres when our customers need

us most. We are continuing to build online functionality to unlock further self-service capabilities and deliver online sales. Customers are responding positively to our new online offerings, with significant growth seen in the levels of customer engagement through digital channels. We have seen nearly 9 million visits to our website, an increase of more than 100% on the previous year, coupled with a growth of more than 77% in the number of registered users online. Almost three quarters of our product replacement activity is now completed online. We have more than doubled the number of digital sales and are moving ahead with our ambitious growth plans.

The next year represents a key period to unlock the long-term ambitions of our 5-year plan. 2021 has been a year of strong growth in our UK business with conversion rates in our Operations increasing to 25% and subscription sales 6% higher. Through the delivery of tailored and personalised campaigns we have been able to deliver customer growth, particularly through our campaigning channel, with the number of subscription plans increasing by 52% against 2020. Our investment in the transformation of our UK

Contact Centres is yielding higher levels of commercial performance, efficiency gains and greater employee engagement, all of which we believe will support our efforts to drive customer loyalty and maintain high levels of customer satisfaction.

Our International business goes from strength-to-strength, as we leverage the success of the UK business in developing a subscription model across our international markets. Subscriptions are hugely valuable in driving growth in renewal revenues and customer lifetime values, which in turn drive long-term shareholder value. We have seen growth of 29% in OEM registrations, with conversion rates in our Operations increasing to a record 16%. Notwithstanding the challenge trading conditions across our Continental European markets, retail subscriptions have grown by 21%.

We are making good progress with the launch of our business in the US with our first employees now on board. We plan to start trading there in the early Autumn of 2021.

Core to the strength and resilience of our business are the long-standing relationships with OEMs, retailers, and utility providers with whom we are able to deliver a seamless customer experience. We are delighted to be welcoming EDF to this group and we thank each of our partners for their continued commitment over the past year, and look forward to continuing to work together in the years to come.

Risk Management, Compliance and Data Privacy are embedded into our actions across the business, and we remain focused on ensuring continued compliance with all current and future regulations. I am pleased to report that we continue to have a positive relationship with our regulators, underpinned by strong governance over our key processes. Alongside the FCA, we have been particularly focused on monitoring the value our products provide customers and have been able to provide an uninterrupted continuity of service for all customers over the past year

“We are progressing well against our 5-year plan, and our strategic priorities remain unchanged”

despite the difficulties caused by COVID-19. With the shift in customer behaviours and more people spending time in their homes, we have seen an even greater demonstration of value in our products, which is central to our Customer First culture.

Ahead of the expiration of the Brexit transition period, we successfully transferred our existing EU insurance business to our German insurance entity, Domestic & General Insurance Europe AG. This major milestone represents the culmination of an extensive period of planning and supports our longer term international strategic ambitions. I should record, however, that this forced change added £12m to our one-off costs in the year. It will also come at a continuing annual cost to the Group and increases the amount of capital we need to deploy, which we will seek to manage as efficiently as possible.

On behalf of the Board, I would like to express my great thanks to all our colleagues across the business for responding to the disruptions and distractions of the last year with such resilience and steadfast commitment to serving our customers. The combination of customer service excellence and highly engaged employees will serve us well in delivering growth and long-term shareholder value.

David Tyler
Chairman

16 July 2021



OUR VALUES

trust & integrity

We act with trust and integrity to deliver the things that really matter. We all follow our values, communicate clearly, and our leaders are visible, accessible and authentic.



personally accountable

We are personally accountable and our impact makes a difference. We all contribute to an inclusive environment, value diversity and speak up to make D&G a better place.



high performing

We are a high performing team who deliver our business commitments. We continuously improve, listen to our people and support their needs, and we recognise and celebrate success.



one team

We are one team who empower each other. We seek feedback, share knowledge and ideas to create joined up solutions.



customer first

We put the customer first by listening to them, meeting their needs and making it easy. When things go wrong we put it right, and make sure it does not happen again.

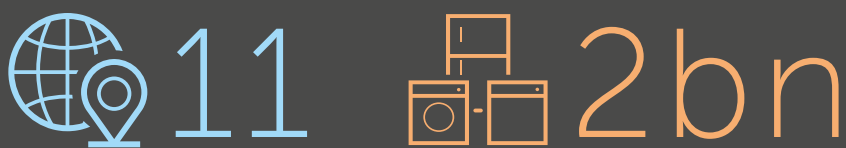
OUR MARKET

Continuing to monitor and respond to the changing external environment.

D&G is established in 11 international markets of over 2bn protectable appliances. These markets are evolving and dynamic. Despite challenging external conditions imposed by the global pandemic over the past 12 months we continue to thrive.

The UK remains a market with significant opportunity for growth, while our European business continues to go from strength to strength as we adopt the UK subscription model in those markets. As we progress strongly with expansion overseas, the US presents a sizeable and unique opportunity.

We continue to adapt and respond to external factors to ensure we deliver fair value to our customers and our strategy is informed by an in-depth evaluation of our external environment. As such, we are well positioned to meet changing customer needs, deliver our strategy and continue growing in our core markets.



key trends + how we're responding

Digital transformation and technology

Key trends we actively monitor:

- Accelerated digital adoption, transforming the ways customers engage with organisations
- Advancements in technology capabilities, including Data Science, Artificial Intelligence, Machine Learning and Cloud Computing
- The critical importance of data privacy and data security

Our response

Digital transformation is at the heart of our 5 Year Strategy and we have made significant progress delivering new online sales and self-service capabilities, providing customers channel choice and improved experiences. We invest in the latest technologies and regularly review our data protection and cyber security controls in order to safeguard the confidentiality, integrity and availability of data and services.

Read more on our digital strategy on pages 12-15.

Customer

Key trends we actively monitor:

- The expectation of relevant and personalised customer experiences
- The decline of brand loyalty
- Increased consumer reliance on home appliances and technologies due to the impacts of COVID-19

Our response

We continue to consistently provide a high quality, expert service and focus on enhancing our products and customer experience. Digitalisation, personalised and targeted marketing and rewarding loyalty are key elements of our 5 Year Strategy, ensuring our products continue to meet customer needs and provide fair value.

Read more on our customers on pages 24-25.

Market

Key trends we actively monitor:

- The increasing penetration of digital-first, InsurTech companies
- The growing role of BigTech in the insurance sector
- The role of partnerships and collaboration between market participants, driven by platform business models

Our response

We regularly monitor market developments to ensure we anticipate and proactively respond to potential threats and opportunities. The resilience of our business model alongside our strategic priorities to innovate across our digital offering, value proposition and services, enhance our confidence about our current and future position in the market.

Climate change

Key trends we actively monitor:

- Long term climate change targets and commitment
- An increasing focus on the sustainable use and disposal of domestic appliances
- Growing consumer advocacy for sustainable initiatives and desire to engage with sustainable brands

Our response

D&G is committed to providing products and services that help reduce the use of energy and natural resources. Our products contribute towards extending the life of appliances and reducing waste through effective repairs.

Please see page 30 for our Streamlined Energy and Carbon Reporting and pages 28-29 for more on ESG.

Regulation

Key regulatory drivers we actively monitor:

- The impact of COVID-19 on the regulation of financial markets (including FCA guidance on the fair treatment of vulnerable customers)
- The fundamental importance of operational resilience for customers, companies and financial markets
- The FCA focus on General Insurance Pricing Practices and the provision of fair value

Our response

We work closely with regulatory authorities to ensure relevant regulatory requirements are known, and that D&G takes robust and proportionate measures to enable ongoing compliance. We treat our customers fairly and provide products and services that meet customer needs and provide fair value. We welcome new regulatory developments and act in a timely manner to respond and adapt to changes. We continue to work towards compliance with the FCA general pricing rules in respect of products in scope.

OUR BUSINESS MODEL

WHAT WE DO

We protect customers from the cost and inconvenience of appliance breakdown by repairing or replacing key household items such as washing machines, heating, TVs and consumer electronics. We have a simple and transparent product range and a strong and resilient position in the home.

New appliance sales



Repairs



PRODUCT CATEGORIES

Product care

White goods, consumer electronics and heating (repair or replacement plus maintenance where relevant)

Replacement care

Lower value electrical items (instant replacement)

Repair & care

White goods and heating (initial repair included)

OUR ROUTES TO MARKET

We have exclusive long-term partnerships with leading OEMs and retailers. We have developed a unique ecosystem with our partners, which is difficult to replicate, driving benefits for D&G, our partners as well as our mutual customers.

Point-of-sale (PoS)

Appliance care plan sold in store or digitally via retailers

Data capture

Exclusive access to data via product registration

Point-of-need (PoN)

Appliance breakdown outside of guarantee period

Post-point-of-sale (PPoS)

Direct marketing to customers and cross sell

Our OEM and retail/affinity partners include:



BOSCH



SAMSUNG



HOOVER

Whirlpool

Electrolux

beko

Argos

BAXI



sky

SCOTTISHPOWER

OUR KEY STRENGTHS

Our products have universal appeal, meeting customer needs with a focus on customer service and value, driving customer loyalty and renewals.

Strong customer first culture

:

Multichannel distribution across product life cycle

:

Extensive client base with high retention and renewal rates

:

Exclusive long term partnerships with leading OEMs and retailers

:

Highly differentiated subscription model

:

Digital transformation to improve customer experience

OUR STAKEHOLDERS

Our differentiated subscription model underpins strong embedded growth providing benefits for us and our stakeholders.

Our customers

Providing high quality service which is value for money. We help our customers to avoid financial uncertainty. We fix our customers appliances quickly and reliably and replace what we can't fix.

84% | **98%**
First fix | Second fix

Our partners

OEMs

Higher repair volumes and replacement appliance opportunities.

Retailers

High level of customer satisfaction enhances the brands of our partners.

Our shareholders & bondholders

Predictable growth through new customers and high renewal rates.

87% Subscription customer retention rate

Our people

We provide an inclusive working environment where we develop talent, reward performance and value our differences.

We have held regulator Pulse surveys over the past year and seen meaningful increases across all key engagement areas.

Our communities

Supporting local communities in the locations in which we operate. Partnered with SalutetheNHS.org during the COVID-19 pandemic.

OUR STRATEGY IN ACTION

Delivering on our 5-year business plan

12 months ago we announced our new 5-year business plan, a clear strategy to make Domestic & General a multi-channel, high-growth international business. This plan aims to create enduring value for our customers, colleagues and shareholders.

This plan has two very clear phases (2+3), with the first two years focusing on delivery of foundational growth platforms and then using these capabilities to drive innovation and further growth in the following 3 years. We are pleased to report that we have made strong progress in the past 12 months on the 3 core pillars of our plan:

Our Strategy in practice: FY21 Highlights

1. Digital transformation	Step-change in the number of customers using our online platform Delivered significant milestones in our Contact Centre modernisation	<ul style="list-style-type: none"> • Digital sales: Up 126% from FY20 from increased traffic and conversion rates • Self-service growth: Over 1.2m using MyAccount to self-serve, with 1 in 3 of all customers now booking a repair online • Systems: Re-platformed Contact Centre telephony platform, improved agent experience and shorter handle time • Offline sales: Record Contact Centre conversion rates from new operating model and directing lower value calls online
2. Driving UK growth	Ambitious UK growth targets achieved despite uncertainty caused by COVID-19	<ul style="list-style-type: none"> • Marketing Campaigns: New business subscription plans up 52% from FY20 driven by improved data quality and campaign execution • Contact Centre Performance: New business subscription plans up 6% from FY20 • Client Growth: Won new partnerships and launch of new products • Sales & Retention uplifts: supported by new data science pricing models
3. International expansion	Continued focus on subscription growth and expansion into the US	<ul style="list-style-type: none"> • EU subscriptions: 21% new business subscriptions plans growth • US launch: On track to launch in Autumn 2021 • Partnerships: Retention of five key contracts

4.2m

Digital users

+11%

UK new business subscription plans growth

Q3

Launch in US

1.4m

EU live subscription plans

We will see the continued development of both the UK Growth and International pillars, which will provide:



Improved customer experiences including tailored marketing, service and pricing



A European business that is emulating the UK



Our first US customers joining the group

Our vision for digital

Our 5-year business plan clearly defined the transformation that would take place in the first 2 years. We are now halfway through this period and the progress we have made means we remain confident in completing this.

Central to this ambition is the completion of our full Digital ecosystem, which will allow the majority of our customers to self-serve quickly and easily online, staying longer and buying more.



Our Digital Ecosystem

The next 12 months will see the completion of the online platform foundation, which will provide customers with increased satisfaction and utility, serving an increased volume of customers with increasing frequency.

This Digital ecosystem will be supported by a modern, efficient Contact Centre estate to support those customers who still need to speak to us; the best of Voice and Digital.

Our contact centres will evolve to provide an efficient and high-quality service on any channel when our customers most need to interact with us.

OUR STRATEGY IN ACTION / DIGITAL TRANSFORMATION

Our digital transformation

The last 12 months have seen significant increases in customer adoption of our online platform. This has been augmented by a range of key upgrades with our Contact Centre as part of our modernisation drive.



We are increasing our ambition and will relaunch our digital programme as 'CX1' to put an even greater emphasis on customer experience, which is central to driving long-term value and unlocking the programme benefits.

Our Digitisation strategy is clear and it is working. The COVID-19 pandemic and resultant lockdowns appear to have been a catalyst for many consumers to do a greater number of things online, which we have seen evidenced in a doubling of many of our online KPIs in the past year. This reinforces the fundamental importance of our CX1 plans and shows that we are building good online experiences that meet the needs of our customers.

We have also gained valuable insights; for example, a small minority of our customers,

who have sub-optimal experiences, contribute disproportionately to call volumes. Digitisation is unlikely to be able to resolve these complex situations, meaning we need to fix core experience issues in these cases to ensure better customer outcomes and a lower cost to serve.

The CX1 programme will continue to ensure that we deliver continued online adoption, building a digital ecosystem in the next 12 months and then using this as a platform for future innovation and growth. A few highlights from this year:

4.2m 2020: 2.2m
digital users last year across our web estate

1.2m 2020: 0.7m
customers now have a 'My Account'

1/3rd 2020: 10%
of all repairs now being arranged online

73% 2020: 48%
of all customers arrange their replacement appliance online

For D&G

- Lower operating costs
- Increased flexibility to deal with peaks
- Optimised sales performance

For our people

- More flexibility
- A career not a job
- Greater opportunities to learn
- A better place to work

For our customers

- Less time and effort
- More choice
- Better and more consistent service
- Improved issue resolution

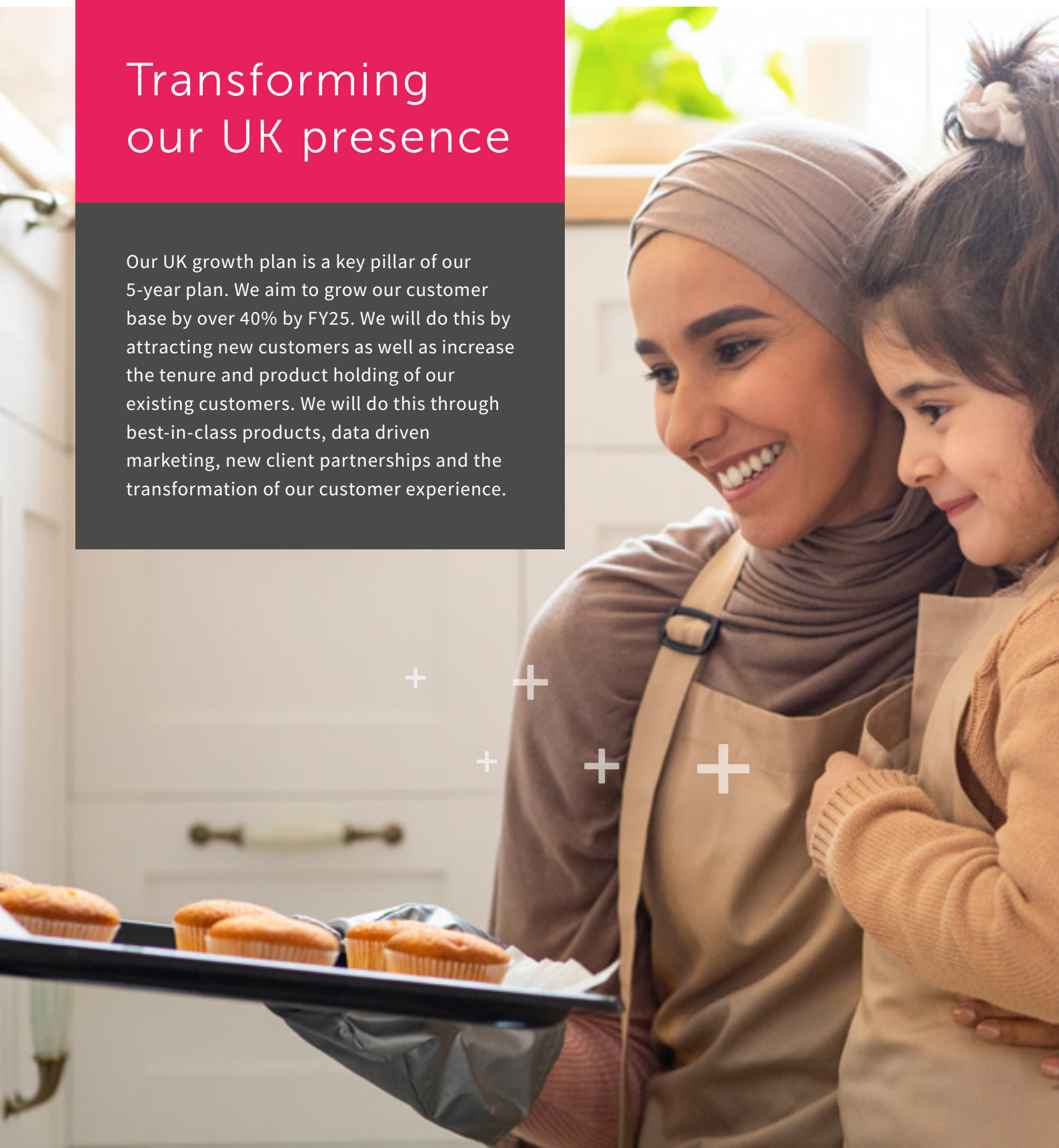
For our clients

- Protected revenues
- Enhanced customer experience
- Better control
- Higher quality (e.g data capture)

OUR STRATEGY IN ACTION / UK GROWTH

Transforming our UK presence





Our UK growth plan is a key pillar of our 5-year plan. We aim to grow our customer base by over 40% by FY25. We will do this by attracting new customers as well as increase the tenure and product holding of our existing customers. We will do this through best-in-class products, data driven marketing, new client partnerships and the transformation of our customer experience.



Despite an ambitious growth target of +40% and the uncertainty caused by COVID-19 our customer numbers increased as planned, delivered by a strong performance in new business sales and from improved retention.

Our growth plan is well informed by customer feedback through our Voice of the Customer programme, and a deep understanding of the external marketplace and emerging customer trends. We are making great progress and have

significantly increased our confidence in delivering our 5-year plan, based on growth achieved in FY21. We have a clear plan for the next 12 months and start the year with good momentum.

UK growth	What?	Why?	FY21 progress	Future focus
 New product development	<p>Develop our products to drive growth, customer value and digital utility</p> <p>Improve our customer experience and reward customers' loyalty, delivering increased customer tenure</p>	<ul style="list-style-type: none"> • Keep customers longer • Increase customer product holding 	<ul style="list-style-type: none"> • Active management and fulfilment of products throughout COVID-19 lockdowns • New products launched to support client growth • Digital product development underway 	<ul style="list-style-type: none"> • Enhancing our products with digital rich features • Continued focus on improving the experience of existing products • Driving loyalty through product enhancements
 Data driven marketing	<p>Delivering sustained growth through data driven customer-level marketing based on effective data science methodologies, high-performance propositions, and effective routes to market</p>	<ul style="list-style-type: none"> • Keep customers longer • Increase customer product holding • Attract new customers 	<ul style="list-style-type: none"> • Improved data quality and marketing campaign execution delivered significant growth across all campaign channels at new business and retention 	<ul style="list-style-type: none"> • Commence build of integrated Customer Level Marketing tool • Increase ability to target and personalise marketing across channels
 New marketing channels (digital)	<p>Leverage new campaign and channel opportunities enabled by our digital transformation and data science expertise</p>	<ul style="list-style-type: none"> • Increase customer product holding • Attract new customers 	<ul style="list-style-type: none"> • Email and digital marketing expansion contributing to marketing campaign growth 	<ul style="list-style-type: none"> • Continue to increase proportion of new customers acquired digitally
 Client partnerships	<p>Winning new partnerships, opening additional routes to market and launching new products</p>	<ul style="list-style-type: none"> • Increase customer product holding • Attract new customers 	<ul style="list-style-type: none"> • New products launched with AO (mobile phones and Tesco retail stores) • Successful online and in store product launch with JLP • Entered new partnership with EDF 	<ul style="list-style-type: none"> • Healthy prospect pipeline • Expanding and developing new product lines with existing clients

OUR STRATEGY IN ACTION / INTERNATIONAL EXPANSION

Transforming our international presence

The International division continues to follow our strategy to focus on subscriptions growth through our OEM and retail partnerships, with the expansion through the US on track to launch this year, with leading appliance manufacturer in the USA - Whirlpool Corporation. The strategy dovetails with the UK strategy in delivering growth through renewal revenues and long-term customer lifetime value.

Last year we stated our ambition to enter the US market, having signed a long-term deal with Whirlpool, the market leading OEM in the US. In the latest period we have made great strides in developing capabilities and infrastructure to launch the programme later this calendar year.



Building out towards launch in the US, partnered with Salesforce cloud based technologies



Developed go to market strategy and product portfolio

19m

Registration programme opens up access to 19m appliance sales annually (vs 9m for all OEMs in UK).

Whirlpool®

The Group is delighted with the progress that the International division has made over the last year improving growth further with the latest set of results. Our strategy is clear and the team is executing the plan.

We now see real momentum in our subscription growth. This year our Continental European business reached a significant milestone, writing subscription as the majority payment method for the division.

Subscription
revenue:

£85m
+27%

Subscription revenue as a
% of total revenue:

53%
2020: 46%

Continental Europe

We are replicating the successful UK subscription model across Continental European markets to drive growth in renewal revenues and customer lifetime values.

Subscription growth	Progress in FY21	Future focus
OEM	<ul style="list-style-type: none"> Increased registration growth and conversion, including digital development Extended three large OEM contracts 	<ul style="list-style-type: none"> Further registration growth through improved technology and channel development including cross-sales
Retail	<ul style="list-style-type: none"> Extended two large-scale retail partner contracts 	<ul style="list-style-type: none"> Drive subscription penetration in all territories
Win new partners	<ul style="list-style-type: none"> Agreed terms with two retail partners and one OEM client 	<ul style="list-style-type: none"> Prospect targets across OEMs, Retail and e-tail
Digitalise our business	<ul style="list-style-type: none"> Implemented online sales pilots 	<ul style="list-style-type: none"> Scale online sales at registration and Point of Sale ('PoS') Grow online repair management capability




USA

We are building out our US footprint in Chicago and are on track to launch later this year. This is a subscription warranty programme with Whirlpool which we plan to widen with additional partners in future years.

1	2	3
<ul style="list-style-type: none"> Deepened relationship with Whirlpool Building out our US team - appointed President Significant progress in developing new Salesforce Systems BPO Contact Centre provider selected Considerable progress on licensing across all US states 	<ul style="list-style-type: none"> Drive key registration and Point of Need ('PoN') channels to scale with our key partner Whirlpool Actively progressing pipeline of new prospects and acquisitions 	<ul style="list-style-type: none"> Scale registrations and PoN solutions to replicate UK KPIs Further growth by implementing cross-sales and retention programmes Development of connected appliance integrations





STAKEHOLDER ENGAGEMENT

The success of the Group depends on its ability to engage effectively with all stakeholders and by taking their views into account.

Stakeholder	Their interests	How we engage	How the Board engages
 Our People	<ul style="list-style-type: none"> • Health & Safety • Development and Training • Diversity and Inclusion • Communication and engagement • Flexible working 	<ul style="list-style-type: none"> • Digitally enabled two-way communications app - MyD&G • Training • Wellbeing initiatives • Virtual Town Halls and engagement events • Pulse Surveys • Employee recognition - Ignite Awards • Employee affinity and network • Development of new hybrid ways of working to begin in late Summer 2021 	<ul style="list-style-type: none"> • Group Communications from the CEO • Weekly, Monthly and Quarterly Business Updates delivered by the CEO which include topics discussed by the Board • Regular HR updates at Board meetings • The Statement of Engagement with employees can be found on page 52
 Customers	<ul style="list-style-type: none"> • Fair treatment including pricing • High quality products • Resolution of complaints • Confidentiality of data • Customer engagement • Reliability and accessibility of service 	<ul style="list-style-type: none"> • Customer surveys • Contact Centre • Direct marketing • Complaints resolution • Social media and other digital channels • Development of flagship digital transformation programme 'CX1' 	<ul style="list-style-type: none"> • Ongoing assessment of customer requirements • Engagement in projects that focus on safeguarding the interests of customers • Board updates from Governance Committees • Press releases • Annual Report & Accounts
 Partners	<ul style="list-style-type: none"> • Keeping critical business systems running • Collaboration • Fair terms • Service • Technology 	<ul style="list-style-type: none"> • Dedicated partner relationship executives • Meetings • Training 	<ul style="list-style-type: none"> • Engagement with the Executive team • Board oversight and approval of key negotiations • Focused discussion on promoting and protecting the interests of partners

The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Group for the benefit of its Stakeholders as a whole, whilst also having due regard to their duties as set out in the Companies (Jersey) Law 1991 as well as matters set out in Section 172(1)(a) to (f) of the Companies Act 2006 ('Section 172(1)') as applicable to the UK entities within the Group. The Directors recognise that the success of the Group depends on its ability to engage effectively with all Stakeholders and by taking their views into account.

In taking decisions, the Directors carefully consider the balance of interests of the Stakeholders who might be affected. The Board and its Committees discuss Stakeholders and their interests during the cycle of Board meetings, and in the year to 31 March 2021 we increased both the frequency and length of meetings, not least to focus on Stakeholder needs as a result of the COVID-19 pandemic. The Board annually reviews all of the Group's key Stakeholder groups, looking at material issues of interest to them and assessing how as an organisation the Company engages with those Stakeholders.

Stakeholder	Their interests	How we engage	How the Board engages
 Suppliers	<ul style="list-style-type: none"> • Fair trading • Payment terms • Terms and conditions • Human rights and Modern Slavery 	<ul style="list-style-type: none"> • Engagement with senior management • Environmental, Social and Governance reporting 	<ul style="list-style-type: none"> • Engagement with the Executive team • Modern Slavery Statement • Annual Report & Accounts • The Statement of Engagement with suppliers can be found on page 53
 Investors	<ul style="list-style-type: none"> • Performance of the business • Customer and client experience • Return on investment 	<ul style="list-style-type: none"> • Meetings • Investor relations website • Stock Exchange announcements • Bondholder telephone calls • Press releases 	<ul style="list-style-type: none"> • Investor Directors form part of the Group Board and regularly engage with Executives • Financial results calls • Annual Report & Accounts
 Regulatory Bodies	<ul style="list-style-type: none"> • Consumer protection • Compliance • Data privacy • Regulatory capital • Risk management 	<ul style="list-style-type: none"> • Regular engagement by telephone and email • Returns of information • Stock Exchange announcements • Joint initiatives such as on fighting Financial Crime 	<ul style="list-style-type: none"> • Regular Board updates via the Audit & Risk Committee • PRA interviews with Board members • Regular reports from across the business on regulatory matters
 Community, Environment, Central and Local Government	<ul style="list-style-type: none"> • Openness and transparency • Compliance with applicable legislation and regulations • Environmental impact & sustainability • Community & social engagement 	<ul style="list-style-type: none"> • Partnership with EcoVadis • Formation of ESG Committee • Philanthropic initiatives (Charity Committee, Charity Champions, Give As You Earn), salutetheNHS.org • Energy Savings Opportunity Scheme (ESOS) compliance 	<ul style="list-style-type: none"> • Annual Report & Accounts • Annual Tax Strategy Statement • Gender pay gap reporting • Modern Slavery Statement • Charitable initiatives discussed and reported at Board Meetings

STAKEHOLDER ENGAGEMENT CONTINUED

Engaging our people

Our five-year business plan aims to deliver a digital transformation to improve the way we work with our customers, clients and colleagues. To deliver this plan, we have created a new people strategy with focus on culture, people engagement and a smart future.

“We saw a rapid uplift of our employee engagement through remote and virtual ways of working during the pandemic...”



D&G's Company vision and mission

We know that our c.3,000 colleagues across the world play the biggest role in delivering our mission and vision. That's why we have developed a 5-year people strategy, designed to build the skills and capabilities of our teams to deliver our plan, whilst enabling a brand new modern way of working.

Our people strategy

D&G needs digitalised, skilled and engaged people to evolve our business into a world-class service organisation, enabled for a smart future. Our people strategy has a modern and digital approach and is written around our 5-year business plan with three core deliverables.

1. Purpose, culture & engagement

Transforming how we work to create a culture of togetherness, flexibility and innovation through a new approach to performance management enabling everyday continuous performance conversations and a digitally enabled two-way communications app to engage and inform our colleagues.

2. Talent & attraction

We want to hire and retain the very best people at D&G. We will move to location-agnostic recruitment and a best in class careers website, which will be our core hub for attracting new talent to our business.

3. Learning

We will enable our colleagues to develop and grow and perform at their best through on-demand learning content through LinkedIn Learning for every employee. We are also optimising our full apprenticeship levy by developing and converting programmes to become externally accredited.

Hybrid ways of working

We saw a rapid uplift of our employee engagement through remote and virtual ways of working during the pandemic, with laser like focus on delivery and a faster more autonomous approach. Consequently, we will move to a hybrid way of working starting in the UK from late summer. Employees will be trusted to determine where they work, home or office, supported with hybrid guidelines, enhanced technology and managers trained in leading remote teams. Our UK offices have also been redesigned to support hybrid working. In Nottingham, we are developing a brand new, state of the art office, which will become our flagship operations hub opening in 2022.

Employee benefits

To further support D&G's ambitions to attract and retain the very best talent, we continue to enhance our market aligned employee benefits offered to every employee. All colleagues have access to a personalised benefits portal, which offers discounts, a health cash plan, a contributory pension scheme, Salary Finance initiatives and discounted D&G protection plans.

Consistent communication

Communication continues to be a critical component of our people strategy. D&G has invested in a digital app, which reaches every employee directly with key business messages. We ran two major virtual town hall events over the last 12 months, which included key business updates from our CEO and Executive Committee, special guest appearances from Gemma Collins, Ade Adepitan MBE and Joe Wicks OBE. At both events, we ran Company-wide recognition awards and presented awards for employees' exemplary and outstanding performance.



In Wimbledon, we have conducted a total renovation to provide a modern working environment for our employees to collaborate.

STAKEHOLDER ENGAGEMENT CONTINUED

Our customers

Our strong customer centric culture remains at the heart of our business and brand, while our operating model and partnerships enable us to deliver a unique customer experience, resolving appliance breakdowns quickly and to a quality that isn't easily replicated by others. We listen to our customers and use their feedback to enhance our products and service.



Domestic & General plays a vital role in our customers' lives

Our customers depend on us to protect the household products they rely on. When something goes wrong, we are there to organise a repair or replacement as quickly and efficiently as possible.

D&G products and experience are built to meet customers' needs. Peace of mind is the main reason for customers purchasing our products.

Customers want:

Financial certainty: we provide the ability to budget and safeguard against financial uncertainty.

Convenience: we provide resolution certainty and convenience by ensuring items are repaired quickly and by expert engineers when they breakdown.

Ensuring we meet the specific needs of our vulnerable customers is paramount

Over the last year, our commitment to providing the best possible service to those who need it the most has remained a priority. Throughout the pandemic we have continued to improve the service offered to vulnerable customers, providing additional support to those that need it during this particularly challenging time.

All of our employees receive mandatory training on how to identify and support the needs of our vulnerable customers.

Our customer value proposition continues to provide high levels of satisfaction and loyalty

90% of customers choose to pay by monthly subscription for our products which provide:

- simple, no quibble claims experience through our dedicated helpline or online repair booking system;
- unlimited repairs by manufacturer engineers;
- a like-for-like replacement if the appliance can't be fixed; and
- maintenance support and troubleshooting to keep appliances running smoothly.

We listen to our customers' feedback to continually improve their experience

Our state of the art, dynamic customer feedback system has enabled us to meet customer expectations over the past 12 months. Through in depth, ongoing analysis of satisfaction metrics and customer commentary, we have been able to provide our customers with consistently positive experiences and deliver improvements that matter the most.

Our brand reflects the vital role we play in our customers' lives

The Domestic & General brand is well-recognised, with strong customer association across trust, reliability, professionalism and simplicity.

In 2020 we launched an updated brand identity, giving us a platform from which we will transform our brand and drive consumer advocacy. Our

coverage across 1 in 3 households in the UK gives us a unique opportunity to grow our brand and generate powerful connections with our customers through engaging content. One specific area of focus across our brand is to highlight the positive environmental impact we deliver by repairing appliances and building brand partnerships to enhance our green credentials.

See pages 28-30 for more information on ESG

D&G offers a simple set of products which provide convenience and peace of mind:

Our products are designed to meet customer needs. Core product principles make our proposition attractive and competitive in the market place:

Customer need	Product principles	Benefit
Financial certainty and ability to budget	Flexible monthly payments	No long-term commitments
	Comprehensive cover	No hidden costs or surprises
	A solution no matter what	We replace what we can't fix
	Convenience	All appliances and devices covered
Convenience and certainty of a solution		Online or offline booking, with maintenance support and troubleshooting options available
	Expertise	Parts and repairs from the manufacturer
	Ease	An easy-to-use service, online or through our Contact Centre

Products come with consistent product features which drive positive customer feedback:

+ No quibble claims	+ No call-out charges	+ Repairs by trusted OEM engineers	+ 'New for old for life' policy
+ Accidental damage cover	+ Spread the cost with Direct Debit	+ Digital claims handling	+ Maintenance support

We have three core product categories:

Product Care

White goods, consumer electronics and heating (repair or replacement plus maintenance where relevant)

Replacement Care

Lower value electrical items (instant replacement)

Repair & Care

White goods and heating (initial repair included)

Subscription customers

5.8m

"Straight forward interactions. Excellent customer service, value for money and peace of mind... Best money I spend to be honest."

Repairs completed each year

2.4m

"Arranged a repair for the following day. Great communication for repair time and engineer was polite, COVID compliant and fixed the problem. Fantastic service!"

First time and second time fix rate

84% + 98%

"Booking the appointment was an easy online process. The appliance engineer was very helpful and completed the job quickly."

STAKEHOLDER ENGAGEMENT CONTINUED

Partners Domestic & General

Highly effective model based on mutually beneficial partner relationships.

We have built exclusive, deep and long-term contractual relationships with our OEM, retail and affinity partners by delivering significant value to our partners through mutually beneficial relationships.

Our high level of customer satisfaction and advocacy enhances the brands of our partners and positions us as a trusted brand custodian. Importantly, we also deliver incremental financial value as well as scale benefits through higher volumes for our OEM partners' repair networks.

We are the chosen partner of 95% of UK OEMs within the white goods segment (one of several segments within which we operate). Our largest ten UK partners by FY21 sales have an average tenure of 19 years and an average remaining contract length of four years, showing that they value our partnership, and we are proud not to have lost a significant OEM partner in the last 20 years.

These long-term relationships deliver significant advantages, including access to high-quality OEM repair networks and a unique multi-channel distribution model (PoS, PPoS, PoN). Access to several of the OEM repair networks is fully digitally enabled, allowing for a seamless customer repair booking process.

Mutually beneficial

Average tenure
19 years

Highly differentiated and value-adding service proposition creates strong partnerships



Allows D&G to maintain customer relationships for renewal



Exclusive, mutually beneficial and long-term partnerships

OEMs

Not lost a significant OEM partner in the last 20 years

+20
years
of D&G
support



+10
years
of D&G
support



+5
years
of D&G
support



Recent
partner wins

<5
years
of D&G
support



Retailers/Affinity partners












Extending our network



Domestic & General, the UK's leading provider of appliance breakdown protection, has signed a five-year deal with EDF – Britain's biggest generator of low carbon electricity – to help provide even more households with peace of mind.

The partnership will see D&G offer both service plans and insurance for boilers and home heating systems for EDF customers. The collaboration further exemplifies both EDF's and D&G's commitment to ensuring that people throughout the UK have the support they need to keep their homes warm and hot water running.

This important partnership serves to illustrate the Company's aim to keep growing and supporting customers in the sector. D&G already has an established presence in 1 in 3 households across the UK and this new partnership will allow Domestic & General to assist EDF customers with their comprehensive services.



Our largest partner, Whirlpool, has demonstrated its confidence in D&G by choosing to extend its contracts with us both in the UK and across multiple European markets.

A commitment to delivering growth in all markets was a key requirement but this had to be underpinned by a continued focus on customer satisfaction and a requirement to enhance the customer experience.

Whirlpool is keen to develop several new channels with us which will open new revenue streams and ensure this partnership continues to be successful.

Our collaboration with this partner will see our first foray into the US market with plans to launch later this year.



We are delighted to share that D&G were recognised as AO's Most Driven Partner at their Global Supplier conference. The award was in recognition of the continuous investment and growth of the partnership and development of key commercial channels.

AO recognised the unique efforts from D&G to complete the transition of all of the AO Care customers who number c.1 million, onto a new product construct supported by a bespoke service platform delivering the best possible levels of care and service.

STAKEHOLDER ENGAGEMENT CONTINUED



Environmental, social & governance

Domestic & General is committed to contributing to the United Nation's Sustainable Development Goals, and our functional business strategies are designed to support ongoing societal ambitions we know our customers, clients and colleagues care about.

"We save thousands of appliances from going to landfill each week"

In 2021, we signed up to the UN Global Compact to demonstrate our commitment and take another step to becoming a truly responsible and sustainable business.

In late 2020, we partnered with EcoVadis to help us manage our long-term ESG performance and enhance our contribution to a sustainable future. In FY21, Domestic & General achieved a bronze sustainability rating, which provides us with a strong foundation on which to build our ESG framework.

Our newly formed ESG Committee sponsored by the Executive Committee meet on a monthly basis to review and develop key initiatives that support ongoing advancements of our ESG agenda.

Extending appliance lifespan

Intrinsic to our mission, Domestic & General has a repair first ethos. We believe in giving appliances a longer lifespan through regular maintenance and carrying out repairs by manufacturer approved engineers.

We carry out over 2.4 million repairs a year and we resolve 98% of breakdowns on the first or second visit.

Over the past year, we've continued to develop our customer website to provide key information and support for ongoing appliance care. Our customers can access general maintenance tips, walkthrough guides and engineer advice, as well as the option to book a local engineer.

Reducing our impact on the environment

The use of long-established local and national manufacturer repair networks helps to minimise the environmental consequences of transportation. If we can't repair a product, we replace it with only A or B grade energy efficiency rated appliances. D&G works closely with service networks, white good manufacturers and clients to ensure end-of-life products are disposed of in an environmentally conscious manner.

As part of our eDoc initiative, our use of paper plan documents has decreased by 40% since 2019, with 49% of customers using electronic documents. For every 5,000 documents we move online, we have committed to planting one tree. Our partnership with Trees for Life since 2019 has resulted in many newly planted trees in the Scottish Highlands – an area that has suffered from deforestation and supports a wide range of endangered species, including the red squirrel.

The COVID-19 pandemic presented an opportunity to review our real estate portfolio and ways of working. After multiple employee surveys, 97% of our employees ultimately expressed a desire for some form of homeworking to continue beyond the pandemic. As a result, Domestic & General has committed to hybrid working from summer 2021. This will encourage employees to spend at least two days a week at home, meaning less travel and a better work life balance.

Alongside our transition to hybrid, we have taken 20% less space in our UK head office and conducted a total refurbishment. Instead of contributing to landfill, 50 tonnes of office furniture and kitchen equipment have been donated to Waste to Wonder, an ethical reuse company, which will subsequently support schools and charities in underdeveloped countries. This project ultimately saved 96.5 tonnes of carbon.

Our new head office fitout approach holds the environment at the centre. All furniture has been sourced within the UK to reduce the impact of carbon emissions. A zero waste approach has been applied to our office etiquette guide. Recycling points are available on every floor and all food and beverage supplies are designed to be either totally biodegradable or reusable.

In Autumn 2022, we will open a brand new flagship operations hub in Nottingham. As part of our ambitions to reduce our carbon footprint, we are installing solar power panels on our roof, which will generate 53,000 KWh of electricity per annum and reduce our CO₂ output by 27,500 kg every year.



Social impact and community

Domestic & General proactively and regularly contributes to the communities it operates in. Throughout the height of the COVID-19 pandemic, we partnered with Salute the NHS.org to help provide one million meals to NHS doctors, nurses and hospitals over three months. Our business operation processed £750,000 in donations that helped reach the charity's goal in July 2020.

In late 2020, we donated 70 refurbished D&G laptops to Nottingham City Council to support their efforts to reduce digital poverty. The D&G charity committee regularly drive charitable actions and initiatives, including the sponsorship of the Nottingham Half Marathon coming up in September 2021. In the last year, D&G has donated to a number of charities comprising Mind, Framework, Rosie's Rainbow Pantry, Martlet's, Charity Aids Foundation, Making the Leap, British Legion Foundation and Macmillan Cancer Support.

Our diversity and inclusion initiatives continued in 2020 with our newly formed committee. Over the past year, we've driven actions to support gender equality, including a female career progression webinar to highlight International Women's Day. We also report on gender pay and drive transparency of why we have gaps. Men and woman continue to be paid equally for equivalent jobs at D&G and we actively work together with our Diversity & Inclusion Committee to drive a balanced workforce. For further information, please see our Gender Pay Gap report on <https://investors.domesticandgeneral.com/investor-relations/>.

We recognised the importance of issues highlighted by the Black Lives Matter movement by holding a company wide webinar to address social issues and encourage dialogue with employees.

In late 2020, we became a signatory of the Change the Race Ratio, a group of senior leaders committed to taking action to increase racial and ethnic participation.

STREAMLINED ENERGY AND CARBON REPORTING ('SECR')

Streamlined Energy and Carbon Reporting (SECR)

Both Domestic & General Services Limited ('DGS') and Domestic & General Insurance plc ('DGI'), being large UK entities within the Group, meet SECR criteria and are mandated to meet the requirements as set out in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Both DGS and DGI operate out of the same UK facilities. DGS is financially responsible in terms of the operational boundary. DGS has therefore confirmed using the financial control approach that it is responsible for 100% of the estate's reporting requirements.

Reason for change in emissions

The past 12 months has been significantly impacted by COVID-19 with the need to change how the business operated during lockdowns and other restrictions.

Going forwards, the decision has been made to formally introduce hybrid working, which will

decrease the business footprint in the future as staff can continue to work partially from home.

Methodology

The report follows the SECR guidance and the GHG Reporting Protocol – Corporate Standard as the accepted methodology to meet the mandatory requirements. No additional optional elements have been included at this stage. In combination with this, information gathered for the fulfilment of Energy Savings Opportunity Scheme (ESOS) has been used.

The UK Government's Greenhouse gas conversion factors have been used to calculate the carbon emissions. The following table demonstrates the GHG Emissions and Energy Usage Data for this financial year.

Intensity measurement

DGS have chosen Tonnes of gross CO₂e per total £m sales revenue as the reported SECR intensity metric. This is a relevant and common business metric and will serve as a consistent comparative for reporting purposes going forwards.

GHG emissions & energy use data	UK FY21	UK FY20
Energy consumption used to calculate emissions: /kWh	3.17m	5.07m
Emissions from combustion of gas tCO ₂ e (Scope 1)	21	230
Emissions from combustion of fuel for transport purposes (Scope 1)	0	0
Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel tCO ₂ e (Scope 3)	8	97
Emissions from purchased electricity tCO ₂ e (Scope 2, location-based)	318	879
Total gross tCO ₂ e based on above	347	1,205
Intensity ratio: gross tCO ₂ e per £1,000,000 revenue	1.0	3.34

COVID-19

Our response to COVID-19

March 2021 marked the one year anniversary of the global COVID-19 pandemic, and our commitment to support our customers is ongoing. Over the last year, our products and services have become more important than ever as our customers spend increasing amounts of time at home.



The need for functioning home appliances such as fridge-freezers, ovens, washing machines, TVs and hot water boilers continues to be essential to our customers' daily lives, particularly as nationwide lockdowns continue. Our Company purpose is to keep our customers' worlds running, and we are proud to have continued to support all our customers and provide a full, efficient and safe service when they have needed it most.

The safety of our people and our customers remains our top priority. Our people continue to work safely from home, and we have implemented robust social distancing and cleaning practices for essential staff in our offices. We are proud to support our people and their families with an expansive wellbeing and benefits offering that covers physical, mental and financial wellbeing.

Over the UK school holidays we held two successful virtual learning camps with over 50 kids and provided over several hundred hours of expert tutoring in Maths, English and Art to help kids stay on track with their learning.

We have maintained priority service to our most vulnerable customers and key workers to ensure we continue to meet their specific needs and have offered payment holidays to our financially vulnerable customers.

Over the last year, we have all been impacted by the COVID-19 pandemic and many have relied on the relentless support of our NHS. We chose early on to show our support through [SalutetheNHS.org](https://www.salutetheNHS.org), a campaign started by Ron Dennis CBE to deliver one million meals to NHS frontline staff. To aid this effort, a dedicated team of colleagues from our Contact Centre handled donation calls that helped raise over £750,000.

**Partnered with
'SalutetheNHS.org'
to help provide 1 million
meals to NHS staff**

RISK MANAGEMENT

Operational resilience, governance and prudent risk management

D&G has applied prudent risk management during the pandemic, with its rapid response ensuring full service availability to customers and continued delivery of core strategic initiatives.

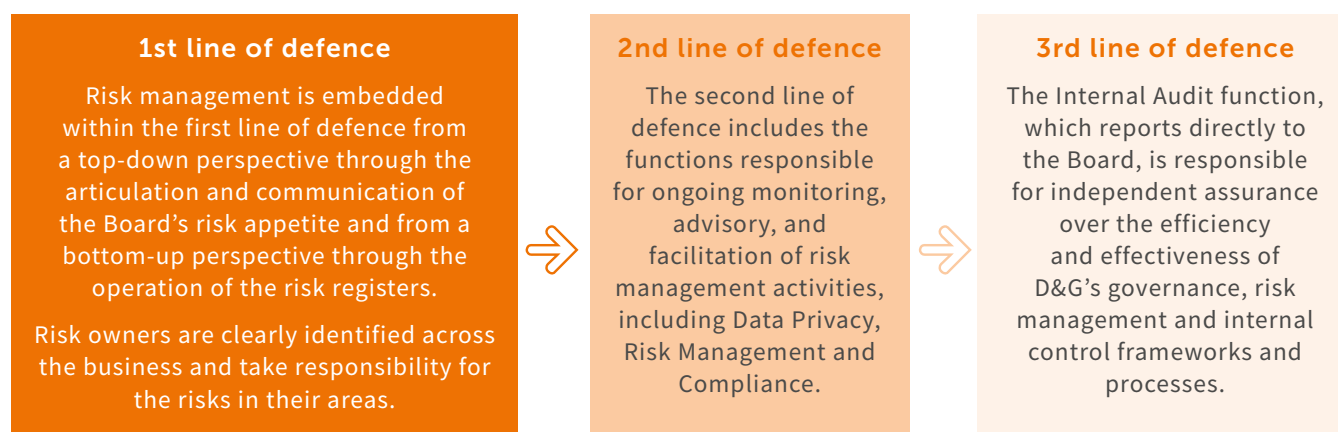


Risk appetite

The Board has agreed a suite of risk appetite statements relating to each of the key risk categories to articulate the amount of risk the Board is willing to accept in pursuit of its objectives. These statements are reviewed on an annual basis. Adherence to risk appetite is measured through a comprehensive suite of key risk indicators and risk assessments, designed to drive risk-aware decision-making.

Three Lines of Defence

D&G has implemented the 'Three Lines of Defence' model, comprised of:



A summary of the principal risks and uncertainties facing the Group is shown below:

Risk	Risk management and mitigation
<p>Financial management</p> <p>Context: D&G needs to ensure that it has sufficient liquidity and funding to meet its liabilities – e.g. claims expenses, supplier bills, salary payments, debt service – and capital to fund its growth and transformation programmes, including entry into the US market.</p> <p>Risk definition: The risk of failing to sufficiently control D&G's finances in order to deliver strategic initiatives, meeting its financial obligations (including debt servicing) and satisfy Solvency II capital requirements</p>	<p>D&G executed its Part VII transfer before the end of the Brexit transition period, and risks relating to potential Solvency II non-equivalence – i.e. a situation where the EU does not recognise the UK's Solvency II regime as equivalent – have been partially mitigated through Domestic & General Insurance Plc holding an investment grade credit rating.</p> <p>Detailed cash flow forecasts are performed regularly to ensure liquidity requirements are identified and met. For the regulated UK business, Domestic & General Insurance Plc, additional stress tests are performed to estimate an additional buffer of liquidity needed to cope with a stressed cash flow event. A suitable liquidity buffer is also estimated for the regulated EU business, Domestic & General Insurance Europe AG. The Group has access to a revolving credit facility should it need additional short-term liquidity.</p> <p>D&G perform regular monitoring of its counterparties to reduce the risk of default. To limit the risk of market volatility, D&G's investment strategy is prudent and includes investing in low-risk assets to preserve capital.</p> <p>D&G has a project in flight to implement the requirements of the new reporting standard IFRS 17 ('insurance contracts').</p>
<p>People</p> <p>Context: D&G employs almost 3,000 employees across its sites globally. The delivery of D&G's objectives is driven by its colleagues' skill, talent and behaviour.</p> <p>Risk definition: The risk that D&G does not attract, retain, and develop talent required to deliver its strategic and operational objectives.</p>	<p>In response to COVID-19, D&G has successfully deployed full homeworking across all D&G sites, maintaining the safety of employees and continuity of service. D&G regularly reviews its employees' engagement and adequacy of its skills and resourcing, including via:</p> <ul style="list-style-type: none"> • Employee wellbeing; • Diversity and inclusion; • Recruitment and vetting policy; • Mandatory training programme for all employees; • Performance management processes; • Reward programme, overseen by D&G's Remuneration Committee and Bonus Governance Board; • Regular review of succession planning; and • Developed a three-pronged people strategy including (i) purpose, culture and engagement, (ii) talent and attraction and (iii) learning. <p>In addition, D&G is implementing a new 'hybrid ways of working' model following learnings from COVID-19.</p>

RISK MANAGEMENT CONTINUED

Risk	Risk management and mitigation
<p>Information security and data protection</p> <p>Context: D&G collects, processes, stores and handles non-public data from customers and suppliers, and therefore must comply with all applicable data protection laws (including GDPR).</p> <p>Risk definition: The risk that D&G exposes its millions of customers, its employees and/or its suppliers to for example, data breaches, or data loss, such as from a cyber-attack, through lack of controls and systems to protect, collect, process, store and handle data effectively.</p>	<p>D&G has embedded a framework of controls to mitigate the risk of non-compliance with its data security and privacy requirements, and regularly review its conformance with relevant international standards.</p> <p>D&G complies with GDPR on the processing of personal data and on the free movement of such data.</p>
<p>Conduct</p> <p>Context: D&G provides valuable and essential services that deliver fair customer outcomes and meet our customers' expectations, whilst generating sustainable returns.</p> <p>Risk definition: The risk that the provision of D&G's services (including product design, pricing and service) fails to provide customers with fair outcomes.</p>	<p>We have a suite of controls in our first line of defence to manage conduct risk including:</p> <ul style="list-style-type: none"> • comprehensive training and competence programme; • quality assurance programme covering in-house and outsourced customer-facing activities; • root cause analysis to identify and act upon complaint trends to ensure continued focus on fair outcomes; • governance committees charged with monitoring adherence to conduct risk appetite; and • robust employee vetting processes. <p>Our second line of defence includes a risk-based compliance monitoring programme, targeting key areas of conduct risk.</p>
<p>Technology</p> <p>Context: Technology is a fundamental dependency for the delivery of D&G's operations and strategy. The blend of legacy systems and, increasingly cloud based solutions, require management to balance the IT expenditure and the resulting operational, commercial and customer benefits.</p> <p>Risk definition: The risk that D&G's technology does not enable efficient delivery of business objectives i.e. due to its unavailability, instability, obsolescence, lack of future-proofing.</p>	<p>D&G has the following key controls in place to mitigate its Technology risk:</p> <ul style="list-style-type: none"> • IT governance structure which oversees its IT service management processes and teams. This includes technology delivery and change and release management. • IT Service Continuity Management framework. • Incident management and disaster recovery.

Risk

Risk management and mitigation

Third party risk

Context:

D&G has agreements in place with third parties to provide sales distribution, contact centre, technology and professional services (subject to satisfactory due diligence outcomes and acceptance of contractual requirements). This allows D&G to focus on developing its core competencies.

Risk definition:

Third party risk is the risk that services delivered by third parties of D&G fall below the required standards, resulting in business interruption, poor customer outcomes, data breaches, or financial loss.

All new third party agreements are arranged in accordance with our procurement policy and subject to appropriate levels of due diligence and onboarding.

D&G monitors the performance of our outsourcers and have a dedicated team to ensure third party sales risks are managed in accordance with its internal standards.

Key client relationships

Context:

D&G's majority route to market for new business sales is via third party distributors across its markets. The ability to develop and maintain mutually beneficial relationships is fundamental for D&G's growth.

Risk definition:

D&G maintains close relationships with strategically important partners, the loss of which could materially impact the delivery of future growth plans.

D&G's dedicated client management team maintain a close relationship with its partners with careful management of service levels. D&G has negotiated long-term agreements with each of our key clients and contracts, creating incentives for long-term, sustainable partnerships with our clients.

D&G monitors its key client dependence in accordance with our business strategy to ensure that our concentration risk does not exceed risk appetite.

Strategic delivery

Context:

D&G has set out to deliver a number of ambitious transformation programmes, intended to enhance customer experience, profitability, and shareholder value over the medium- and long-term. These programmes include expansion into the US, growth of its subscription business, and transformation of its data and digital capability.

Risk definition:

The risk of being unable to deliver the desired benefits of large change programmes at the agreed cost / timing / quality, i.e. implementation complexity, management stretch or introduction of new requirements.

D&G regularly assesses the delivery of strategic change through its business planning structure – i.e. project / programme / portfolio working and steering forums – which report into the Business Planning Committee and subsequently the Executive Committee.

Due to COVID-19, some projects have been intentionally delayed to safeguard the successful execution of core strategic initiatives

Underwriting and pricing

Context:

D&G has extensive experience and specialist technical capabilities in pricing its underwriting risks (such as accidental damage or mechanical breakdown), yielding reliable and stable underwriting performance.

Risk definition:

The risk that D&G's insurance premiums are not able to cover existing or future claims.

D&G manages the risk of underwriting and pricing adversely impacting on business performance by:

- Building statistically robust pricing models with multiple years of data, run by experienced specialist teams.
- Monitoring performance, including written premium and claims costs.

D&G has dedicated data science and underwriting teams to price underwriting risks in accordance with customers' risk factors. Underwriting and pricing processes are subject to risk management governance and control to ensure pricing models are fair and non-discriminatory, whilst generating sustainable profit.

RISK MANAGEMENT CONTINUED

Risk

Changes in market dynamics**Context:**

D&G operates within a number of legal and regulatory frameworks and is exposed to external changes outside of its control, which present risks and opportunities to D&G. Some of these changes may have been accelerated by COVID-19.

Risk definition:

The risk that changes in the political / legal / regulatory environment, activity of competitors, technology, or in consumer behaviour, could impact the execution of D&G's strategy.

Risk management and mitigation

D&G proactively scans the horizon to monitor a number of macro-factors, including regulatory/legislative developments, competitor behaviour and changes in consumer demand to ensure that its strategy continues to be aligned with customer needs and the regulatory landscape.

D&G's Economic, Social and Governance (ESG) programme builds on the existing practices which already exist within its Corporate Social Responsibility, Risk Management and HR functions and ensure these are focused on a unified set of ESG objectives.

COVID-19 related risk

Risks associated with disruption to our business by the illness of our employees and remedial efforts that would be required upon discovery of exposure to COVID-19, a decrease in demand for new subscriptions given our reliance on bricks and mortar sales, liquidity challenges, expenses to provide protective equipment to our employees and potential litigation from exposure of our customers to employees and service engineers.

We have been able to implement working from home solutions for our customer support staff, implemented recruitment freezes and zero pay increases, deferred certain tax payments and provided our engineers with protective equipment amongst other measures.

Please refer to page 31 for more detail.

Financial risks from climate change

D&G's UK insurance business, Domestic & General Insurance Plc ('DGI'), is regulated by the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA') and supervised by the PRA. The PRA has identified that the UK's financial services sector (including banks and insurers) may have material exposure to the 'financial risks from climate change', which are those risks associated with severe weather and long-term climate changes (referred to as 'physical risks', e.g. additional claims expense due to increased breakdown rate) and risks resulting from changes in legislation & regulation, consumer preferences and technology (referred to as 'transition risks' e.g. consumers' purchasing decisions are increasingly affected by their perceptions of the seller's ESG credentials).

In order for DGI to understand whether it has material exposure to physical risk (and the wider Domestic & General group), DGI has undertaken a risk assessment to identify whether segments of its underwriting portfolio have sensitivities to meteorological conditions (e.g. temperature, wind, rainfall). DGI does not underwrite risks relating to flooding or subsidence; exposures to temperature rises and storm damage are not currently material

and are appropriately controlled. This assessment is performed at least annually, informing risk scenario analysis as part of the Own Risk & Solvency Assessment ('ORSA') process.

Transition risks are more uncertain, and their emergence is monitored through a cross-functional horizon scanning group which focuses not only on legal and regulatory changes but also market trends (see 'Our Markets' on page 9 for more information). Such market insights are used to help develop risk scenarios (in collaboration with key stakeholders and functions) which feed into the annual ORSA process.

The Group's governance arrangements also include consideration of climate-related financial risks, with responsibility for managing climate-related financial risks assigned within the Executive Committee and embedded within a number of governance controls across the business e.g. product development, investment, underwriting.

DGI will continue to develop its response to climate-related financial risks, in line with both the materiality of risk identified in risk assessments and regulatory requirements.

FINANCIAL REVIEW

Continuing to deliver growth

A further year of growth in revenue with stable profitability in a challenging environment, demonstrating the strength of our subscription business model and coverage of the appliance market across all channels.



Joe Fitzgerald

Acting Group Chief Financial Officer

Summary financial information

	FY21 £m	FY20 £m
Group revenue	872.4	830.8
UK	712.4	684.3
International	160.0	146.5
Group operating profit	50.7	56.1
Adjusted EBITDA ¹	106.5	106.9
Significant items	(14.9)	(7.9)
Depreciation and amortisation*	(41.4)	(42.8)
Finance costs	(56.1)	(53.9)
Profit/(loss) before taxation	(5.9)	2.3
Adjusted EBITDA excluding US costs ²	107.1	106.9

* including £21.6m (2020: £23.2m) relating to the amortisation of acquisition intangibles

¹ See 'Other information' on pages 108 to 109 for details on alternative performance measures ('APMs') and reconciliation to financial statement line items'² FY21 includes costs of £0.6m relating to the US business. In FY20, US costs of £2.0m were recognised as a significant item and excluded from Adjusted EBITDA.

Overview

In a challenging environment, the Group continued to deliver revenue growth of 5% to £872.4m (FY20: £830.8m), driven by both our UK and International businesses. Group adjusted EBITDA was £106.5m (FY20: £106.9m). Excluding costs relating to our US business, which we expect to start trading later this year, Group adjusted EBITDA increased slightly to £107.1m (FY20: £106.9m) despite the impact of the COVID-19 pandemic on our operating costs. Operating profit decreased by 10% to £50.7m (FY20: £56.1m) reflecting increased spend on significant items largely relating to our Brexit transition costs.

Our subscription business model continues to demonstrate its strength with total subscription revenue up 8% year on year to £748.2m (FY20: £695.1m), reflecting increased new business levels allied to high subscription customer retention rates that are the key drivers of our growth.

Group adjusted EBITDA excluding US costs increased slightly to £107.1m (FY20: £106.9m). Whilst our business has remained resilient throughout the year, we have been affected by temporary pressures on the supply chain as a result of COVID-19 which caused an increase in our repair and claims costs, particularly in the UK. In addition, investment income fell by £0.6m to £(0.5)m (FY20: £0.1m) reflecting investment losses on the sale of certain assets in 2020 as we actively de-risked the portfolio and increased liquidity in light of COVID-19 and Brexit.

During the year, as part of our preparations for Brexit, we successfully completed a Part VII transfer of our European

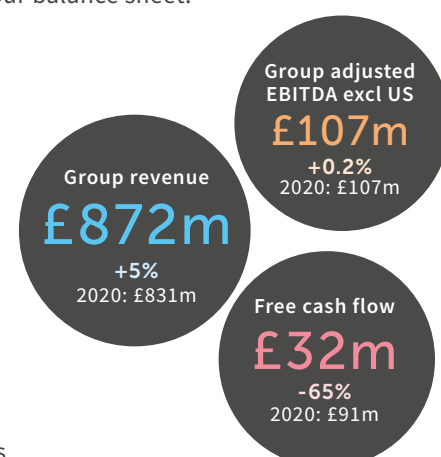
business to our German regulated subsidiary, Domestic & General Insurance Europe AG ('DGIEU'). The costs relating to our Brexit preparations, including the Part VII transfer are disclosed separately in significant items.

The COVID-19 pandemic has impacted our trading performance for FY21, primarily through increased claims and repair costs which are in the underlying trading result and certain one-off costs recognised as significant items which were incurred as we continued to support our customers, colleagues and partners throughout the year in these uncertain times. The continued uncertainty of the current environment on our cashflows and liquidity has been factored into our assessment of going concern and the carrying values in our balance sheet.

Revenue

Overall, Group revenue increased by 5% to £872.4m (FY20: £830.8m) driven by growth in both our UK and International businesses.

UK revenue increased by 4% to £712.4m (FY20: £684.3m) primarily due to growth in our renewals book which is driven by our subscription model, retention and customer-based pricing initiatives. Subscription revenue in the UK increased 6% to £663.3m (FY20: £628.2m).



FINANCIAL REVIEW CONTINUED

International revenue increased to £160.0m (FY20: £146.5m), an increase of 9%. Subscription revenue is now a growing proportion of total International revenue at 53% reflecting the continued success in replicating our UK subscription model. Overall, subscription revenue in our International business grew 27% compared to the previous year.

Operating profit

Group operating profit reduced to £50.7m (FY20: £56.1m). Whilst adjusted EBITDA was stable despite some pandemic related headwinds, growth in significant items to £14.9m (FY20: £7.9m) caused a year on year drop in Group operating profit. This increase in significant costs is primarily due to Brexit related costs. Operating profit also includes the benefit of £1.95m of COVID-19 government support.

Repair and claims costs and acquisition costs have remained stable as a proportion of revenue, reflecting the predictable nature of costs arising from our portfolio of large volume, low value contracts, with short tail risks.

Significant items

A significant item charge of £14.9m (FY20: £7.9m) has been recognised in the year.

	FY21 £m	FY20 £m
Brexit	(12.0)	(5.9)
COVID-19	(2.7)	-
Talbot St revaluation	0.3	-
Value Creation Plan	(0.5)	0.3
US launch costs	-	(2.0)
Product transition costs	-	(0.3)
Significant items	(14.9)	(7.9)

The Group incurred costs in respect of Brexit preparations of £12.0m (FY20: £5.9m) together with costs directly attributable to COVID-19 of £2.7m (FY20: £nil), as our teams moved to working from home and continued to support our customers throughout the pandemic. The impact of COVID-19 on other costs such as repairs and claims are all recognised in the underwriting result, rather than in significant items, and

are therefore reflected within adjusted EBITDA and operating profit.

Costs related to the launch of our US business are now included within our ongoing operating costs.

Depreciation and amortisation

Depreciation and amortisation charges decreased by £1.4m to £41.4m (FY20: £42.8m). This includes a decrease in the amortisation of acquisition intangibles as some of these are now fully amortised. Amortisation of software increased driven by continued investment in our IT as we build our digital capability.

Finance costs

Total finance costs increased by 4% to £56.1m (FY20: £53.9m) primarily reflecting the increased leverage of the Group as a result of the debt refinancing in July 2019 and the additional private placement debt of £100m raised in July 2020. The additional funding of £100m increased our liquidity and funding for delivery of the Value Creation Plan and costs of the US launch.

Loss before tax

The Group recognised a loss before tax of £(5.9)m (FY20: profit before tax of £2.3m), reflecting the decrease in operating profit together with increased finance costs and net investment expense of £0.5m (FY20: net investment income: £0.1m).

Taxation

The tax charge increased by £5.4m to £5.7m (FY20 restated: £0.3m), reflecting the growth in underlying trading and an increase in the amounts disallowable for tax purposes.

Group cash flow, net debt and balance sheet

	FY21 £m	FY20 £m
Third-party debt*	755.8	723.7
Unrestricted cash reserves	(74.7)	(99.1)
Net debt	681.1	624.6

* Includes €200m Floating Rate Senior Secured Note translated at transaction date spot rate as currency exposure is fully hedged

Unrestricted cash is the cash and cash equivalents balance of the unregulated business and the excess distributable reserves of the regulated business over and above regulatory capital requirements.

Gross third-party debt increased by £32.1m to £755.8m (FY20: £723.7m) due to an additional private placement of £100m in July 2020 which was used to repay the drawn revolving credit facility ('RCF') of £77m, giving a net increase of £23m and the renewal of a new lease on our head office in Wimbledon. At 31 March 2021, the RCF remained undrawn.

Unrestricted cash reserves decreased by £24.4m to £74.7m (FY20: £99.1m) due to increased Solvency II Capital requirements within our Regulated businesses following the Part VII transfer of our European business to our German regulated subsidiary, DGIEU. As a result, net debt increased by £56.5m to £681.1m (FY20: £624.6m).

	FY21 £m	FY20 £m
Cash and cash equivalents at the beginning of the year	81.0	47.3
Net cash from/(used in) operating activities	35.8	(77.7)
Net cash from/(used in) investing activities	(61.9)	86.0
Net cash from financing activities	17.6	25.5
Effects of foreign exchange	(1.5)	(0.1)
Cash and cash equivalents at the end of the year	71.0	81.0
Investments	109.2	75.9
Cash and cash equivalents and investments at the end of the year	180.2	156.9

Net cash from operating activities

Net cash from operating activities of £35.8m (FY20: net cash used in operating activities £77.7m) represents an increase of £113.5m compared to the prior year. This was driven by dividend payments in FY20 of £47.2m (nil in FY21) and working capital outflows of £70.8m in FY20 (FY21: £0.5m inflow).

Net cash used in investing activities was £61.9m (FY20: net cash from investing activities of £86.0m), a decrease of £147.9m. FY20 included cash inflows from the disposal of investments in financial instruments as part of the Group's investment and cashflow strategy to increase liquidity during the COVID-19 pandemic. In addition, FY21 reflects the investment of cash into money market funds.

There was a net cash inflow from financing activities of £17.6m in FY21 (FY20: £25.5m) primarily reflecting a further refinancing of £100m in July 2020, partly offset by repayment of amounts drawn against the Revolving Credit Facility ('RCF') of £77m. The prior year reflects the completion of a refinancing in July 2019, issuing new notes due 2026/27, redemption of the previously issued notes due 2020/21 and repayment of a Parent Company loan.

As a result, the Group's cash and cash equivalents, and investments increased by £23.3m to £180.2m (FY20: £156.9m).

The Group's ability to service debt depends primarily on two separate factors:

- (a) free cash flow from the unregulated business; and
- (b) distributable earnings of the regulated business, in excess of regulatory capital requirements.

The latter of these items is subject to compliance with the applicable capital requirements in accordance with the Solvency II principles which are not reflected in the statutory cash flow.

Free cash flow

Free cash flow is presented below:

	FY21 £m	FY20 £m
Adjusted EBITDA	106.5	106.9
Less: Regulated business EBITDA	(37.7)	(42.5)
Unregulated business EBITDA	68.8	64.4
Working capital movements	(10.2)	(28.6)
Capital expenditure	(33.5)	(19.8)
Free cash flow from unregulated business	25.1	16.0
Increase in distributable earnings from regulated business	6.9	75.2
Free cash flow	32.0	91.2

Free cash flow decreased by £59.2m to £32.0m (FY20: £91.2m), reflecting an underlying cash conversion rate of 30.1% (FY20: 85.3%).

Free cashflow from our Unregulated Business increased to £25.1m (FY20: £16.0m). FY20 included working capital outflows associated with plans transferred to the Regulated Business as part of the improvements to our customer proposition. FY21 includes the benefit from actions to preserve short-term liquidity including time-to-pay arrangements with HMRC under COVID-19 support measures. The working capital benefit of these actions is expected to unwind in FY22. In FY21, capital expenditure increased as we continue to invest in our digital capability.

The increase in distributable earnings of the Regulated Business of £6.9m is lower than the prior year equivalent of £75.2m. FY20 included a one-off benefit following the approval of an Ancillary Own Funds application of £30m. FY21 has been adversely impacted by higher Solvency II capital requirements following the Part VII transfer of our International business on 31 December 2020 to our European insurance entity, DGIEU.

Capital structure and solvency

The capital and solvency position of the regulated business is presented below:

	FY21 £m	FY20 £m
Solvency II capital resources	159.1	151.2
Solvency II capital requirements	80.0	68.3
Solvency ratio	198.9%	221.3%

The Group has continued to maintain a strong regulatory capital position, with a solvency ratio in excess of our 130.0% commitment.

The underlying capital structure is kept under review to ensure these requirements are met and to maintain an efficient balance sheet.

The Group's insurance companies, DGI and DGIEU, are regulated by the UK Prudential Regulation Authority ('PRA') and the German Federal Financial Supervisory

Authority ('BaFin') respectively. The Board regularly reviews the capital position of the Group and the regulated entities under the European Solvency II directive.

As part of the Solvency II regime, the Group has implemented an Own Risk and Solvency Assessment ('ORSA') process which is used to assess the level of capital that should be retained by the Group's insurance companies.

This process considers all the risks faced by the regulated group and includes stress tests applied to financial projections by varying assumptions for future experience. The regulated group is well capitalised under the Solvency II standard model (with Undertaking Specific Parameters ('USPs')) and on the basis of their ORSAs.

The qualifying capital resources of £159.1m (FY20: £151.2m) held by the regulated Group at the year-end comfortably exceeded its capital requirements of £80.0m (FY20: £68.3m), giving a capital surplus of £79.1m (FY20: £82.9m) and a regulatory solvency ratio of 198.9% (FY20: 221.3%).

The Group's current dividend policy is to maintain eligible Own Funds at or above a target Solvency Capital Ratio of 130%. In addition, our policy also requires that due consideration is given to stress-tested liquidity requirements and forecast cash requirements, in accordance with the Group's medium term capital management plan, as well as any current, relevant PRA guidance.

J Fitzgerald
Acting Group Chief
Financial Officer

16 July 2021

CORPORATE
GOVERNANCE

Always seeking
to raise our
standards of
corporate
governance

See more on our Board of Directors
[pages 44-46](#)

CHAIRMAN'S WELCOME



The Board believes that strong, successful businesses generate value for their owners and for wider society. The Group has extensive processes in place to engage with the broad

range of stakeholders that are integral to its success. For more on our engagement with stakeholders including our Section 172(1) Statement see pages 20-21.

Once again, we are reporting in extraordinary times and I am proud of the people within our organisation who have demonstrated resilience and adaptability and to our senior leadership who have displayed exemplary leadership.

This year gave us the opportunity to see how our governance framework was effective in even the most difficult of circumstances and we are always looking to see where we can raise our standards of corporate governance. Our business activities are subject to regular scrutiny, ensuring that genuine value is delivered to our stakeholders and that our business can keep running in an ethical and responsible way.

Governance Code and Director Duties

D&G is not a listed company. However, the items highlighted in the FRC's Corporate Governance Code 2018 (the 'Code') are highly influential to the Board in its oversight of the Group. In particular, we consider the following matters carefully and monitor performance with them: company culture, workforce engagement, diversity and remuneration. This Report will highlight the measures that are in place to ensure that we comply with the spirit of the Code on these items together with guidance helpfully introduced by the Wates Corporate Governance Principles in 2018 (the 'Wates Principles') that provide further clarity on the standard of expected behaviour and transparency to which the UK's largest private companies should aspire. Details of how D&G apply the Wates Principles can be found in the Corporate Governance Statement on page 51.

Further, the Board is aware of all of its duties as set out in the Companies (Jersey) Law 1991 as well as matters set out in section 172(1)(a) to (f) of the Companies Act 2006 as applicable to the UK entities within the Group.

You can find more on how Section 172(1) considerations are embedded in decision making at Board-level on pages 20-21 and see how they are demonstrated throughout its governance framework over the following pages.

Leadership and Effectiveness

To the Board, 'Effective Leadership' is the culmination of sound and reasoned setting of corporate strategy, based on the entrepreneurial and diverse leadership experience of each Board member. Decisions are greatly influenced by interactions with D&G's management team and other colleagues, and by its financial risk appetite.

We have a fully articulated regulatory and prudential control framework. We review carefully the impact of the Group on each of our shareholders. Details of how we consider our stakeholders in key decision making can be found in the Stakeholder Engagement within our Strategic Report on pages 20-21.

Corporate framework

Domestic & General Limited ('D&G') is the statutory entity at which the operational board sits ('Board'). The Board is supported by an Audit & Risk Committee and a Remuneration Committee.

This Annual Report & Accounts is presented for Galaxy Finco Limited, a subsidiary of D&G and holding company within the Group. Galaxy Finco Limited is the largest group of companies for which the results of the Group are consolidated.

Domestic & General Insurance plc ('DGI') is the regulated operating entity within the Group and has its own Audit and Risk Committee which is chaired by Barbara Merry, an independent Non-Executive Director of that company.

Details of the membership and terms of reference of each of our committees are provided in more detail on page 50.

David Tyler
Chairman

16 July 2021



GOVERNANCE ROLES AND RESPONSIBILITIES

The role of the Board



The Board has collective responsibility for the long-term success of the Group. It sets its strategic direction and oversees the Group's performance. The Board delegates implementation of strategy and the responsibility for day-to-day operations to the Executive Committee, supported by the senior management team.

The Board recognises the importance of its role in setting the tone of the Group's culture, aligning it with our purpose, values and strategy, and embedding it throughout the Group.

In line with standard process, at the start of the year, the Chairman, the Chief Executive Officer ('CEO') and the Company Secretary agreed a programme for the year (the 'Annual Programme') which identified key dates when normal meetings of the Board and Board activity could be planned to ensure that the Board is directly involved in approving all major decisions, providing oversight and control, growing long-term shareholder value and promoting corporate governance.

Supporting the Annual Programme, the Board's routine programme included receiving and discussing regular reports from the CEO and Chief Financial Officer, monitoring financial reports and operating budgets, approving corporate reporting, monitoring risk management, receiving reports on health and safety, succession planning, investor relations, regulatory affairs, and governance and compliance.

Engaging with the workforce is fundamental to the way that D&G operates. During the year, the Board engaged with employees in a variety of ways, including holding regular Business Updates led by the Chief Executive Officer, which during the year have included virtual town halls, employee surveys and a digitally enabled two-way communications app.

Chairman

- Lead the Board
- Provide independent judgement and insight on all matters
- Monitor the contribution and performance of Board members
- Key contact for all significant stakeholders

Chief Executive Officer

- Lead the Group's performance
- Propose strategies, business plans and policies to the Board
- Lead, motivate and monitor the performance of the Company's senior management team

Independent Non-Executive Directors

- Provide independent oversight and constructively challenge the Executive Directors
- Bring independent judgement to bear on issues of strategy, performance and resources within the risk and governance structure
- As Board committee members, review the integrity of the Company's financial information, recommend appropriate succession plans and monitor Board diversity

Non-Executive Investor Directors

- Constructively challenge the Executive Directors
- Appointed by shareholders in accordance with the Investment Agreement
- Contribute in every way to the success of the Group

Company Secretary

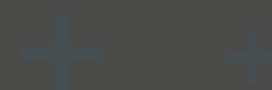
- Responsible for ensuring compliance with Board procedures
- Provide support and advice to Directors as required
- Direct access to the Chairman and to the Committee chairs

Audit & Risk Committee

- Oversight of accounting principles and their implementation
- Oversight of the effectiveness of internal controls, risk management and compliance processes
- Oversight of the effectiveness of the internal and external audit functions

Remuneration Committee

- Responsibility for determining the overall framework and policy for remuneration of the Chairman, the Independent Non-Executive Directors, the Executive Directors and senior executives of the Group



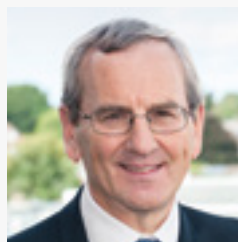
BOARD OF DIRECTORS

The Directors set out here are Directors of Domestic & General Limited.

Domestic & General Limited is the statutory entity at which the Group's operational Board sits and the parent entity of Galaxy Finco Limited, whose financial statements are presented at page 64. Barbara Merry is a director of Domestic & General Insurance plc and regularly attends Group Board meetings in such capacity. In addition, Ian Mason served as the Chief Executive Officer and a Director of the Company until his death on 26 April 2021. Following this, the Board have asked David Tyler to fulfil the role of Executive Chairman until a permanent successor can be appointed. James Davies served as the Chief Financial Officer and a Director from 26 November 2020 to 26 April 2021. Following James' departure, Joe Fitzgerald has been appointed as acting Chief Financial Officer and a Director of Domestic & General Insurance plc. Together they make up the Board.

Key Board and Committee activities

- COVID-19 pandemic response, including impact on business performance, customers, employees and the communities we operate within
- Oversight of key strategic targets and monitoring performance of the business
- Completion of the Part VII transfer of our European insurance business to Domestic & General Europe AG
- Expansion into the United States



David Tyler
Executive Chairman

Appointed
September 2015

Committee Membership
Audit & Risk (D&G, DGI)
Remuneration

Biography

David became Chairman of the Group on 24 September 2015 and was appointed Executive Chairman on 7 May 2021. David has over 45 years' experience spanning the consumer, retail, business services and financial services sectors. David is an experienced chairman having served in this role at major UK public companies including J Sainsbury plc, Hammerson plc, and Logica plc. As a Fellow of the Chartered Institute of Management Accountants and a member of the Association of Corporate Treasurers, David brings extensive financial knowledge to the Board.

External appointments

David is the Chairman of The White Company Holding Co. Limited and a Non-Executive Director of Rubix Group Holdings Limited. He is also the Co-Chair of the Parker Review, a Committee to advise on how to increase the ethnic diversity of UK Boards.



Robin Ashton
Independent Non-Executive Director

Appointed
July 2019

Committee Membership
Audit & Risk
(Chair – D&G)

Biography

Robin is a Chartered Accountant with extensive experience in retail financial services, both in the UK and internationally, with skills and experience across a broad range of areas, in particular, credit, treasury, audit and accounting. Robin served as Chair of Leeds Building Society until April 2020.

External appointments

Robin is the Senior Independent Director of Shawbrook Group plc and its subsidiary Shawbrook Bank Ltd.



Nina Bhatia
Independent Non-Executive Director

Appointed
April 2019

Committee Membership
Remuneration

Biography

Nina is currently the Executive Director, Strategy & Commercial Development at the John Lewis Partnership. Nina was previously Managing Director of Hive, a smart home business owned by Centrica. She also ran a national home services business for British Gas. Nina spent 23 years at McKinsey & Co. was elected a Partner in 1999 and served clients in multiple sectors including energy, media, healthcare and government.

External appointments

Nina is Executive Director, Strategy & Commercial Development at the John Lewis Partnership.

Note: Ian Mason served as Chief Executive Officer until 27 April 2021

James Davies, Chief Financial Officer, served on the Board of Directors of Domestic & General Limited and Domestic & General Insurance plc from 26 November 2020 to 26 April 2021

balance of skills + experience



Robin (Pev) Hooper
Non-Executive
Director

Appointed
August 2013

**Committee
Membership**
Remuneration (Chair)

Biography

Pev is a Managing Partner of CVC and co-leads their private equity activities in the UK. He was responsible for CVC Funds' prior investments in Sky Bet, Merlin Entertainments and Virgin Active, and has sat on the boards of these and other CVC Funds portfolio companies. Prior to joining CVC, Pev worked for Citigroup and Schroders in their M&A departments.

External appointments

Pev currently sits on the boards of the RAC, NewDay and Premiership Rugby as well as the corporate partnership board of the Bookmark Reading Charity.



**Jérôme Mourgue
d'Algue**
Non-Executive
Director

Appointed
November 2019

**Committee
Membership**
None

Biography

Jérôme joined ADIA in 2012 and is Head of EMEA in the Private Equity department. Prior to joining ADIA, Jérôme was a partner at Englefield Capital, a London-based private equity firm. He was a vice president at Morgan Stanley Capital Partners and worked at McKinsey & Co. and in the insurance business of AXA Group.

External appointments

Jérôme also holds directorships in the following companies: Pension Insurance Company, Athora Holding Limited and Luminor Holdings AS.



Peter Rutland
Non-Executive
Director

Appointed
August 2013

**Committee
Membership**
Audit & Risk (D&G)
Remuneration

Biography

Peter is a Managing Partner and head of CVC's private equity activities in the financial services industry, having joined them in 2007. Prior to joining CVC, he worked for Advent International and Goldman Sachs International in their Investment Banking Division.

External appointments

Peter serves on the boards of NewDay, Paysafe Group, Pension Insurance Corporation (PIC), and TMF.



David Wells
Non-Executive
Director

Appointed
September 2015

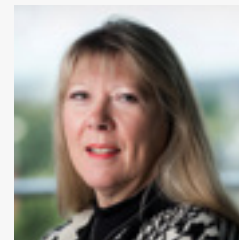
Committee Membership
Audit & Risk (D&G)
Remuneration

Biography

David is a Managing Director at CVC and joined in 2009. Prior to joining CVC, David worked for OC&C Strategy Consultants.

External appointments

David currently also serves on the board of Pro14 Rugby, and was previously involved with CVC Funds' prior investments in SkyBet, Formula 1 and Samsonite.



Barbara Merry
Non-Executive
Director of DGI – The
Group's regulated
operating entity

Appointed
September 2014

**Committee
Membership**
Audit & Risk
(Chair – DGI)

Biography

Barbara is a Chartered Accountant with a wealth of experience in the insurance industry and underwriting sector, serving for 12 years as CEO of Hardy Underwriting Group, and prior to that, as Managing Director of the Omega Group. She was also a general manager with the Corporation of Lloyds for some 14 years. Barbara has a number of charitable interests and is an active business angel investor.

External appointments

Barbara is a non-executive director with Pool Reinsurance Company Limited, Argus Group Holdings, Berkshire Hathaway International Insurance Limited, BGC European Holdings LP and is Chair of Ed Broking LLP and Globe Underwriting Limited.

EXECUTIVE COMMITTEE

The Board delegates the day-to-day operations of the business to the Executive Committee, which along with the Chief Executive Officer and Chief Financial Officer, is made up of the following key management personnel.



Mark Bridges
International Director

Mark is the International Director with responsibility for leading our International businesses across Europe, Australia, USA and new territory launches. Mark joined Domestic & General in April 2012 and progressed through a number of sales and marketing roles before taking on wider responsibility for the International business in March 2017.

Prior to joining D&G, Mark held senior roles at HomeServe and Indesit Company, as well as various other roles in the automotive industry.



Joe Fitzgerald
Chief Strategy & Commercial Officer & Acting CFO

Joe joined D&G as a graduate in November 1998 and has worked in a variety of roles across the business. He was appointed Underwriting Director in 2007, has led our Marketing, Customer Experience & Digital functions and is currently responsible for Underwriting, Data Science & Analytics, Commercial & Group Strategy. Joe was previously our acting CFO from November 2019 until November 2020 and has assumed the role again in April 2021. Joe is an associate of the Chartered Institute of Management Accountants and the Society of Actuaries.



Phil Leitch
Chief Information Officer

Phil joined D&G in July 2020 to lead the Technology and Engineering function. He was previously the Group CIO at Virgin Active.

Phil's previous roles include senior leadership positions at both Sainsbury's and Royal Mail. Prior to that Phil spent the early part of his career working in the digital agency world, building the first generation of digital services for clients in London and San Francisco.



James Peddar
Chief Digital Officer

James joined D&G in September 2010 and is responsible for the delivery of the digital transformation and growth agenda. James has worked previously in a variety of senior leadership roles across the business within client, group transformation and customer insight functions, before becoming Chief Digital Officer in January 2020.

James has worked in the industry for over 18 years and previously held roles at HomeServe and The Automobile Association.



Steve Purser
Managing Director

Steve joined in March 2008 and is responsible for UK Sales, Client Management, and our International business.

Steve previously held the Marketing Director and the Sales & Marketing Director roles. His 25-year career in the industry has included UK and international roles, including senior positions at HomeServe and Allianz insurance.



Gayle Terry
Chief Marketing Officer

Gayle joined D&G in 2014 and has held a number of senior positions, including the Marketing Director role.

Prior to joining the business, Gayle worked in several leadership roles at British Gas, where she led teams across several functional areas including Product development, Commercial, Operations and Business Transformation.



Nick Ulycz
Chief Operating Officer

Nick joined D&G in 2016 and was appointed Chief Operating Officer in 2018. Today he oversees all operational, HR and communication strategies across D&G's UK and International businesses. Prior to joining the Company, Nick spent eight years as Head of HR for HSBC UK, and was HR Director at FirstData.

Nick is a Fellow of the Chartered Institute of Personnel and Development and holds a BA Hons degree in Personnel Management from the University of Greenwich.

Note: James Davies also served on the Executive Committee from 3 August 2020 until 26 April 2021

BOARD RESPONSIBILITIES

The Board held six formally scheduled meetings during the year. The table below shows the attendance by all Directors who served during the year.

Name of Director	Maximum no. of scheduled Board Meetings Director could attend	No. of scheduled Board Meetings Director attended
Chairman		
David Tyler	6	6
Executive Directors		
Ian Mason - died 26 April 2021	6	6
James Davies – appointed 26 November 2020; resigned on 26 April 2021	3	3
Non-Executive Directors – Independent		
Robin Ashton	6	6
Nina Bhatia	6	6
Barbara Merry (DGI)	6	6
Non-Executive Directors – Investor		
Robin (Pev) Hooper	6	6
Jérôme Mourgue d'Algue	6	5
Peter Rutland	6	5
David Wells	6	5

In addition to the scheduled meetings outlined in the table, a further five shorter meetings took place throughout the period in order to consider specific, event driven, matters.

Key Activities of the Board

In making its decisions throughout the year, the Board considers the views and interests of its stakeholders as well as the need to promote the long-term success of the Company. Key stakeholder groups are defined at the start of all business initiatives and their potential interests and impacts are highlighted. An overview of our Board's key activities is provided below.

Strategy & Finance

- Approved the FY21 budget
- Considered and approved succession plans and talent strategy
- Discussed, considered and approved key projects:
 - Brexit/Part VII Insurance Policy Transfer
 - Expansion into the United States
 - Steps to prevent rogue trader activity
 - Plans for a return to office-based activity as part of a new 'hybrid ways of working'
 - Refresh of the D&G brand

Risk Management

- Received updates from the Audit & Risk Committee
- Regularly reviewed the Group's principal risks and considered emerging risks
- Increased frequency of meetings throughout the COVID-19 global pandemic crisis
- Approved Integrated Assurance Plan and risk appetite statements
- Reviewed and approved an Information Security investment programme

Governance

- Approved the Modern Slavery Statement
- Reviewed Group insurance policies
- Approved new and refreshed key policies
- Approved Audit and Risk Committee Terms of Reference
- Approved the Board Diversity Policy

Group Performance

- Reviewed monthly Finance & Trading Performance Reports and KPIs
- Received regular updates on customer metrics from the Executive Committee
- Approved year-end and interim results

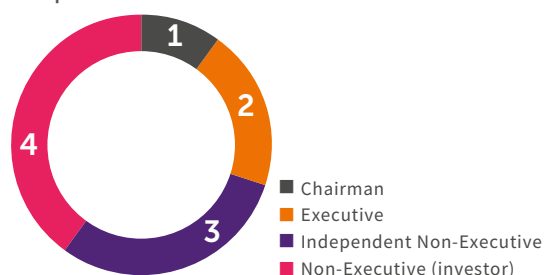
BOARD COMPOSITION

Directors' skills and experience

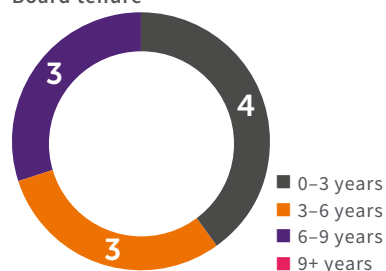
At D&G, we recognise that a balanced Board promotes effective decision-making and supports different perspectives being brought to discussion on business operations and risk strategy. The table below provides an overview of the skills and experience of our ten Directors as at 31 March 2021:

Business development	10	Listed company board experience	7
Chairmanship	5	Operational	6
Cyber risk	5	Regulatory bodies	7
eCommerce	9	Retail	5
Financial acumen	10	Risk Management	9
Financial Reporting	9	Technology	7
Governance	10	White Goods Industry	5
International Board Experience	9	Workforce Engagement	10
Investor Relations	10		

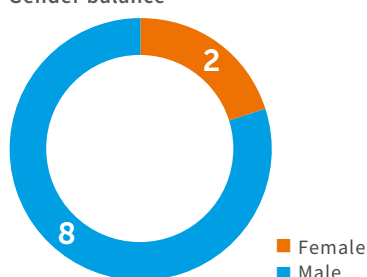
Independence



Board tenure



Gender balance



Independence

The Wates Corporate Governance Principles for Large Private Companies recommend that companies should consider the value of appointing independent non-executive directors to offer constructive challenge. At D&G, our Board comprises three Independent Non-Executive Directors (excluding the Chairman) representing 30%.

In addition to the Independent Non-Executive Directors, there are an additional four Non-Executive Directors designated by our investors; three by CVC and one by ADIA.

Conflict of interest

Procedures are in place to review and manage actual and potential conflicts. Each year, the Company Secretary undertakes an exercise whereby each Director is asked to review and update the conflict disclosures. In addition to this, each Director is aware of their duty to notify the Board should there be any material change to their positions or interests during the year. In accordance with internal policy, as well as the Company's Articles of Association, the Board may elect to authorise conflicts. In

such circumstances, members of the Board will abstain from Board discussion or decisions in relation to any matter in which they have or may have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company.

Board evaluation

Regular evaluation of the Board can help individual Directors to contribute effectively and highlight the strengths and weaknesses of the Board as a whole. The Chairman of the Company meets with the Non-Executive Directors regularly and, together with the CEO and the Secretary considers the composition of the Board whilst taking into account the wider needs of the organisation and in particular Group strategy, performance management and risk management. Whilst the Company is privately owned, the Board appreciates the value that its Non-Executive Directors add with constructive challenge. The Board also delegates specific issues to committees as highlighted on page 50. The last full Board evaluation process was conducted in 2018 and the next formal and rigorous evaluation will take place during the course of 2021.

board diversity + characteristics

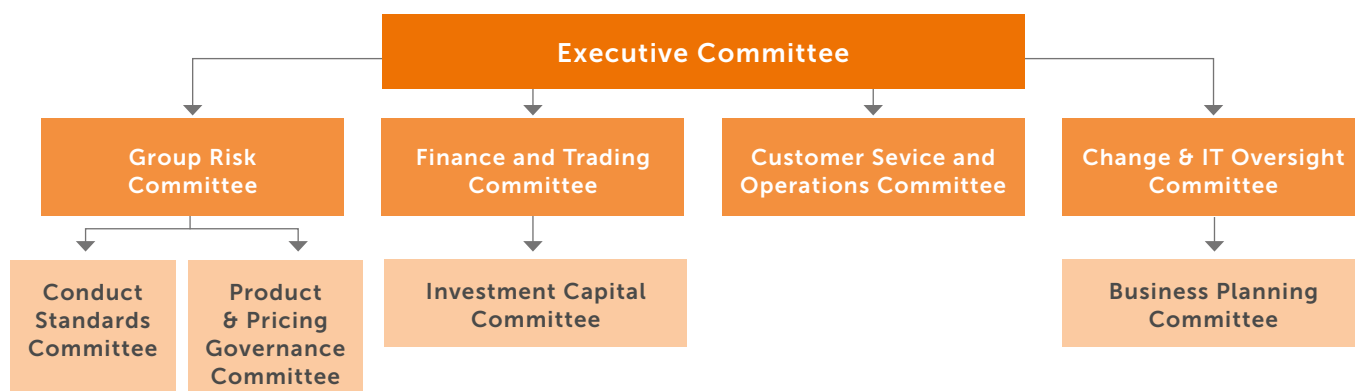
25–40	1	Asian/Asian British	1	French	1
41–55	5	White	9	British	9
56–70	4				
Age range		Ethnic group		Nationality	
None	10	France	1	PhD	1
		United Kingdom	9	Bachelor's degree	3
				Master's degree	6
Disabilities		Country of education		Level of education	

Board induction and training

The Board has in place policies for induction and on-going training. All members of the Board have access to appropriate professional development courses to support them in meeting their obligations and duties. They also receive ongoing briefings on current developments, including updates on governance and regulatory issues.

The skills matrix demonstrates where additional training may be beneficial for the Board. This will be used to form the basis of our ongoing programme of training for Directors.







CORPORATE GOVERNANCE FRAMEWORK



CORPORATE GOVERNANCE STATEMENT: 31 MARCH 2021

The Board is committed to applying the appropriate high standards of corporate governance commensurate with the Company's size and maturity. The Company has aligned its governance with best practice and is reporting against The Wates Corporate Governance Principles for Large Private Companies.

The Wates Principles and associated guidance are available on the Financial Reporting Council website at www.frc.org.uk.

Principal	Description	Page number
Purpose and leadership	An effective board which develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	 For details of our strategy in action see pages 12-19
Board composition	A biography for each Board member can be found on pages 44 and 46. Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	 For more on our Board composition see page 48
Board responsibilities	The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.	 For more on the role of the Board see pages 42-43 and 47
Opportunity and risk	A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.	 For more on Risk Management see pages 32-36
Remuneration	A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	 For more on the Remuneration Committee see page 50
Stakeholder relationships and engagement	Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	 Stakeholder relationships and engagement – for more on stakeholder engagement see pages 20-21

Approved by the Board

David Tyler
Chairman

16 July 2021

DIRECTORS' REPORT OF GALAXY FINCO LIMITED

The Directors present their Report on the affairs of the Group, together with the financial statements and Auditor's Report, for the year ended 31 March 2021. This should be read in conjunction with the Executive Chairman's Statement starting on page 4 and the Strategic Report starting on page 8.

Registered office address

27 Esplanade
St Helier
Jersey
JE1 1SG

Company number

Galaxy Finco Limited is registered in Jersey with company number 113706.

Principal activity

The principal activity of the Group is the provision of appliance care for domestic appliances and consumer electronic products to consumers.

Board of Directors

Joseph Fitzgerald

James Davies (Appointed 11 February 2021; resigned 26 April 2021)

Robin (Pev) Hooper (Resigned 11 February 2021)

Peter William James Rutland (Resigned 11 September 2020)

David William Wells (Resigned 11 February 2021)

David Tyler (Appointed 27 April 2021)

For more information on the Board of Galaxy Finco Limited see the Director biographies on pages 44-46.

Share capital

Details of share capital are to be found in note 27 to the financial statements.

Dividends

The Group did not declare a dividend in the year. In the prior year, the Group declared and paid two dividends during the year totalling £47.2m to its immediate Parent Company Galaxy Midco 2 Limited. These dividends were associated with completion of the refinancing of the Group's debt facilities in July 2019 (£22.2m), and a pre-completion dividend as part of closing the M&A transaction with ADIA in November 2020 (£25.0m).

Charitable donations

For more information on charitable donations, please see page 29 of the Strategic Report.

Political donations

Our policy is that neither the Company nor any company in the Group will make contributions in cash or kind to any political party, whether by gift or loan.

Statement of engagement with employees

The Board is proud of its engagement with its workforce and recognises this vital part of our operations. Through investing in technology infrastructure we have made D&G a better place to work for the more than 2,000 employees in our Group Operations function, which we see through increased employee engagement scores, improved tenure amongst our agents and enhanced productivity and sales performance. For more detail on how we engage with our employees see Engaging our People on pages 22-23.

Company's policy concerning employment of disabled persons

Everyone at D&G strives to behave responsibly and treat others with respect and dignity, regardless of disability. Recruitment, promotion, and training and development decisions are based on people's skills, competencies, potential and objective job-related criteria relating to job requirements and job performance. D&G recognises and implements reasonable adjustments to support employees with a disability to contribute to their full capacity.

Everyone in the workplace is protected against unlawful disability discrimination, including job applicants. Disciplinary action, up to and including dismissal, may be taken against an employee who acts in a discriminatory way, or in any other way which goes against our policies.

Streamlined Energy and Carbon Reporting

For information on Streamlined Energy and Carbon Reporting, please see page 30 of the Strategic Report.

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers by agreeing the terms of each transaction, ensuring the suppliers are made aware of the terms of payment and abiding by the terms of the payment. Payables of the Group for FY21 were equivalent to 23 days' purchases (FY20: 25 days), based on the average daily amount invoiced by suppliers during the period.

Directors and officers insurance, and Directors' indemnities

The Company has purchased, and maintained throughout the period, Directors and officers liability insurance in respect of the Company and its Directors. The Directors are also entitled under the Articles of Association to be indemnified by the Company against costs, charges, losses, expenses and liability incurred in the discharge of their duties, unless prohibited by statute.

Going concern

The Group's business activities and strategy, including a review of future plans, are included in the Strategic Report on pages 8-19. The Financial Review on pages 37-39 includes details of the Group's financial position as well as details of the Group's loans and borrowings, cash flow and liquidity.

The Group is exposed to financial risk through its financial assets and financial liabilities and, to a limited extent, its insurance contracts. The Group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Group; this is discussed in note 33 to the financial statements.

Details of the Group's loans and borrowings are given in note 25 to the financial statements. The regulated business also continues to meet its capital requirements and has a capital management process in place as discussed in note 34 to the financial statements.

In order to assess the appropriateness of the going concern basis of accounting, particularly given the uncertainty created by COVID-19, the Directors have considered the key factors in the business that could have an impact on trading and whether an adverse change in these could affect the Group's ability to meet its liabilities as they fall due.

The evolving COVID-19 pandemic has caused significant disruption to the economy and financial markets globally, and the full extent of the potential impacts of COVID-19 remain unknown. Overall, COVID-19 has not had a material impact on the trading performance of the Group, with stable performance seen throughout the lockdowns and resilient cash flow performance demonstrating the strength of our business model. All staff continue to work from home with minimal disruption to the day-to-day operations of the Group.

The Directors have prepared base case cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that the Group and the Company will be able to operate with adequate levels of both liquidity and capital over that period.

The Directors have also considered a severe but plausible downside scenario which incorporates the increased potential for reductions in sales, increases in cancellation rates and a deterioration in the gross loss ratio which may arise if a further lockdowns were to occur. This scenario, which makes assumptions that are more severe than the outcomes experienced under the first lockdown, indicates that the Group and the Company will be able to operate with adequate

levels of both liquidity and capital for a period of at least 12 months from the date of approval of these financial statements.

After performing this assessment, the Directors have a reasonable expectation that the Group and the Company have adequate resources to meet their debt obligations and continue their operations for a period of at least 12 months from the date of approval of these financial statements. No material uncertainties that may cast significant doubt on the ability of the Group to continue as a going concern have been identified. The Directors therefore consider it appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements for the year ended 31 March 2021.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Certain risk information about the use of financial instruments

Details have been provided in notes 18 and 33 to the financial statements.

Auditor

The EU Statutory Audit Regulation and Directive requires all Public Interest Entities to conduct an audit tender at least every ten years and rotate auditor after at least 20 years. DGI, a subsidiary of the D&G Group, is classified as a Public Interest Entity as a result of it acting as an insurance entity.

In 2019, D&G completed an audit tender process and the Audit & Risk Committee recommended to the Board that Deloitte should be appointed as the auditor of the Company. The Board resolved to approve the appointment of Deloitte LLP on 7 December 2020.

Statement of engagement with suppliers

For more information as to how the UK Registered entities within the Group comply with Sch 7.11(1)(b) the Companies (Miscellaneous Reporting) Regulations 2018, see the Strategic Report, specifically Stakeholder Engagement on pages 20-21, Our Partners on pages 26-27 and our supplier payment policy on page 52. ►

DIRECTORS' REPORT OF GALAXY FINCO LIMITED CONTINUED

Non-Financial Information Statement

This non-financial information statement highlights information necessary for an understanding of the Company's development, performance, position and impact of its activity, information relating to environmental, employee, social, respect for human

rights, anti-corruption and anti-bribery matters. Where possible, the following table states where additional information can be found that supports the requirements of sections 414CA and 414CB of the Companies Act 2006.

Reporting requirement	Relevant policies/procedures	Where in report
Business model		Pages 10-11
Risk Management	Risk Management Framework, Financial Crime Framework, Data Privacy Policy, Whistleblowing Policy, Operational Risk, Conduct Risk, Anti-Bribery & Prevention, Fraud	Pages 32-36
Non-financial KPIs		Pages 1 and 3
Employee engagement	Employee Handbook	Pages 20-23
Human rights	Modern Slavery Statement, Diversity & Inclusion Policy, Business Ethics and Standards Policy	Pages 20-21
Social and Environmental Matters	Business Ethics and Standards Policy, Tax Strategy Statement	Pages 20-21 and 28-30

By order of the Board

David Tyler

Director

16 July 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under Companies (Jersey) Law 1991 the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

REPORT ON THE AUDIT OF
THE FINANCIAL STATEMENTS

Independent auditor's report to the members of Galaxy Finco Limited

See also Financial Statements
on [page 64](#)

Report on the audit of the Financial Statements

1. Opinion

In our opinion the financial statements of Galaxy Finco Limited (the 'Group'):

- give a true and fair view of the state of the Group's affairs as at 31 March 2021 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, International Financial Reporting Standards ('IFRSs') as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ('IASB'); and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated balance sheets;
- the consolidated statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 34

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none"> • Valuation of goodwill; • Valuation of deferred income
Materiality	The materiality that we used for the Group financial statements was £6.9m which was determined on the basis of total revenue for the year.
Scoping	The scope of our audit included 2 components subject to full scope audits and a further 5 subject to the audit of specified account balances. These entities represent 98% of Group revenue and 93% of Group total assets.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- assessing financing facilities including nature of facilities, the availability of undrawn funds and repayment terms
- challenging the reasonableness of the profit forecasts used by the management by assessing historic forecast accuracy and the future growth rates of the different segments;
- evaluating the Group's current-year performance and year end liquidity and solvency capital position of its regulated subsidiaries; and
- we assessed financial statements disclosures in respect of going concern for transparency and inclusion of all facts and circumstances of which we are aware through the performance of the audit work.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GALAXY FINCO LIMITED CONTINUED

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of goodwill

Key audit matter description	<p>The goodwill was acquired through a business combination resulting from the acquisition on 19 December 2013 by Galaxy Bidco Limited. Goodwill amounted to £278.5m (2020: £278.5m) as at year end. Determining whether goodwill is impaired requires an estimation of the recoverable amount of each cash generating unit (CGU), using the higher of value in use (VIU) and fair value less cost to sell. The estimated recoverable amount is subjective and calculated using a valuation model underpinned by key assumptions including forecast cashflows, discount rates, long term growth rates with having consideration for the impact of the COVID-19 pandemic. There is a risk that the assumptions used are overly optimistic.</p> <p>The VIU amount is subjective and calculated using an impairment model underpinned by key assumptions including forecast cash flows, discount rates and long-term growth rates.</p> <p>Management use a VIU approach to assess the recoverable value of CGUs, having assessed it to be a greater than fair value less cost to sell. The VIU amount is subjective and calculated using the assumptions noted above. A headroom calculation is performed as the amount of calculated VIU above the carrying value of the CGUs. CGU with less headroom is at a greater risk of impairment where the impairment model is sensitive to key assumptions. Based on an annual exercise to test goodwill for impairment, management did not identify any impairment on the carrying value of goodwill.</p> <p>Refer to note 4 to the financial statements (Critical estimates and judgements) and to note 14 (Goodwill and intangible assets).</p>
How the scope of our audit responded to the key audit matter	<p>We have gained an understanding of management's process for performing the annual impairment test and obtained an understanding of relevant controls.</p> <p>In addition, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • We challenged the assumptions used in the annual impairment review, in particular long term growth rates applied to each of the CGU, taking into account the impact of COVID-19 by comparing to independent evidence; • We tested the accuracy of management's impairment model through recalculation; • We compared the forecast information used in the assessment to information reviewed and approved at Board level; • We reviewed the related disclosures for goodwill against the requirements of IAS 36; • We performed an assessment of actual current period cashflows against prior period forecast; and • We involved our valuation specialists to assess and challenge the discount rate used by management by considering broader market and industry factors.
Key observations	<p>We consider the key assumptions including discount rates and growth rates are within reasonable range.</p>

5.2. Valuation of deferred income

Key audit matter description	<p>During the year ended 31 March 2021 we identified a risk of fraud in revenue recognition, in relation to application of the earning profiles used to determine the level of earnings for the period which ultimately drives both revenue recognition as well as deferred income. The earned premium for the UK business prior to manual adjustments amounted to £441.6m and deferred income amounted to £834.6m (2020: £776.1m).</p> <p>Management applies an earning profile on each of its products. The earning profile is different product to product. The selection and setting of the earning profile is considered a significant judgement. The application of the profiles is performed by the underwriting system which implements certain automated controls.</p> <p>Our work on this significant risk has been focused on multi-year and other non-linear policies which make up £35.4m of the total earned premium for the year. We also consider the appropriateness of the related disclosures in the notes to the financial statements.</p> <p>Refer to Note 3 to the financial statements (Accounting policies), Note 4 (Critical estimates and judgements) and Note 5 (Segmental analysis).</p>
How the scope of our audit responded to the key audit matter	<p>We have gained an understanding of management's process for recording revenue across the Group's components and obtained an understanding of relevant controls.</p> <p>In addition, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • We reviewed the annual analysis of earning profiles carried out by management and challenged key assumptions and judgements applied. In particular we focussed on appropriateness of earning profiles by comparing historical claims experience and underwriting risk patterns; • We tested the automated IT control restricting the access over modifying earnings profiles within the policy system to limited users; • We have performed recalculation of earned premium for policies on sample basis; • We have sample tested the premium and claims data back to supporting documents for accuracy and completeness, both for underwriting system data and for material policies maintained outside underwriting system; and • We reviewed disclosures to evaluate compliance with the requirements of IFRS 4: Insurance contracts and IFRS 15: Revenue recognition.
Key observations	<p>We concluded that the current application of earnings profiles used to recognise income are reasonable.</p>

6. Our application of materiality

6.1. Materiality

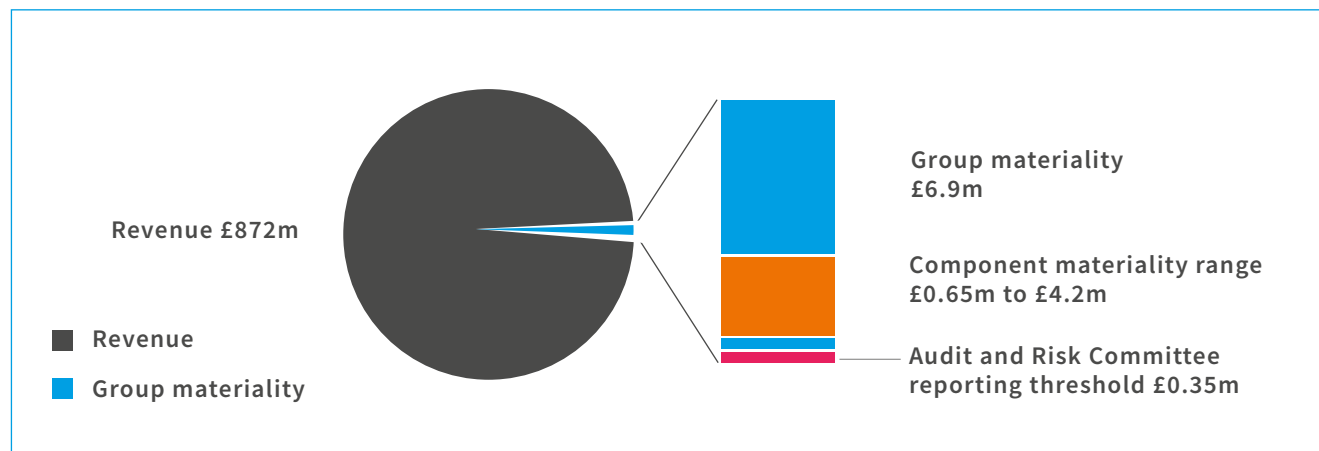
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

GROUP FINANCIAL STATEMENTS

Materiality	£6.9m (2020: £6.6m)
Basis for determining materiality	0.8% of reported total revenue.
Rationale for the benchmark applied	Total revenue was determined to be the key driver behind the performance of the Group going forward and is therefore of key interest to the shareholders.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GALAXY FINCO LIMITED CONTINUED



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 65% of Group materiality for the 2021 audit. In determining performance materiality, we have considered the following factors:

- a. our risk assessment including our assessment of the Group's overall control environment, we did not consider it appropriate to rely on controls; and
- b. this being our first year of audit.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £385k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

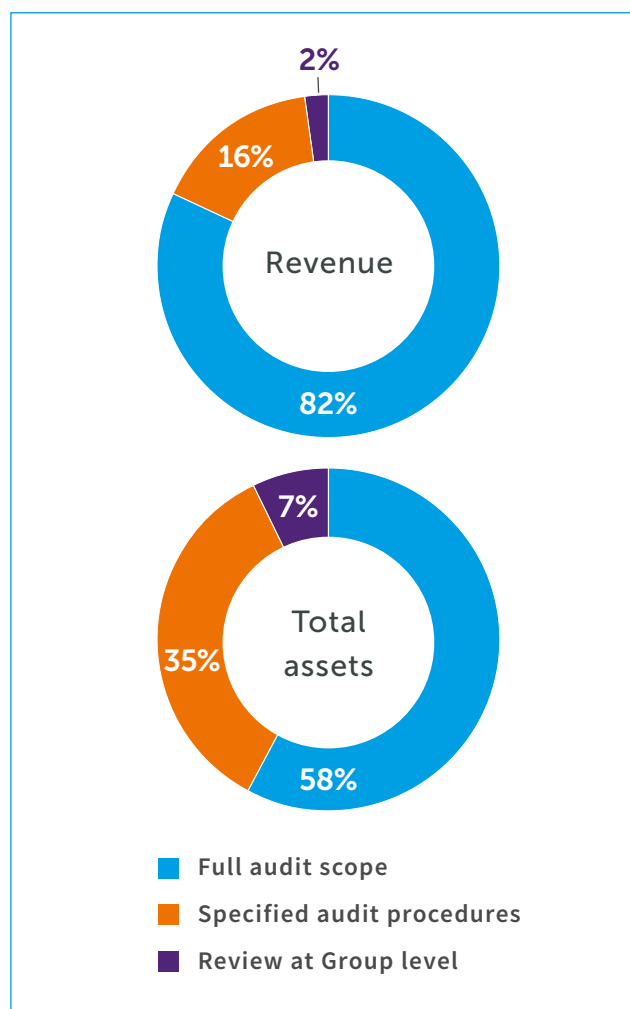
7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Given the number of components and operating locations within the Group including UK, continental Europe (Germany, Spain, Italy and Portugal), Australia and New Zealand, we assessed the extent of audit work required to be performed for each component in order to gather sufficient audit evidence to reduce the risk of material misstatement and to give appropriate coverage for the purposes of the Group financial statement audit. Our approach considered revenue contribution to the Group as primary measure of financial significance and scope. Coverage obtained on this basis was 98% of revenue and 93% of total assets. Materiality is set for each significant component in line with the component's proportion of the chosen benchmark. This is capped at the lower of 60% of Group materiality and the component materiality determined for a standalone audit. Components materialities for entities within the scope of our Group audit ranged from £0.65m to £4.2m.

Of the Group's 36 reporting components, we subjected two to full scope audits for Group purposes and five were subjected to an audit of certain account balances, classes of transactions or disclosures. Domestic & General Services Limited and Domestic & General Insurance plc are the two components subject to full scope audits. The holding companies Galaxy Finco Limited and Galaxy Bidco Limited were subject to audit of certain account balances based on materiality. three additional International components – Germany, Spain and Portugal were also subject to audit of certain account balances. Those subjected to an audit of certain account balances, classes of transactions or disclosures are not individually financially significant enough to require full scope audit of the financial information of the component for Group purposes but did represent specific areas of risk which needed to be addressed.

At the group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to full audit.



7.2. Working with other auditors

Work on three international components, Germany, Spain and Portugal, was undertaken by a Deloitte overseas component audit team. The other four components DGI, DGS, Bidco and Finco were audited by the UK Group audit team. We directed and supervised the component team in the performance of their work through providing detailed instructions setting out the work to be performed, having regular conference calls with the team throughout the audit and by performing a review of their audit working papers over a video conference.

8. Other information

The other information comprises the information included in the Annual Report & Accounts, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report & Accounts.

Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GALAXY FINCO LIMITED CONTINUED

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas identified as key audit matters: the valuation of goodwill and the valuation of deferred income. In common with all audits under ISAs (UK), we are also required to

perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK and Jersey Companies Act tax legislation etc.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of goodwill and valuation of deferred income as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA'); and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

12. Matters on which we are required to report by exception

12.1. Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the Group financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13. Use of our report

This report is made solely to the Group's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's 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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Addis

For and on behalf of Deloitte LLP
London, United Kingdom

16 July 2021

FOR THE YEAR ENDED
31 MARCH 2021

Financial Statements

For information on the Report of
the Independent Auditor see [page 56](#)

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2021

	Note	Year ended 31 March 2021 £m	Restated* year ended 31 March 2020 £m
Revenue	6	872.4	830.8
Operating costs			
– Other operating costs	9	(780.4)	(729.1)
– Depreciation and amortisation	9	(41.4)	(42.8)
– Impairment gain/(loss) on financial assets	9	0.1	(2.8)
Operating profit		50.7	56.1
Net investment (expense)/income	7	(0.5)	0.1
Finance costs	8	(56.1)	(53.9)
Profit/(loss) before taxation	9	(5.9)	2.3
Tax	12	(5.7)	(0.3)
Profit/(loss) for the year		(11.6)	2.0

*Refer to note 2B for further details.

The total (loss)/profit for the year is attributable to the equity shareholders of the Group.

All business above is from continuing operations.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	Year ended 31 March 2021 £m	Restated* year ended 31 March 2020 £m
Profit/(loss) for the year		(11.6)	2.0
Revaluation for the year		3.9	–
Tax on revaluation		(0.5)	–
Currency translation differences		(1.5)	(0.7)
Changes in fair value of investments through OCI		–	(0.2)
Effective portion of changes in fair value of cash flow hedges – hedging reserves		(2.0)	(0.4)
Total comprehensive (loss)/profit for the year	27	(11.7)	0.7

*Refer to note 2B for further details.

The total comprehensive (loss)/profit for the year is attributable to the equity shareholders of the Group.

All components of other comprehensive loss may be subsequently reclassified to profit or loss.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2021

	Note	31 March 2021 £m	Restated* 31 March 2020 £m	1 April 2019 £m
Assets				
Goodwill and intangible assets	14	472.4	482.9	499.0
Property, plant and equipment	13	28.6	21.7	20.6
Non-current assets held for sale	13	7.3	-	-
Deferred acquisition costs	15	258.5	250.9	243.1
Financial investments	17	109.2	75.9	126.4
- at amortised cost		-	0.2	2.0
- at fair value through other comprehensive income		-	12.5	97.3
- at fair value through profit and loss		109.2	63.2	27.1
Deferred tax assets	16	9.6	8.7	6.7
Trade and other receivables	21	776.2	699.9	592.5
Current tax asset		-	7.8	-
Cash and cash equivalents	22	71.0	81.0	47.3
Total assets		1,732.8	1,628.8	1,535.6
Liabilities				
Loans and borrowings	25	798.5	767.8	668.3
Deferred tax liabilities	16	25.8	29.6	32.0
Deferred income	23	834.6	776.1	716.5
Claims and repair costs provision	24	30.9	28.9	26.3
Current tax liability		1.8	-	1.5
Derivative financial instruments	18	12.3	5.6	-
Trade and other payables	26	196.6	176.8	200.5
Total liabilities		1,900.5	1,784.8	1,645.1
Equity				
Share capital		89.9	89.9	89.9
Other reserves		(1.2)	(1.1)	0.2
Accumulated loss		(256.4)	(244.8)	(199.6)
Total equity	27	(167.7)	(156.0)	(109.5)
Total equity and liabilities		1,732.8	1,628.8	1,535.6

*Refer to note 2B for further details.

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 16 July 2021 and were signed on its behalf by:

J Fitzgerald

Acting Group Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 31 March 2021

	Ordinary share capital £m	Share premium £m	Hedging reserves £m	Other reserves £m	Revaluation reserves £m	Accumulated loss £m	Total equity £m
Other comprehensive loss for the year							
At 1 April 2020	0.9	89.0	(0.4)	(0.7)	–	(244.8)	(156.0)
Profit/(loss) for the year	–	–	–	–	–	(11.6)	(11.6)
Revaluation for the year	–	–	–	–	3.9	–	3.9
Tax on revaluation	–	–	–	–	(0.5)	–	(0.5)
Dividends paid	–	–	–	–	–	–	–
Other comprehensive loss for the year	–	–	(2.0)	(1.5)	–	–	(3.5)
Balance as at 31 March 2021	0.9	89.0	(2.4)	(2.2)	3.4	(256.4)	(167.7)

	Ordinary share capital £m	Share premium £m	Hedging reserves £m	Other Reserves £m	Revaluation reserves £m	Accumulated loss £m	Total equity £m
As previously stated at 1 April 2019	0.9	89.0	–	0.2	–	(204.6)	(114.5)
Adjustment	–	–	–	–	–	5.0	5.0
Restated at 1 April 2019*	0.9	89.0	–	0.2	–	(199.6)	(109.5)
Profit/(loss) for the year - restated	–	–	–	–	–	2.0	2.0
Dividends paid	–	–	–	–	–	(47.2)	(47.2)
Other comprehensive loss for the year	–	–	(0.4)	(0.9)	–	–	(1.3)
Balance as at 31 March 2020	0.9	89.0	(0.4)	(0.7)	–	(244.8)	(156.0)

*Refer to note 2B for further details.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2021

	Note	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Profit/(loss) before taxation		(5.9)	2.3
Adjustments for:			
Depreciation of owned property, plant and equipment	13	3.8	3.1
Depreciation of leased property, plant and equipment	20	2.8	5.4
Amortisation of software	14	13.2	11.1
Amortisation of acquired intangible assets	14	21.6	23.2
Revaluation of land and buildings	9	(0.3)	–
Finance costs	8	56.1	53.9
Investment (income)/expense	7	0.5	(0.1)
Impairment (gain)/loss on financial assets	9	(0.1)	2.8
		91.7	101.7
Changes in working capital			
Increase in deferred acquisition costs		(11.6)	(5.3)
Increase in trade and other receivables		(79.3)	(106.1)
Increase in deferred income		62.6	57.7
Increase in claims and repair costs provision		2.3	2.4
Increase/(decrease) in trade and other payables		26.5	(19.5)
Cash flows from operating activities		92.2	30.9
Interest paid		(52.4)	(47.0)
Income taxes paid		(4.0)	(14.5)
Dividends paid	31	–	(47.2)
Net cash from/(used in) operating activities		35.8	(77.7)
Cash flows from investing activities			
Increase in property, plant and equipment		(6.9)	(5.0)
Acquisition of software		(24.3)	(18.2)
Withdrawal from credit institutions		0.2	1.8
(Deposit with)/withdrawal from money market funds		(42.6)	19.7
Disposal of financial instrument investments		11.7	87.7
Net cash from/(used in) investing activities		(61.9)	86.0
Cash flows from financing activities			
Redemption of Loan Notes		–	(475.1)
Net proceeds from debt issuances and repayment of facilities	25	23.5	690.9
Repayment of lease liability	20 iv)	(4.5)	(3.5)
Amounts paid to related parties		(1.4)	(186.8)
Net cash from financing activities		17.6	25.5
Net increase/(decrease) in cash and cash equivalents		(8.5)	33.8
Effects of exchange rates		(1.5)	(0.1)
Cash and cash equivalents at beginning of the year		81.0	47.3
Cash and cash equivalents at the end of the year	22	71.0	81.0

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Galaxy Finco Limited (the 'Company') is a private company incorporated in Jersey and the Company's registered office address is 27 Esplanade, St Helier, Jersey JE1 1SG. These consolidated financial statements for the year ended 31 March 2021 comprise the Company and its subsidiaries (together referred to as the 'Group'). The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

2. Basis for preparation and prior period restatements and presentation changes

A. Basis for preparation

The Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies (Jersey) Law, International Financial Reporting Standards ('IFRSs') as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ('IASB').

The financial statements are presented in pounds Sterling and are rounded to the nearest one hundred thousand pounds. They are prepared on the historical cost basis except for certain financial instruments which are held at fair value through profit or loss and financial instruments and freehold buildings which are held at fair value through other comprehensive income (unless this is a reversal of a previous loss reported through the income statement).

In order to assess the appropriateness of the going concern basis of accounting, particularly given the uncertainty created by COVID-19, the Directors have considered the key factors in the business that could have an impact on trading and whether an adverse change in these could affect the Group's ability to meet its liabilities as they fall due.

The evolving COVID-19 pandemic has caused significant disruption to the economy and financial markets globally, and the full extent of the potential impacts of COVID-19 remain unknown. Overall, COVID-19 has not had a material impact on the trading performance of the Group, with stable performance seen throughout the lockdowns and resilient cash flow performance demonstrating the strength of our business model. All staff continue to work from home with minimal disruption to the day-to-day operations of the Group. The Directors have prepared base case cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that the Group and the Company will be able to operate with adequate levels of both liquidity and capital over that period.

The Directors have also considered a severe but plausible downside scenario which incorporates the increased potential for reductions in sales, a deterioration in the gross loss ratio and increases in cancellation rates which may arise if further lockdowns were to occur. This scenario, which makes assumptions that are more severe than the outcomes experienced under the first lockdown, indicates that the Group and the Company will be able to operate with adequate levels of both liquidity and capital for a period of at least 12 months from the date of approval of these financial statements.

After performing this assessment, the Directors have a reasonable expectation that the Group and the Company have adequate resources to meet their debt obligations and continue their operations for a period of at least 12 months from the date of approval of these financial statements. No material uncertainties that may cast significant doubt on the ability of the Group to continue as a going concern have been identified. The Directors therefore consider it appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements for the year ended 31 March 2021.

Standards adopted during the year ended 31 March 2021

The Group has adopted the following new amendments to IFRSs and International Accounting Standards ('IASs') that became mandatorily effective for the Group for the first time in the financial year. The amendments have been issued and endorsed by the EU and do not have a significant impact on the Group's consolidated financial statements.

- Amendments to References to the Conceptual Framework in IFRS Standards (published by the IASB in March 2018)
- Amendment to IFRS 3 Business Combinations (published by the IASB in October 2018)
- Amendment to IAS 1 and IAS 8: Definition of material (published by the IASB in October 2018)

New, amended and revised statements and Interpretations

The following new standards and amendments to existing standards have been issued, are not yet effective for the Group and have not been adopted early by the Group:

IFRS 17 Insurance Contracts effective for periods beginning on or after 1 January 2023

IFRS 17 was issued by the IASB in May 2017 to replace IFRS 4 'Insurance Contracts' and is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. IFRS 17 is a comprehensive new accounting standard for all insurance contracts covering recognition and measurement, presentation and disclosure.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers and to replace the requirements of IFRS 4 that allowed insurers to apply grandfathering of previous local accounting policies.

The core of IFRS 17 is the general model, supplemented by an optional simplified premium allocation approach which is permitted for the liability relating to remaining coverage for short-duration contracts. An initial assessment of the impact of IFRS 17 on the Group's financial statements has been completed and work has now started on the design that will provide the foundation for reporting under IFRS 17 from 1 January 2023. As the standard was not endorsed by the EU before 31 December 2020, it will instead require endorsement by the UK Endorsement Board (UKEB).

Other amendments

The following new standards and amendments to existing standards have been issued, are not effective for the current reporting period and are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 16 Leases: COVID-19 related rent concessions - published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 30 June 2020 and have been endorsed by the EU.
- Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - published by the IASB in August 2020. The amendments are effective for annual reporting beginning on or after 1 January 2021 and have not yet been endorsed by the EU.
- Amendments to IAS 16, 'Property, Plant and Equipment: Proceeds before intended use' issued in May 2020 and effective from 1 January 2022.
- Amendments to IAS 37 'Onerous contracts – Cost of fulfilling a contract' issued in May 2020 and effective from 1 January 2022.
- Amendments to IAS 1 'Classification of liabilities as current or non-current' issued in January 2020 and effective from 1 January 2023.

B. Prior period restatements and presentation changes

The Group should have recognised a deferred tax asset as per IAS 12 in its consolidated financial statements in relation to interest that is subject to interest restriction tax regulations. A deferred tax asset is recognised on the basis that future taxable profits will arise in the consolidated financial statements as a result of the unwind of the deferred tax liability that was already included in those financial statements in relation to intangible assets recognised on a business combination. The adjustment increases deferred tax assets and decreases retained losses in the statement of financial position by £8.3m as at 31 March 2020 (1 April 2019: £5m), and it decreases the tax charge in the income statement for the year ended 31 March 2020 by £3.3m to £0.3m. Refer to notes 12 and 16 for the restated comparative figures.

The presentation of the Income Statement has been refined to show the total depreciation and amortisation charge for the year separately. Previously, only the amortisation charge on acquired intangibles was separately disclosed in the Income Statement. There is no impact on operating profit or total comprehensive (loss)/profit for the year.

Refer to notes 9, 11, 15, 21 and 23 where comparative figures for the 2020 financial year have also been restated for corrections.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Accounting policies

A. Basis of consolidation

The consolidated financial statements include the results of the Company and its subsidiaries. Subsidiaries are those entities in which the investor has control and is exposed or has rights to variable returns from its involvement.

Control exists when the Group has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In preparing the consolidated financial statements, all intercompany transactions, balances, income and expenses between Group entities are eliminated on consolidation.

B. Sales, revenue and deferred income

Sales consist of amounts invoiced in respect of appliance care service plans, gross premium income in respect of insurance business, commissions receivable and sales invoiced in respect of other support services, net of cancellations and exclude insurance premium tax, VAT, or equivalent local taxes as applicable.

Deferred income on appliance care service plans and insurance business comprises the deferral of revenue to cover the service or other obligation under the contract as the period of unexpired risk 'earns' accordingly and is computed separately for each contract. The provision is calculated on the 24ths basis for contracts up to one year. For contracts in excess of one year, the time apportionment basis is suitably modified so that the revenue recognition pattern matches the risk profile.

For contracts of an indeterminate length, an expectation of average policy term based on historical and ongoing experience is used to determine a suitable recognition pattern and revenue is recognised on a straight-line basis over that period.

Revenue represents the amounts recognised in the current year relating to appliance care service plans and insurance business, net of cancellations, in accordance with the earnings patterns described above. These contracts meet the definition of an insurance contract under IFRS 4: Insurance Contracts and are accounted for under this standard. Revenue recognition commences when cover starts for appliance care service plans. For boiler service fees, these are accounted for on completion of a boiler service in line with IFRS 15: Revenue Recognition.

C. Acquisition costs

Acquisition costs comprise commission and other expenses incurred on acquiring service plan and insurance business.

Deferred acquisition costs represent the proportion of acquisition costs incurred that corresponds to the proportion of sales which have not been recognised as revenue at the balance sheet date. Acquisition costs are charged to the income statement in line with the earnings profiles of the related plans and policies.

D. Finance costs

Finance costs comprise the interest expense on loans and borrowings and deferred financing costs which are calculated using the effective interest rate method.

E. Employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

F. Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case the applicable taxation on that item is also recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxation payable in previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future, and where the Group has control of the timing of any disposal. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. In accordance with the requirements of IAS 12, since the customer and OEM relationships are amortised and give rise to temporary differences, deferred tax is recognised as appropriate.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

G. Provisions

The claims and repair costs provision comprises provisions for the estimated costs of paying all claims and repairs incurred up to but not paid at the balance sheet date, whether reported or not, together with related claims and repairs handling expenses. Estimation techniques and assumptions are periodically reviewed with any changes in estimates reflected in the income statement as they occur.

Provision is also made, where necessary, when the expected value of claims, repairs and administrative expenses attributable to the unexpired periods of service plans and policies in force at the balance sheet date exceeds the provision for deferred income in relation to such service plans and policies after deduction of deferred acquisition costs. Any provision is calculated separately for each category of business but surpluses and deficits between categories that are managed together are offset and disclosed as an unexpired risk reserve if in respect of insurance.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable, or the amount cannot be reasonably estimated.

H. Investments and other financial assets

i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three categories which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in investment income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the income statement.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in profit or loss as investment income when the Group's right to receive payment is established.

Changes in the fair value of financial assets at FVTPL are recognised in the income statement.

iv) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group measures loss allowances at an amount equal to lifetime Expected Credit Loss (ECL), except in the following cases, for which the amount recognised is 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

Lifetime ECL is the ECL that results from all possible default events over the expected life of a financial instrument, whereas 12-month ECL is the portion of ECL that results from default events that are possible within the 12 months after reporting date.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses and is measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and cash flows that the Group expects to receive; and
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets measured at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of loss allowances in the balance sheet

Loss allowances for ECL are presented as follows:

- financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets; and
- debt investments measured at FVOCI: the loss allowance is recognised in OCI and does not reduce the carrying amount of the financial asset in the balance sheet.

Write off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities, in order to comply with the Group's procedures for recovery of amounts due.

I. Financial liabilities

i) Classification

The Group classifies its financial liabilities, into one of the following categories:

- financial liabilities at FVTPL, and within this category as:
 - held-for-trading;
 - derivative hedging instruments; or
 - designated as at FVTPL; and
- financial liabilities at amortised cost.

ii) Recognition and derecognition

The Group recognises loans and borrowings on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

The Group generally derecognises a financial liability when its contractual obligations expire or are discharged or cancelled. The Group also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the income statement.

If a financial liability measured at amortised cost is modified but not substantially, then it is not derecognised.

iii) Measurement

A financial liability is initially measured at fair value plus, for a financial liability not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial liabilities at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest expenses and foreign exchange gains and losses, are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments.

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

J. Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserves. Any ineffective portion of the hedge is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are recycled into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

K. Property, plant and equipment

Items of plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful economic lives of each item of plant and equipment.

The estimated useful economic lives are as follows:

Computer equipment	3 – 4 years
Motor vehicles	4 years
Fixtures, fittings and equipment	4 – 7 years

Properties are held at open market value, as determined by independent professionally qualified valuers. These valuations are undertaken every three years to ensure that the carrying amount at the end of a reporting period does not differ materially from its fair value. In the intervening years, these valuations are reviewed by the Directors and are adjusted if the fair value differs materially from its carrying amount.

A revaluation surplus is credited directly to equity under the heading of revaluation reserve, unless it reverses a revaluation decrease on the same asset previously recognised as an expense, then it is credited to the income statement to that extent. Revaluation decreases are charged against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same asset. Any balance on the revaluation decrease is then recognised as an expense in the income statement. Revaluation surpluses are transferred to retained earnings on disposal of the asset.

The gain or loss arising on disposal of assets is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement. The useful economic lives and residual values of plant and equipment are reassessed annually.

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If such an indication exists, the asset's recoverable amount is estimated, and where this falls below carrying value, an impairment is booked.

L. Intangible assets

i) Goodwill

Goodwill arises on the acquisition of subsidiaries and when the acquisition method of accounting for business combinations is applied. Goodwill represents the excess of the consideration transferred over the Group's interest in the net fair values of the net identifiable assets.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units ('CGUs') and the Group regularly monitors the development of the profile of cash inflows in the CGUs to evaluate whether there has been a change in composition on a sustained basis for these CGUs. Goodwill is tested annually for impairment.

ii) Intangible assets acquired in a business combination

Business combinations are reviewed to identify any additional assets that meet the definition prescribed by IAS 38 Intangible Assets. An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset controlled will flow to the entity; and the cost of the asset can be measured reliably.

Specifically, any value identified in customer and client relationships is capitalised as an intangible asset. The fair value of customer and client relationships is determined on the basis of the present value of expected future cash flows. Intangible assets acquired in a business combination are subsequently stated at cost less accumulated amortisation and impairment losses.

iii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

iv) Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed when incurred.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

v) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date they are available for use. Goodwill is not subject to amortisation.

The estimated useful lives are as follows:

Software costs and licences	4 – 10 years
Customer relationships and other	3 – 7 years
Original equipment manufacturer ('OEM') relationships	15 years

vi) Impairment

Goodwill is tested for impairment annually even if no indication of impairment exists.

An impairment loss is recognised in the income statement if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

M. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and term deposits with an original term date of less than three months.

N. Foreign currencies

i) Foreign operations

The results of overseas branches and subsidiaries are translated into the Group's presentation currency, Sterling, at the average rate of exchange during the year. Assets and liabilities of overseas branches and subsidiaries are translated at the year-end exchange rate. Foreign exchange differences arising on the translation of the results and balance sheets are recognised in other comprehensive income and taken to other reserves within equity.

ii) Foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of Group entities at exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income.

O. Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

P. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration – i.e. the customer has the rights to:

- obtain substantially all the economic benefits from using the asset; and
- direct use of the asset.

As a lessee

The Group recognises a right-of-use asset and a corresponding lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group generally uses its incremental borrowing rate as the discount rate.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured to reflect any lease modification or reassessments. Depreciation on lease assets and interest on lease liabilities is recognised in the income statement.

The Group presents its right-of-use assets in 'Property, plant and equipment – Other leased' and lease liabilities in 'Loans and borrowings' in the balance sheet.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

Where the Group is the lessor, leases are classified as finance leases if the risks and rewards of ownership are substantially transferred to the lessee and operating leases if they are not substantially transferred. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term.

When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable. The Group has not entered into any material finance lease arrangements as lessor.

4. Critical estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Directors to select accounting policies and make estimates and assumptions that affect items reported in the consolidated income statement, consolidated balance sheet, other primary statements and notes to the consolidated financial statements.

The Group's principal accounting policies are set out on pages 72 to 79. The judgements and assumptions involved in the Group's accounting policies that are considered by the Board to be the most important are discussed below. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are highlighted below:

i. Estimate: Measurement of recoverable amount of goodwill contained in CGUs

The recoverable amounts of the CGUs are determined from value in use calculations based on the net present value of future cash flows of each CGU. The key assumptions for the value in use calculations are the underlying Board approved cash flow forecasts and those regarding discount and growth rates. The Group prepares cash flow forecasts derived from its most recent business plans over a four-year period. Cash flow forecasts incorporating management's estimate of the COVID-19 impact and a premium factored into the discount rate to reflect the uncertainty of the timing and amount of the cash flows have been reflected in the assessment of the recoverability of goodwill and intangible assets.

The main assumptions upon which the cash flow projections are based include sales volumes and prices, claims costs, revenue growth, operating margins, retention rates and cancellation rates. Further details are disclosed in note 14.

ii. Judgement: Prepayments and receivables

Material prepayments and receivables are assessed based on management's judgements on the future recoverability of these balances in accordance with forecast financial information, agreed contractual terms, and with regards to the credit worthiness of the specific counterparty.

iii. Judgement: Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in determining these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions, other external factors and forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 33.

iv. Judgement relating to earning patterns

For sales arising on appliance care service plans and insurance business, judgement is required in selecting appropriate earnings patterns for the business underwritten and associated acquisition costs, in particular for contracts where there is uncertainty in respect of the risk profile. Earnings patterns are determined with reference to the inception and expiry dates of the policies concerned and the expected pattern of risk emergence of the policy.

v. Estimate: Claims and repair cost provision

Details for the process to determine the assumption and changes in assumptions for measuring claims and repair cost provisions are disclosed in note 24.

vi. Estimate: Insurance plans with indeterminate terms

For plans sold with an indeterminate period of cover, an estimate is required in assigning an appropriate plan life in order to calculate sales, deferred income and trade receivables. Based on historical data management have estimated this to be three years. This is reviewed on an ongoing basis and no changes were required during the financial year ending 31 March 2021. The impact of this estimate on the income statement of increasing from 12 months to 3 years is to increase both sales and the deferred income movement as disclosed in note 6 by £55.1m (2020: £74.4m). The impact on the balance sheet is to recognise an additional trade receivables balance as disclosed in note 21 of £226.7m (2020: £171.6m) and a corresponding increase in deferred income as disclosed in note 23 of £226.7m (2020: £171.6m). If future data showed that the average period of cover had increased this would result in additional sales being written at the plan inception date and a corresponding increase in deferred income and trade receivables.

5. Segmental Analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, to allocate resources to the segments and to assess their performance. The Group's reporting segments are those used internally by management to run the business and make decisions. These are based on products and services as well as the major factors that influence the performance of these products and services across the geographical locations in which the Group operates.

a) Segmental structure

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer the same products and services to varying degrees but are managed separately because they require different operational, risk management and marketing strategies. The following summary describes the reportable segment product offering.

Reportable Segment	Product offering
UK	The business offers both subscription and non-subscription (e.g. cash) plans to UK customers.
International	The business offers subscription and non-subscription (e.g. cash) plans to customers outside the UK including continental Europe (Germany, Spain, Italy and Portugal), Australia and New Zealand.

b) Segment results

Revenue consists of subscription and cash and other revenue. Information related to each reportable segment is set out below. Segment results include items that are directly attributable to a segment and those that can be allocated on a reasonable basis. The 'Other' segment mainly relates to the amortisation of acquired intangibles and finance costs relating to the Group's debt.

Year ended 31 March 2021	UK	International	Other	Group
Revenue				
Subscription	663.3	84.9	–	748.2
Cash and other revenue	49.1	75.1	–	124.2
	712.4	160.0	–	872.4
Profit/(loss) before taxation¹	67.3	3.9	(77.1)	(5.9)
Non-current assets²	502.1	6.2	–	508.3

¹ International includes £0.6m of operating costs in relation to our US business.

² Non-current assets comprise property, plant and equipment, intangible assets and goodwill.

Year ended 31 March 2020	UK	International	Other	Group
Revenue				
Subscription	628.2	66.9	–	695.1
Cash and other revenue	56.1	79.6	–	135.7
	684.3	146.5	–	830.8
Profit/(loss) before taxation	83.4	4.3	(85.4)	2.3
Non-current assets¹	500.8	3.8	–	504.6

¹ Non-current assets comprise property, plant and equipment, intangible assets and goodwill.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. Revenue

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Sales	935.7	888.4
Deferred income movement	(63.3)	(57.6)
Revenue	872.4	830.8

7. Net investment (expense)/income

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Realised (losses)/gains on investments	(0.5)	0.1

8. Finance costs

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Interest payable on external loans and borrowings	46.9	38.5
Interest payable on shareholder loans and borrowings	0.6	6.4
Interest expense on lease liabilities	0.2	0.5
Finance charges – amortisation of deferred financing costs	8.4	8.5
	56.1	53.9

9. Profit/(loss) before taxation

The following items have been included in arriving at the profit/(loss) before taxation:

	Notes	Year ended 31 March 2021 £m	Restated* Year ended 31 March 2020 £m
Employee costs – excluding those included in acquisition costs*	11	72.8	71.2
Auditor's remuneration	10	0.7	0.6
Depreciation of owned PPE	13 b)	3.8	3.1
Depreciation of leased PPE	20 ii)	2.8	5.4
Amortisation of software	14	13.2	11.1
Amortisation of intangible assets acquired in a business combination	14	21.6	23.2
Sub-lease income	20 iii)	(0.2)	(0.3)
Repairs and maintenance expenditure on property, plant and equipment		13.2	11.9
Repairs and claims costs		394.4	368.4
Acquisition costs		222.3	208.4
Research and development costs		5.4	4.4
Significant items		14.9	7.9
Impairment (gain)/loss on financial assets		(0.1)	2.8

*Employee costs – excluding those included in acquisition costs' has been restated for the year ended 31 March 2020 to reflect a corrected calculation for employee costs classified as acquisition costs. Additional employee related acquisition costs of £27.4m have been identified and excluded from this balance for the year ended 31 March 2020. These amounts were correctly included within 'Acquisition costs' for the year ended 31 March 2020 and therefore the comparative for 'Acquisition costs' has not been restated. There is no impact on the total employee costs or acquisition costs recognised in the consolidated income statement for the year ended 31 March 2020.

Significant items included in Other operating costs:

	Notes	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Brexit		12.0	5.9
COVID-19		2.7	–
Talbot St revaluation		(0.3)	–
Value Creation Plan		0.5	(0.3)
US launch costs		–	2.0
Product transition costs		–	0.3
Total		14.9	7.9

Significant items represent amounts which result from unusual transactions or circumstances which warrant individual disclosure due to their nature and significance. Adjusting for such items improves comparability period on period. They represent items that are not indicative of underlying trading due to the nature of the costs and/or their non-recurring nature and are disclosed separately to assist in the understanding of the financial performance of the Group.

As part of our preparation for Brexit we established an insurance entity in Germany in November 2019 and have been writing all new European business from DGIEU since this date. On 31 December 2020, we successfully executed a Part VII transfer of our EU businesses from our UK entity, DGI to DGIEU. Project costs incurred principally relate to the Independent Expert in respect of the Part VII transfer activity, tax and structuring advice and legal fees. In addition, Brexit costs include contractual costs incurred to enable our clients to transition to a post Brexit trading environment.

As a result of the pandemic, additional costs were incurred which can be directly attributed to COVID-19. This includes additional telephony costs due to home working and staff settlement costs.

The sale of our Talbot Street site in Nottingham has been agreed at £7.3m with completion due in April 2023. The carrying value of the site was £3.1m, which has now been revalued to £7.3m reflecting the agreed sale price. See note 13(a). The £0.3m included above reflects the reversal of a prior impairment recognised in the income statement with the remaining £3.9m taken to the revaluation reserves in equity.

Following completion of the new ownership structure in November 2019 and marking the start of a new investment cycle for our shareholders CVC and ADIA, the Group created a Value Creation Plan for the next investment cycle.

10. Services provided by the Group's auditor and its network firms

The table below analyses the Auditor's remuneration in respect of the Group's operations. The Group appointed a new auditor, Deloitte LLP, for the year ended 31 March 2021. Auditor remuneration for the year ended 31 March 2020 is in respect of fees paid to KPMG LLP.

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Audit of the Group's financial statements	0.1	0.1
Audit of the subsidiary financial statements	0.4	0.4
Total audit fees	0.5	0.5
Audit related assurance	0.2	0.1
Total audit and audit related assurance fees	0.7	0.6

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Employee costs**(a) Staff costs for the Group during the period**

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Wages and salaries	94.7	88.9
Social security costs	11.1	10.1
Other pension costs	5.7	5.5
	111.5	104.5

Employee costs also include the benefit of £1.65m of COVID-19 government support received under the Coronavirus Job Retention Scheme (CJRS) in respect of furloughed employees.

Included in staff costs is £38.7m (31 March 2020 restated: £33.3m) that is treated as acquisition costs. Comparative figures for the 2020 financial year have been restated to reflect a corrected calculation for the employee costs included in acquisition costs. The effect of this was an adjustment to increase amounts included in acquisition costs by £27.4m. There is no impact on the total employee costs or acquisition costs recognised in the consolidated income statement for the year ended 31 March 2020.

(b) Average number of employees during the period

	Number	Number
Directors	4	4
Sales and marketing	222	236
Commercial finance and claims	248	222
Finance and administration	520	479
Contact Centres and IT	1,972	1,946
	2,966	2,887

12. Taxation

	Year ended 31 March 2021 £m	Restated* year ended 31 March 2020 £m
Current tax expense		
Current tax on profit for the year	(8.3)	(7.7)
Adjustment to tax charge in respect of prior years	(2.7)	3.1
Total current tax	(11.0)	(4.6)
Deferred tax credit		
Origination/(reversal) of temporary differences	1.9	0.5
Tax effect of amortisation of intangible assets	4.1	4.4
Movement in DTA on disallowed interest attributes carried forward	(0.7)	3.3
Impact of rate change	-	(3.9)
Total deferred tax	5.3	4.3
Total income tax charge	(5.7)	(0.3)

	Year ended 31 March 2021 £m	Restated* Year ended 31 March 2020 £m
Profit/(loss) on ordinary activities before tax	(5.9)	2.3
Standard rate of corporation tax in the UK	19%	19%
	£m	£m
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax	(1.1)	0.4
Effects of:		
Change in UK corporation tax rate on timing differences	-	3.9
Items disallowable for tax purposes	1.7	(0.8)
Adjustment to tax charge in respect of prior years	2.7	(3.1)
Movement in deferred tax and losses not recognised	0.6	1.4
Tax rate differences in branches	1.1	1.8
Movement in DTA on disallowed interest attributes carried forward	0.7	(3.3)
Total income tax charge	5.7	0.3

* Refer to note 2B for further details.

Factors that may affect future tax charges

On 3 March 2021, the Chancellor of the Exchequer announced that the rate of UK Corporation tax is expected to increase to 25% from 1 April 2023.

13. Property, plant and equipment

	Note	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Other owned PPE	13 b)	9.9	11.1
Other leased PPE	20	18.7	7.5
		28.6	18.6
Owner-occupied property measured at fair value	13 a)	-	3.1
Non-current assets held for sale	13 a)	7.3	-
		35.9	21.7

a) Owner-occupied property measured at fair value

Reconciliation of carrying amount

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Balance at 1 April	3.1	3.1
Net change in fair value	4.2	-
Reclassified to Non-current assets held for sale	(7.3)	-
	-	3.1

Measurement of fair value

On 21 February 2021 contracts were exchanged to sell our property in Talbot Street, Nottingham for £7.3m. This sale is conditional on planning permission being granted and is expected to complete on 30 April 2023. On the basis it is probable planning permission will be granted, the property is ready for sale and contracts have been exchanged, the property has been revalued to £7.3m and recognised as held for sale. The Directors consider the carrying value to be reflective of the valuation as at 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

b) Other property and equipment owned

	Computer equipment £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At 1 April 2020	19.1	14.0	33.1
Additions	1.4	1.2	2.6
Disposals	(9.5)	(3.1)	(12.6)
At 31 March 2021	11.0	12.1	23.1
Depreciation			
At 1 April 2020	14.4	7.6	22.0
Charge for the year	1.2	2.6	3.8
Disposals	(9.5)	(3.1)	(12.6)
At 31 March 2021	6.1	7.1	13.2
Carrying amount at 31 March 2021	4.9	5.0	9.9

	Computer equipment £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At 1 April 2019	16.4	13.4	29.8
Additions	3.2	1.5	4.7
Disposals	(0.5)	(0.9)	(1.4)
At 31 March 2020	19.1	14.0	33.1
Depreciation			
At 1 April 2019	13.5	6.2	19.7
Charge for the year	1.2	1.9	3.1
Disposals	(0.3)	(0.5)	(0.8)
At 31 March 2020	14.4	7.6	22.0
Carrying amount at 31 March 2020	4.7	6.4	11.1

14. Goodwill and intangible assets

	Goodwill £m	OEM relationships £m	Customer relationships & Other £m	Software £m	Total £m
Cost					
At 1 April 2020	278.5	260.9	251.3	83.5	874.2
Additions	–	–	–	24.6	24.6
Disposals	–	–	–	(16.2)	(16.2)
At 31 March 2021	278.5	260.9	251.3	91.9	882.6
Amortisation and impairment losses					
At 1 April 2020	–	109.4	247.0	34.9	391.3
Charge for the year	–	17.3	4.3	13.2	34.8
Disposals	–	–	–	(15.9)	(15.9)
At 31 March 2021	–	126.7	251.3	32.2	410.2
Carrying amount at 31 March 2021	278.5	134.2	–	59.7	472.4

	Goodwill £m	OEM relationships £m	Customer relationships & Other £m	Software £m	Total £m
Cost					
At 1 April 2019	278.5	260.9	251.3	66.3	857.0
Additions	–	–	–	18.7	18.7
Disposals	–	–	–	(1.5)	(1.5)
At 31 March 2020	278.5	260.9	251.3	83.5	874.2
Amortisation and impairment losses					
At 1 April 2019	–	92.0	241.2	24.8	358.0
Charge for the year	–	17.4	5.8	11.1	34.3
Disposals	–	–	–	(1.0)	(1.0)
At 31 March 2020	–	109.4	247.0	34.9	391.3
Carrying amount at 31 March 2020	278.5	151.5	4.3	48.6	482.9

All amortisation charges in the year have been charged through operating expenses.

The goodwill acquired through a business combination is a result of the acquisition on 19 December 2013 by Galaxy Bidco Limited, a wholly owned subsidiary of Galaxy Finco Limited, of Domestic and General Group Holdings Limited.

The Group tests goodwill for impairment annually, or more frequently if there are indications that goodwill might be impaired. Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The carrying amount of goodwill has been allocated to the following CGUs:

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
UK	265.6	265.6
International	12.9	12.9
	278.5	278.5

The recoverable amounts of the CGUs are determined from value in use calculations based on the net present value of future cash flows of each CGU. The key assumptions for the value in use calculations are those regarding discount and growth rates. The Group prepares cash flow forecasts from the Board approved budget and 5-year forecast. The main assumptions upon which the cash flow projections are based include sales volumes and prices, claims costs, revenue growth, operating margins, retention rates and cancellation rates.

The projected cash flows were discounted using a discount rate of 9.3% at 31 March 2021 for both CGUs (10% at 31 March 2020), which reflects current market assessments of the time value of money and the increased risks specific to the CGUs around the future cash flows in the current environment. Post-tax cash flows have been used, as have post-tax discount rates, although this does not materially impact the outcome of the impairment test. Ten-year rates have been used as the basis for estimating the future cost of debt for the Group after applying Company specific adjustments.

Long-term growth is based on the projected country growth rates for the next 5 years published by the International Monetary Fund (IMF). Management has used a long-term growth rate of 3.1% and 2.9% for UK and International respectively as at 31 March 2021 and -0.4% for both CGUs as at 31 March 2020 in extrapolating the forecasts beyond the period covered in the business plan model, reflecting the economic environment prevailing in the relevant markets. The growth rate in the forecast does not exceed the long-term average growth rate for the markets in which the UK and International CGUs operate.

The outcome of the impairment assessments for all balance sheet periods presented, is that goodwill in respect of the UK and International CGUs is not impaired, and that the value in use is higher than the carrying value.

Sensitivities of key assumptions in calculating Value-in-Use (VIU)

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. A cut in the long-term growth rate or a rise in the discount rate, taken in isolation, which would result in the recoverable amount being equal to the carrying amount (i.e. zero headroom), is presented below:

	Year ended 31 March 2021	Year ended 31 March 2020
Cut in the long-term growth rate:		
UK	3.1% to -10.8%	-0.4% to -7.7%
International	2.9% to > -50% ¹	-0.4% to > -50% ¹
Rise in the discount rate from:		
UK	9.3% to 18.1%	10.0% to 14.9%
International	9.3% to 49.3%	10.0% to >50% ¹
Reduction in 2025 Cash flows from:		
UK	£106.5m to £32.7m	£103.2m to £60.5m
International	£18.1m to £1.3m	£18.1m to -£0.4m

¹ The International CGUs value-in-use is insensitive to changes in the long-term growth rate (and a rise in the discount rate for the prior year), due to the phasing of forecast cash inflows and outflows. Changes in the available headroom become very small at a long-term growth rate >-50% (and a discount rate >50% in prior year)

The assumptions supporting the recoverable amount are not sensitive to reasonably possible adverse changes in key assumptions for the CGUs for the remaining periods. In making an estimate of reasonably possible changes to assumptions, management considers the available evidence in respect of each input to the model such as the external range of discount rates observable, historical performance against forecast, and risks attaching to the key assumptions underlying cash flow projections.

15. Deferred acquisition costs

	Year ended 31 March 2021 £m	Restated* Year ended 31 March 2020 £m
Balance at the start of the year	250.9	243.1
Arising in the year	229.9	216.7
Amortisation for the year	(226.3)	(206.4)
Foreign exchange	4.0	(2.5)
Balance at the end of the year	258.5	250.9
Split between:		
Amounts expected to be amortised in 12 months	144.5	148.2
Amounts expected to be amortised after 12 months	114.0	102.7
	258.5	250.9

* Comparative figures for the 2020 financial year have been restated to reflect a corrected calculation for the split between current and non-current assets. The effect of this was an adjustment to increase amounts expected to be amortised in greater than one year by £36.7m and decrease amounts expected to be amortised within one year by the same amount. There is no impact on the total deferred acquisition costs balance.

Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of sales that have not been recognised in revenue at the balance sheet date.

16. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Year ended 31 March 2021	Assets £m	Liabilities £m	Net £m
Intangible assets	–	(25.5)	(25.5)
Capital allowances	0.4	–	0.4
Disallowed interest attributes carried forward	7.6	–	7.6
Other temporary differences	1.6	(0.3)	1.3
	9.6	(25.8)	(16.2)
Year ended 31 March 2020	Restated* assets £m	Restated* liabilities £m	Restated* net £m
Intangible assets	–	(29.6)	(29.6)
Capital allowances	0.4	–	0.4
Disallowed interest attributes carried forward	8.3	–	8.3
Other temporary differences	–	–	–
	8.7	(29.6)	(20.9)

* Refer to note 2B for further details.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. Financial investments

	FVOCI* £m	FVTPL** £m	Amortised cost £m	Total £m
Year ended 31 March 2021				
Money market funds	–	49.6	–	49.6
Investment in unlisted securities	–	59.6	–	59.6
Investments carried at fair value	–	–	–	–
Deposits with credit institutions	–	–	–	–
	–	109.2	–	109.2
Year ended 31 March 2020				
Money market funds	–	7.5	–	7.5
Investments in unlisted securities	–	55.7	–	55.7
Investments carried at fair value	12.5	–	–	12.5
Deposits with credit institutions	–	–	0.2	0.2
	12.5	63.2	0.2	75.9

* FVOCI – Fair value through other comprehensive income

** FVTPL – Fair value through profit or loss

Investments carried at fair value through other comprehensive income related to fixed income related securities which are managed by an external fund manager within investment management terms that specify, amongst other things, minimum credit ratings and maximum duration. The fair values of these are based on quoted market prices.

Investments carried at fair value through profit and loss include £59.6m of investments in preference shares issued by Galaxy Finco 2 Limited (31 March 2020: £55.7m), a fellow subsidiary of the Group's immediate parent, Galaxy Midco 2 Limited and investments held in money market funds.

The value of financial assets which are expected to be recovered in less than one year is £49.6m (31 March 2020: £7.6m) and those greater than one year is £59.6m (31 March 2020: £68.3m)

18. Derivative financial instruments

a) Derivative liability

The Group has entered into derivative financial instruments for the purpose of managing the Group's exposure to adverse movements in foreign exchange rates on €150m of the total €200m Floating Rate Senior Secured Notes issued in July 2019.

The carrying value of the Group's derivative financial instruments were:

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Current liability	2.1	2.4
Non-current liability	10.2	3.2
Cross Currency Interest Rate Swap	12.3	5.6

The fair value of the derivative financial instruments is based on market quotations provided by an independent third party.

b) Hedge accounting

The Group has elected to apply hedge accounting for those derivative instruments entered into for the purpose of managing the Group's exposure to currency fluctuations on its Euro denominated debt.

The Group has entered into the following cash flow hedge arrangements:

Hedged item	Notional (€m)	Term (years)	Maturity date
€150m of Floating Rate Senior Notes	150	5	31 July 2026

Hedging instrument – derivative liability	Notional (€m)	Term (years)	Maturity date
€150m Cross Currency Interest Rate Swap	150	3	31 July 2024

The above hedge mitigates the Group's exposure to adverse fluctuations in currency movements between GBP and EUR. Details of the Group's loans and borrowings are set out in note 25.

The following table sets out movements in the Group's cash-flow hedge reserves:

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Balance at 1 April	(0.4)	–
Amount recognised in equity in the year	(2.0)	(0.4)
Cash flow hedge reserves as at 31 March	(2.4)	(0.4)

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group occasionally enters into cross currency interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group has chosen not to use cross currency swaps to hedge 100% of its EUR denominated loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

Hedge ineffectiveness for cross currency interest rate swaps may occur due to:

- the credit value/debit value adjustment is not matched by the loan,
- the timing of the forecast transaction changes from what was originally estimated,
- changes in the credit risk of the derivative counterparty or
- differences in critical terms between the interest rate swaps and loans.

There was no ineffectiveness during the period in relation to the cross-currency interest rate swaps.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. Financial assets and financial liabilities

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group;
- classification type of the financial instrument;
- accounting policies; and
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group holds the following financial instruments:

	FVOCI* – designated on initial recognition £m	FVTPL** – designated on initial recognition £m	Financial assets held at amortised cost £m	Financial liabilities held at amortised cost £m	Total £m
Year ended 31 March 2021					
Investments	–	109.2	–	–	109.2
Trade and other receivables	–	–	776.2	–	776.2
Cash and cash equivalents	–	–	71.0	–	71.0
Derivative financial instruments	–	(12.3)	–	–	(12.3)
Loans and borrowings	–	–	–	(798.5)	(798.5)
Trade and other payables	–	–	–	(196.6)	(196.6)
	–	96.9	847.2	(995.1)	(51.0)

	FVOCI* – designated on initial recognition £m	FVTPL** – designated on initial recognition £m	Financial assets held at amortised cost £m	Financial liabilities held at amortised cost £m	Total £m
Year ended 31 March 2020					
Investments	12.5	63.2	0.2	–	75.9
Trade and other receivables	–	–	699.9	–	699.9
Cash and cash equivalents	–	–	81.0	–	81.0
Derivative financial instruments	–	(5.6)	–	–	(5.6)
Loans and borrowings	–	–	–	(767.8)	(767.8)
Trade and other payables	–	–	–	(176.8)	(176.8)
	12.5	57.6	781.1	(944.6)	(93.4)

* FVOCI – Fair value through other comprehensive income

** FVTPL – Fair value through profit or loss

The Group's maximum exposure to credit risk for loans and receivables and other assets designated as fair value through profit or loss at the reporting date was equal to the carrying value of the asset. The carrying value of financial investments at amortised cost and loans and receivables closely approximates fair value.

Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on an active liquid market are determined with reference to quoted market prices.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for derivatives other than options, and the option pricing model for options. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1, 2 and 3 based on the degree to which the fair value is observable:

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

Year ended 31 March 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments at fair value through profit and loss	–	49.6	59.6	109.2
Investments at fair value through other comprehensive income	–	–	–	–
Derivative financial instruments	–	(12.3)	–	(12.3)
	–	37.3	59.6	96.9

Year ended 31 March 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments at fair value through profit and loss	–	7.5	55.7	63.2
Investments at fair value through other comprehensive income	2.9	9.6	–	12.5
Derivative financial instruments	–	(5.6)	–	(5.6)
	2.9	11.5	55.7	70.1

Level 3 Financial Instruments	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
At 1 April	55.7	–
Additions	–	55.7
Interest	4.2	–
Foreign Exchange movements	(0.3)	–
At 31 March	59.6	55.7

For fair value measurements categorised within Level 3 above, these represent the preference shares issued by Galaxy Finco 2 Limited, a fellow subsidiary of the Group's immediate parent, Galaxy Midco 2 Limited (see note 30). The fair value reflects the initial transaction price translated at the year-end exchange rate plus the value of any unpaid dividend to the extent the cumulative preference dividend is unpaid. The level 3 investments are exposed to the sensitivity of foreign exchange movements of the underlying AUD and EUR against GBP, however these movements are immaterial.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. Leases

i) The Group's leasing activities and how these are accounted for:

The Group leases land and buildings for its own use both in the UK and across its international locations. The main component of leases is the Group's Head Office building which is on a ten year lease ending in 2031, following renewal of the lease in February 2021. The remaining lease liabilities cover several Group sites with leases due to expire between 2023 and 2025.

The Group also leases motor vehicles, IT equipment, fixtures and fittings. Rental contracts are typically made for fixed periods but may have extension options as described in v) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of IT equipment including printers.

Information about leases for which the Group is a lessee is presented below:

ii) Amounts recognised in the balance sheet

Right-of-Use Assets

	Note	Land and buildings £m	Motor vehicles £m	Fixtures, fittings and equipment £m	Total £m
At 1 April 2019		6.8	0.4	0.2	7.4
Additions		5.0	0.5	–	5.5
Depreciation		(5.1)	(0.2)	(0.1)	(5.4)
At 31 March 2020	13	6.7	0.7	0.1	7.5
Additions		14.5	0.2	–	14.7
Depreciation		(2.4)	(0.3)	(0.1)	(2.8)
Disposals		(3.5)	–	–	(3.5)
Depreciation on Disposals		2.8	–	–	2.8
At 31 March 2021	13	18.1	0.6	–	18.7

Lease liabilities

	Note	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Maturity analysis – contractual undiscounted cash flows			
Less than one year		2.5	3.7
One to five years		11.8	6.4
More than five years		8.8	0.4
Total undiscounted lease liabilities		23.1	10.5
Lease liabilities in balance sheet	25	20.2	10.7

iii) Amounts recognised in the income statement

		Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Sub-lease income	9	(0.2)	(0.3)
Interest on lease liabilities	8	0.2	0.5
Depreciation on leased assets	9	2.8	5.4
Expenses relating to short-term and low value leases		0.2	0.2
		3.0	5.8

Sublease income on non-cancellable property operating leases is receivable as follows:

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Within one year	0.2	0.3
Between two and five years	–	–
	0.2	0.3

iv) Amounts recognised in the cash flow statement

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Total cash outflow for leases	4.5	3.5

v) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Trade and other receivables

	Year ended 31 March 2021 £m	Restated* Year ended 31 March 2020 £m
Trade receivables	685.3	593.4
Other receivables	30.6	30.2
Expected credit loss	(7.8)	(7.9)
Prepayments and accrued income	68.1	84.2
	776.2	699.9
Split between:		
Amounts expected to be received in 12 months	476.8	459.9
Amounts expected to be received after 12 months	299.4	240.0
	776.2	699.9

* Comparative figures for the 2020 financial year have been restated to reflect a corrected calculation for the split between current and non-current assets. The effect of this was an adjustment to increase amounts recognised within non-current assets by £240.0m and decrease amounts recognised in current assets by the same amount. There is no impact on the total of trade and other receivables.

22. Cash and cash equivalents

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Bank and cash balances	37.8	32.4
Call deposits and short-term bank deposits	33.2	48.6
	71.0	81.0

23. Deferred income

	Year ended 31 March 2021 £m	Restated* Year ended 31 March 2020 £m
Balance at the start of the year	776.1	716.5
Amounts deferred during the year	934.6	887.2
Amounts recognised as revenue during the year	(872.0)	(829.6)
Foreign exchange	(4.1)	2.0
Balance as at the end of the year	834.6	776.1
Split between:		
Amounts expected to be recognised in 12 months	466.4	458.3
Amounts expected to be recognised after 12 months	368.2	317.8
	834.6	776.1

* Comparative figures for the 2020 financial year have been restated to reflect a corrected calculation for the split between current and non-current liabilities. The effect of this was an adjustment to increase amounts expected to be recognised after 12 months by £113.7m and decrease amounts recognised in amounts expected to be recognised within 12 months by the same amount. There is no impact on the total deferred income balance.

Deferred income represents that part of sales which it is estimated will be recognised as revenue in the following or subsequent financial years. For contracts in excess of one year, the time apportionment basis is suitably modified so that the earnings patterns reflect management's expectations of expected timings of claims. For contracts of an indeterminate length, historical data on average customer life has been used to determine a proxy for the service obligation period and revenue is recognised on a straight-line basis over that period.

24. Claims and repair costs provision

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Balance at the start of the year	28.9	26.3
Amounts incurred during the year	394.4	368.4
Amounts paid during the year	(392.4)	(365.8)
Balance as at the end of the year	30.9	28.9

All claims and repair cost provisions are expected to be settled within the next 12 months.

(a) Process used to determine the assumptions for measuring provisions

The assumptions used to produce provisions are considered appropriate to cover any liabilities arising so far as they can be reasonably foreseen. Provision is made at the balance sheet date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses. Up to date information is used to produce best estimates of the expected outcome. The sources of the data used as inputs for the assumptions are primarily internal, using regularly monitored statistics. There is a strong emphasis on current trends, and where, for new products, there is limited information to make a reliable best estimate of claims development, additional margins are included within assumptions used. Actual claims have been materially in line with previous estimates.

Outstanding claims and repair costs, estimation techniques and assumptions are reviewed at least quarterly with any changes reflected in the income statement as they occur. The key methods are:

- Detailed review of claim incident data;
- Use of historical data to estimate the paid and incurred to date proportions of the ultimate claim cost;
- Expected claims ratio compared to actual performance; and
- Monitoring of the performance of repairers.

To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case and, insofar as it can be identified, this has been allowed for in calculating the final provision. The unprecedented impact of the COVID-19 global pandemic that emerged towards the end of the 2020 financial year increased the uncertainty over the outturn of the required claims and repair costs provision. We now have one year of COVID-19 impacted historical data that we have assessed as part of the calculation of the provision and the liability reported in the balance sheet is considered adequate. However, the process of estimation is based upon certain variables and assumptions which will differ from the actual outturn.

(b) Change in assumptions and sensitivity analysis

The Group's activities involve writing high volume, low unit cost business. Any change in the assumption used for any particular plan on a particular product will not result in a material change to the performance of the Group. The majority of claims incurred by the Group have a short tail and are usually settled within three months, hence the Group's claims and repair costs provision is significantly smaller than for types of business that have longer settlement tails. The assumptions that have the greatest effect on the measurement of trading liabilities are the expected claims frequency and cost of each repair or treatment.

A 10% change in outturn of the claims and repair costs provision would result in a change in the provision at 31 March 2021 of £3.1m (31 March 2020: £2.9m) which represents 0.8% (31 March 2020: 0.8%) of the total claims and repair costs for the year ended 31 March 2021 and is 6.1% (31 March 2020: 5.2%) of operating profit.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. Loans and borrowings

On 31 July 2020, the Group closed a fungible private placement add-on of £100m of 6.5% Senior Secured Notes due 2026 and increased the revolving bank facility by £15m to £100.0m (31 March 2020: £85.0m). The majority of the proceeds from the private placement were used to repay the drawn RCF balance of £77.1m on 6 August 2020.

The Group's interest-bearing borrowings, which are measured at amortised cost, are as follows:

Note	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
6.5% Senior Secured Notes due 2026	405.0	305.0
€200m Senior Secured Floating Rate Notes due 2026	170.4	176.9
9.25% Senior Notes due 2027	150.0	150.0
Drawn Revolving Credit Facility (RCF)	–	77.5
5.35% Loan due to Parent Company	7.7	7.3
5.25% Loans due to Fellow Subsidiary Company	62.6	59.4
Total	795.7	776.1
Transaction costs	(17.4)	(19.0)
Carrying amount	778.3	757.1
Lease liability	20 ii) 20.2	10.7
Loans and borrowings	798.5	767.8

For more information about the Group's exposure to interest rate risk see note 33(a).

Terms and debt repayment schedule:

	Nominal interest rate	Year of maturity	Principal £m	Carrying amount £m
6.5% Senior Secured Notes	6.5%	2026	405.0	396.7
€200m Senior Secured Floating Rate Notes	EURIBOR + 5.0%	2026	170.4	165.6
9.25% Senior Notes	9.25%	2027	150.0	145.7
5.35% Loan due to Parent Company	5.35%	2028	7.3	7.7
5.25% Loans due to Fellow Subsidiary Company	5.25%	2028	61.1	62.6
Amounts drawn under revolving bank facility	3m LIBOR + 3%	2026	–	–
				778.3

The entire balance of loans and borrowings, with the exception of the amounts drawn under the revolving bank facility, is considered to be non-current, on the basis that repayment is not required until periods greater than 12 months from the balance sheet date. The majority of the Group's loans and borrowings is repayable entirely on maturity date.

The Group did not have any defaults of principal or interest or other breaches with respect to its loans and borrowings during the year ended 31 March 2021 and year ended 31 March 2020.

Certain non-regulated Group companies have pledged collateral as security in respect of the loan notes in the form of a general charge over their assets.

The Group has a revolving bank facility of £100.0m (31 March 2020: £85.0m) with a final maturity date of 1 May 2026, of which £30.0m (31 March 2020: £nil) is allocated to letters of credit callable on demand that support DGI's Tier 2 Ancillary Own Funds (AOF) for Solvency II purposes. In October 2020 £5.0m (31 March 2020: £5.0m) that had been allocated to a letter of credit pledged as an asset to a trust for UK service plan customers, in line with British Retail Consortium guidelines, expired.

At the balance sheet date, £3.0m (31 March 2020: £3.0m) of the RCF is available as a same day drawdown overdraft facility. The RCF, inclusive of both the unused overdraft and uncalled letters of credit, was fully undrawn (at 31 March 2020, £85.0m was fully drawn).

26. Trade and other payables

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Trade payables	146.2	125.9
Accrued expenses	50.4	50.9
	196.6	176.8

Of the total payables, £7.3m (31 March 2020: £7.4m) is expected to be settled more than 12 months after the reporting date.

27. Total equity

	Capital £m	Hedging reserves £m	Other reserves £m	Revaluation reserves 3m	Accumulated loss £m	Total £m
At 1 April 2020	89.9	(0.4)	(0.7)	–	(244.8)	(156.0)
Total comprehensive loss for the year	–	(2.0)	(1.5)	3.4	(11.6)	(11.7)
Dividends paid	–	–	–	–	–	–
Balance as at 31 March 2021	89.9	(2.4)	(2.2)	3.4	(256.4)	(167.7)

	Capital £m	Hedging reserves £m	Other reserves £m	Revaluation reserves 3m	Accumulated loss £m	Total £m
At 1 April 2019	89.9	–	0.2	–	(199.6)	(109.5)
Total comprehensive loss for the year	–	(0.4)	(0.9)	–	2.0	0.7
Dividends paid	–	–	–	–	(47.2)	(47.2)
Balance as at 31 March 2020	89.9	(0.4)	(0.7)	–	(244.8)	(156.0)

Hedging reserves

The hedging reserves comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other reserves

The other reserves primarily relates to the cumulative (gain)/loss on investments in debt instruments classified as FVTOCI reclassified to profit or loss on disposal and foreign exchange differences on consolidation of foreign subsidiaries and branches.

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Ordinary share capital	0.9	0.9
Share premium	89.0	89.0
	89.9	89.9

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. The particulars of the share classes are as follows:

Allotted, called up and fully paid

	Par Value	Year ended 31 March 2021 No.	Year ended 31 March 2020 No.
Class			
A ordinary	£0.01	89,871,070	89,871,070

Called up share capital

	Year ended 31 March 2021		Year ended 31 March 2020	
	No.	£m	No.	£m
Allotted, called up and fully paid				
Ordinary shares paid at £0.01p each	89,871,070	0.9	89,871,070	0.9

Share premium account

	2021 £m	2020 £m
Balance as at 1 April and 31 March	89.0	89.0

28. Commitments and contingencies

(a) Capital commitments

At 31 March 2021, the Group had capital commitments contracted for but not provided of £1.9m (31 March 2020: £0.2m).

(b) Contingent liabilities

There were no contingent liabilities at 31 March 2021 (31 March 2020: nil).

29. Subsidiary companies

Principal subsidiaries:	Country of incorporation	Nature of business	% of shares held by immediate parent Company (or by the Group where this varies)
Galaxy Bidco Limited	Jersey ¹	Holding company	100%
Domestic & General Group Holdings Limited	Jersey ¹	Holding company	100%
Domestic & General Finance 1 Limited	Jersey ¹	Holding company	100%
Domestic & General Finance 2 Limited	Jersey ¹	Holding company	100%
Domestic & General Acquisitions Holdings Limited	Jersey ¹	Holding company	100%
Domestic & General Acquisitions Limited	Jersey ¹	Holding company	100%
Domestic & General Acquisitions 1 Limited	England & Wales ²	Holding company	100%
Domestic & General Group Limited	England & Wales ²	Holding company	100%
Domestic & General Insurance plc	England & Wales ²	General insurance	100%
Domestic & General Services Limited	England & Wales ²	Appliance care service plans	100%
Inkfish Call Centres Limited	England & Wales ²	Telemarketing service	100%
Inkfish Financial Services Limited	England & Wales ²	Telemarketing service	100%
Domestic & General USA Holdings Limited	England & Wales ²	Holding company	100%
Domestic & General USA Topco Inc	USA ³	Holding company	100%
Domestic & General USA Holdings LLC	USA ³	Holding company	100%
Domestic & General USA Inc	USA ³	Licensed operating company	100%
Domestic & General USA Services LLC	USA ³	Licensed operating company	100%
Domestic & General LLC	USA ³	OEM contracting entity	100%
Domestic & General USA Resources LLC	USA ³	Operational entity	100%
Domestic & General USA IP LLC	USA ³	IP licensee/licensor	100%
Domestic & General USA Midco LLC	USA ³	Holding company	100%
Domestic & General Service GmbH	Germany ⁴	Dormant company	100%
Domestic & General Insurance Europe AG	Germany ⁴	Warranty insurance	100%
Domestic & General Services (Pty) Limited	Australia ⁵	Appliance care service plans	100%
Servicios Domestic & General Espana S.L.	Spain ⁶	Dormant company	100%
Servizi Domestic & General Italia S.r.l.	Italy ⁷	Appliance care service plans	100%
Other subsidiaries:			
Domestic & General Insurance Services Limited	England & Wales ²	Insurance broker	100%
Copleys Limited	England & Wales ²	Dormant company	100%

1 Address of registered office is 27 Esplanade, St Helier, Jersey JE1 1SG.

2 Address of registered office is Swan Court, 11 Worple Road, Wimbledon, London, SW19 4JS.

3 Address of registered office is 8 The Green, Ste R, Dover, Delaware, 19901, USA.

4 Address of registered office is Hagenauer Strasse 44, 65203 Wiesbaden, Germany.

5 Address of registered office is Level 21, Australia Square, 264 George Street, Sydney, NSW 2000, Australia.

6 Address of registered office is Calle de Julian Camarillo, 4B, 3º planta. 28037 Madrid.

7 Address of registered office is Cernusco sul Naviglio (MI) Via Gobetti n. 2/C, Italia.

All subsidiaries are included in the Group consolidation.

30. Related parties

(a) Ultimate controlling party

The Group's majority shareholder is CVC Funds, via CVC Fund VII, with a stake of approximately 70%, with Luxinva S.A. (an entity wholly owned by Abu Dhabi Investment Authority ('ADIA')) with an approximately 30% stake. The ultimate controlling party is Opal Galaxy Holdings Limited, a company incorporated in Jersey.

(b) Other related party transactions and balances

As at 31 March 2021 amounts owed to the immediate Parent undertaking Galaxy Midco 2 Limited totalled £7.3m (31 March 2020: £7.3m) and interest of £0.4m (31 March 2020: £6.2m) was charged on loans outstanding.

As at 31 March 2021 amounts owed to a fellow subsidiary of the immediate Parent undertaking, Galaxy Finco 2 Limited totalled £61.1m (31 March 2020: £58.0m). Interest of £1.5m (31 March 2020: £1.2m) was charged on this balance.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

As at 31 March 2021 investments carried at fair value through profit and loss include £59.6m of investments in preference shares issued by Galaxy Finco 2 Limited, a fellow subsidiary of the Group's immediate Parent, Galaxy Midco 2 Limited (31 March 2020: £55.7m). This includes unpaid interest on these preference shares accrued at 5% coupon retranslated at the year-end exchange rate. At 31 March 2021, the cumulative balance of the unpaid interest was £4.2m (31 March 2020: £1.3m).

During the year ended 31 March 2021, no fees were paid to CVC or ADIA (31 March 2020: £nil).

(c) Transactions with key management personnel

Key management personnel include all Domestic & General Group and subsidiary Directors, and certain members of senior management that report directly to the Executive Directors or members of the Executive Committee.

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Wages and salaries and other social security costs	6.8	10.9
Other pension costs – defined contribution schemes	0.4	0.5
Cash settled option exercise	-	1.2
Total key management personnel compensation	7.1	12.6

Some key management personnel hold cover on domestic appliances that are covered by the Group. These transactions are completed on terms that are the same as those available to other staff.

31. Dividends

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Ordinary shares:		
Interim dividend – paid July 2020	-	22.2
Interim dividend – paid November 2020	-	25.0
Dividends paid in cash	-	47.2

32. Risk management of trading liabilities

Trading liabilities

The Group provides extended cover on domestic appliances in the UK through two companies; Domestic & General Services Limited, which is an appliance care service plan company and Domestic & General Insurance plc, which is an insurance company. Prior to 1 January 2021 internationally, the Group provided cover either through local service companies or through branches of Domestic & General Insurance plc and Domestic & General Insurance Europe AG ('DGIEU'). As part of the preparation for Brexit the Group established an insurance entity in Germany in November 2019 and has been writing all new European business from DGIEU since this date. On 31 December 2020, the Group successfully executed a Part VII transfer of its EU businesses from its UK entity, DGI, to DGIEU.

Appliance care contracts, whether service plan or insurance, are accounted for under IFRS 4: Insurance Contracts, as the definition of an insurance contract under IFRS 4 extends to all trading products issued by the Group.

The Group manages its trading liability risk through the following measures: underwriting controls; approval procedures for new products; control over the prices at which cover may be sold; regular review of client, product and plan performance; and monitoring of emerging issues. Statistical expectancy is applied to pricing and provisioning for the portfolio of trading contracts. The principal risk is that the frequency and severity of claims and repairs is greater than expected. The actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The Group's strategy is to aim for a targeted return on each type of service. The trading portfolio combines a large number of small value contracts which generally span one to five years and which, in the main, have short tail risks of predominantly less than one year. The prompt settlement of claims reduces the variability of outcome. The Group builds and sets its pricing on a rigorous and prudent 'ground up' approach developed and tested during many years as a specialist provider. Accordingly, pricing is built up from several parts, including claims and repair costs, administrative costs, acquisition costs, tax and profit margin. The Group uses several methods to assess and monitor its trading liability risk exposure both for individual types of risks covered and overall risks. These methods include internal risk measurement and sensitivity analysis. The calculation of the claims and repair costs element is a result of the anticipated claims cost and the projected claims frequency for each year of projection. We also re-price based on latest account experience and external conditions.

The main factors considered are historical and projected failure incidences, current average repair costs and type of repair, forecast levels of inflation, product sales volumes and predicted and historic take-up levels.

(a) Sources of uncertainty in the estimation of future claims payments

Appliance care plans result in a high volume of low cost claims with a short claims tail that are usually settled within three months of reporting the incident. The nature of the core business is such that there are no latent risks, nor are there any material concentrations or aggregations of risk, and the business is not subject to catastrophe risk. Accordingly, the value of the claims reserve is low relative to the size of other assets and liabilities of the Company. The claims reserve is an aggregation of unprocessed reported claims, either in process, known to be outstanding, or that have been incurred but not reported ('IBNR') along with a claims handling reserve sufficient to fund the expense of settling the claims.

(b) Development of claims provision (note 24)

The calculation of the IBNR reserve is management's estimate of claims that have been incurred and on which a liability exists but which has not yet been reported. Management measures, on an on-going basis, the actual outturn compared to the IBNR estimate and seeks reasons and explanations for any significant variance from the initial estimation. Any uncertainty about the amount and timing of claims payments is typically resolved within one year.

33. Financial risk management

The Group is exposed to financial risk through its financial assets and financial liabilities, and its appliance care service plans and insurance contracts. Risks include interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group.

(a) Interest rate risk

The Group's principal exposures to interest rate risk relate to its investment portfolio and borrowings, both of which are managed by the Group's Treasury function.

The interest rate exposure on forecast financial indebtedness is hedged as follows:

- For the next 12 months: a minimum of 88% fixed or hedged with offsetting cash balances
- For the next 13 to 24 months: a minimum of 85% fixed or hedged with offsetting cash balances
- For the next 25 to 36 months: a minimum of 89% fixed or hedged with offsetting cash balances
- For the next 37 to 48 months: a minimum of 95% fixed or hedged with offsetting cash balances
- For the next 49 to 60 months: a minimum of 100% fixed or hedged with offsetting cash balances

Interest rate risk on available-for-sale investments is managed by investing within strictly controlled investment criteria that specify, amongst other things, maximum durations.

A 1.0% increase in interest rates would have a £0.9m (31 March 2020: £1.0m) positive annual impact on interest income, and a £1.6m (31 March 2020: £1.5m) negative annual impact on interest payable by the Group, assuming all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at fair value through other comprehensive income (FVOCI) and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

i) Risk management

Credit risk is managed on a Group basis. The greatest credit risks to the Group are in relation to deposits with credit institutions, money market funds, available-for-sale investments and trade debtors. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties.

Deposits can only be placed with banks or building societies having credit limits approved by the Board. Counterparty exposure is subject to constant review. Other investments are managed by an external fund manager within investment management terms that specify, amongst other things, minimum credit ratings and maximum duration.

Internationally we have a number of contracts with major clients, with exposure on the monies owed to us at any one time. However, we closely monitor outstanding debt and are in constant dialogue with the clients and are therefore in a position to act swiftly to mitigate any loss in the event of a major client running into financial difficulties.

Trading and insurance debtors are amounts receivable from policyholders and service plan customers and are by their nature high volume but low value. Credit risk exposure is minimal; if an instalment debtor lapses we cancel the associated cover provided.

Credit ratings of significant classes of financial assets:

	A rated (or above) Institutions £m	B rated (or below) Institutions £m	Unrated £m	Total £m
Year ended 31 March 2021				
Cash and cash equivalents	71.0	–	–	71.0
Money market funds	49.6	–	–	49.6
Investments in unlisted securities	–	–	59.6	59.6
Investments carried at fair value	–	–	–	–
Deposits with credit institutions	–	–	–	–
Trade and other receivables	–	20.2	756.0	776.2
	120.6	20.2	815.6	956.4
Year ended 31 March 2020				
Cash and cash equivalents	81.0	–	–	81.0
Money market funds	7.5	–	–	7.5
Investments in unlisted securities	–	–	55.7	55.7
Investments carried at fair value	8.1	4.4	–	12.5
Deposits with credit institutions	0.2	–	–	0.2
Trade and other receivables	–	20.9	679.0	699.9
	96.8	25.3	734.7	856.8

The Group has implemented policies that require appropriate credit checks on potential trade partners before sales commence.

The amount disclosed in the balance sheet for financial assets represents the Group's maximum exposure to credit risk.

ii) Impairment of financial assets

The Group has two categories of financial assets that are subject to the impairment requirements of IFRS 9:

- Trade (appliance care plans) and other receivables
- debt investments carried at FVOCI

Trade receivables (appliance care plans) and other receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and product types. The other receivables primarily relate to amounts due from either retailers or our OEM partners and have been considered separately based upon their relative credit strength and probability of default.

The loss allowance calculated at 31 March 2021 has been determined for trade receivables (appliance care plans) as the exposure to default, multiplied by the applicable probability of default and a loss given default percentage. The probability of default has been determined using historical data for payment collections and the corresponding credit losses experienced. The loss given default percentage represents the expected receivables loss in the event of customer default.

For other receivables, the expected credit loss has been calculated by applying the cumulative expected loss rates for the appropriate duration for the lifetime of the receivable, as produced by one of the major credit rating agencies, against each counterparty's receivable exposure with reference to their credit rating.

Historical analysis of defaults has been utilised. However an additional risk premium to these default rates has been maintained reflecting the fact that historical rates do not yet fully reflect the impact from the end of government financial support during COVID-19. It remains difficult to forecast the potential impact on customer default experience (and their secondary effects) on both segments. At 31 March 2021, the expected credit loss allowance for trade and other receivables is £7.8m (2020: £7.9m), and the movement has been reported in profit and loss.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group for other receivables and for repair and protect trade receivables, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Debt investments

As at 31 March 2021 we hold no fixed income related securities (31 March 2020: £12.5m). The entity's debt investments held in the prior year were held at fair value through other comprehensive income (FVOCI) and were considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Debt investments at FVOCI included listed and unlisted debt securities. Changes to the loss allowance for debt investments at FVOCI are recognised in other comprehensive income.

The expected credit loss for this financial asset class has been calculated by applying the 12 month cumulative expected loss rates produced by one of the major credit rating agencies to that credit rating agency's credit rating for each of the investments held. No loss allowance for debt investments exists as at 31 March 2021 as no such assets are held. The loss allowance for debt investments at FVOCI as at 31 March 2020 was determined to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Past due or impaired financial assets (Trade and other receivables)

The table below sets out an analysis of the Group's assets, showing those which are past due, or impaired. The Group considers notified disputes and collection experience in determining which assets should be impaired. Categories of financial assets for which there are neither past due or impaired balances have not been included below.

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Not past due	770.2	707.3
Past due (days)		
0 – 30	7.1	0.5
31 – 60	-	-
61 – 90	5.6	-
Greater than 90	1.1	-
Provision	(7.8)	(7.9)
Carrying amount	776.2	699.9

(c) Liquidity risk

An important aspect of the Group's management of assets and liabilities is ensuring that cash is available to settle liabilities as they fall due. The most significant payments are claims and repair costs, staff costs and interest payments on loans and borrowings. The profile of these regular payments is highly predictable. The Group maintains cash and liquid deposits to meet demands on a daily basis. The Group maintains cash and liquid deposits to meet demands on a daily basis, with additional liquidity available via the Group's RCF.

Contractual maturity analysis:

The table below summarises the maturity profile of the Group's financial liabilities based on remaining undiscounted contractual obligations where the maturity profile is an analysis by estimated timing of the amounts recognised in the balance sheet.

	Claims & Repair costs £m	Loans and borrowings (excluding leases) £m	Trade and other payables £m	Interest payable £m	Total £m
Year ended 31 March 2021					
0 – 90 days	30.9	-	178.5	12.0	221.4
91 days – 1 year	-	-	10.8	36.7	47.5
1 – 3 years	-	-	5.5	97.4	102.9
3 – 5 years	-	-	1.8	97.4	99.2
Greater than 5 years	-	795.7	-	62.7	858.4
Total	30.9	795.7	196.6	306.2	1,329.4

	Claims & Repair costs £m	Loans and borrowings (excluding leases) £m	Trade and other payables £m	Interest payable £m	Total £m
Year ended 31 March 2020					
0 – 90 days	28.9	-	154.8	11.1	194.8
91 days – 1 year	-	-	14.6	33.8	48.4
1 – 3 years	-	77.5	5.5	86.3	169.3
3 – 5 years	-	-	1.8	85.1	86.9
Greater than 5 years	-	698.6	0.1	56.5	755.2
Total	28.9	776.1	176.8	272.8	1,254.6

Interest payable is calculated using yield curves appropriate to the maturities of the Group's borrowings and assumes all borrowings are held to term.

(d) Foreign exchange risk

Foreign exchange risk arises when financial assets and liabilities are denominated in a currency other than the respective functional currencies of the Group entities. Most transactions are undertaken in functional currency, which minimises foreign exchange risk, and asset and liability matching profiles are reviewed regularly.

The €200m Senior Secured Floating Rate Note issued in July 2019 has been hedged with a €150m Cross Currency Interest Rate swap and the remaining €50m exposure has been hedged within the Galaxy Finco Group by investing in EUR denominated preference shares for the same amount issued by Galaxy Finco 2 Limited, a fellow subsidiary to Galaxy Finco Limited. The Group monitors net exposure to foreign exchange and will consider hedging implications if risk falls outside reasonable tolerances.

34. Capital management

The Board's primary objectives in respect of capital management are to ensure the Group maintains an appropriate level of capital to support the business, including holding sufficient financial resources to meet obligations as they fall due; and comply with regulatory requirements.

The total amount of debt and equity capital of the Group comprises shareholders' deficit of £167.7m (31 March 2020: £156.0m), Senior Secured Notes (net of financing costs) of £396.7m (31 March 2020: £296.3m), Senior Secured Floating Rate Notes of £165.6m (31 March 2020: £171.4m), Senior Notes of £145.7m (31 March 2020: £145.2m) and amounts owed to parent and fellow subsidiary undertakings (including accrued interest) of £70.3m (31 March 2020: £66.7m). As at 31 March 2021, the Group's RCF was undrawn (31 March 2020: £77.5m).

The Group's insurance business is regulated by the UK Financial Conduct Authority ('FCA') and Prudential Regulation Authority ('PRA'). The Board regularly reviews the current and forecast capital position and from 1 January 2016, the insurance business was required to measure and manage its capital on a Solvency II basis and to comply with the requirements of the Solvency II Framework Directive, as adopted by the PRA. There are certain valuation differences between the IFRS Balance Sheet and the Solvency II Balance Sheet, for example between IFRS insurance liabilities and Solvency II technical provisions. The UK insurance business ('DGI') uses the Solvency II Standard Model as adjusted for Undertaking Specific Parameters ('USP') to determine the level of regulatory capital that needs to be maintained. The insurance business has implemented an Own Risk and Solvency Assessment ('ORSA') process which is used to assess the level of capital that should be retained by the Company. This process considers the various risks faced by the insurance business and includes stress tests applied to business plan financial projections by varying assumptions for future experience. The insurance business is well capitalised under the Solvency II standard model (with USPs) and on the basis of its ORSA and has complied with the capital requirements under Solvency II throughout the year.

DGI has a subsidiary in Germany ('DGIEU') and a branch in Australia which are regulated, respectively, by BaFin and the Australian Prudential Regulation Authority ('APRA') and are required to hold capital to cover their respective liabilities. DGIEU received its regulatory approval from BaFin on 5 April 2019 and commenced underwriting new business for non-UK EEA risks during the second half of 2019. The transfer of existing non-UK EEA business took place on 31 December 2020 via a transfer under Part VII of the Financial Services and Markets Act 2000 ('Part VII Transfer'). DGIEU also uses the Solvency II Standard Model to determine an appropriate level of regulatory capital and is in the process of applying for USPs, following the Part VII Transfer.

The Group has embedded its capital management processes into its normal planning, reporting and decision-making activities.

OTHER INFORMATION

Alternative Performance Measures

In order to fully explain the performance of our business, we discuss and analyse our results in terms of financial measures which include a number of alternative performance measures ('APMs'). APMs are non-GAAP measures which are used to supplement the disclosures prepared in accordance with other regulations such as IFRS. We believe these measures provide useful information to enhance the understanding of our financial performance. However, APMs should be viewed as complementary to, rather than as a substitute for, the figures determined according to other regulations.

The APMs utilised by the Group may not be the same as those used by other companies and may change over time. The calculation of APMs is consistent with previous periods unless otherwise stated.

APMs derived from IFRS measures

A number of APMs relating to IFRS are utilised to measure and monitor the Group's performance. Definitions and additional information, including reconciliations to the relevant amounts in the IFRS Financial Statements and, where appropriate, commentary on the material reconciling items are included within this section.

Adjusted EBITDA

Definition

Profit or loss from operating activities, adding back depreciation, amortisation, finance costs and significant items.

Relevance to strategy

The adjusted measure is considered relevant to assessing the underlying performance of the Group against its strategy and plans. The rationale for excluding certain items is as follows:

- **Depreciation:** a non-cash item which fluctuates depending on the timing of capital investment. We believe that a measure which removes this volatility improves comparability of the Group's results period on period.
- **Amortisation:** a non-cash item which varies depending on the timing of and nature of acquisitions, and on the timing of and extent of investment in internally generated intangibles such as software. We believe that a measure which removes this volatility improves comparability of the Group's results period on period. Where applicable, impairment of intangible assets is also excluded as a significant item.
- **Significant items:** These items represent amounts which result from unusual transactions or circumstances and at a significance which warrants individual disclosure. We believe that adjusting for such significant items improves comparability period on period. Significant items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. See note 9 for further detail of amounts disclosed as significant in the year.

Profit reconciliation

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Revenue	872.4	830.8
Other operating costs	(780.4)	(729.1)
Impairment gain/(loss) on financial assets	0.1	(2.8)
Significant items	14.9	7.9
Net investment (expense)/income	(0.5)	0.1
Adjusted EBITDA	106.5	106.9
Significant items	(14.9)	(7.9)
EBITDA	91.6	99.0
Depreciation and amortisation	(41.4)	(42.8)
Finance costs	(56.1)	(53.9)
Profit/(loss) before tax	(5.9)	2.3
Tax	(5.7)	(0.3)
Profit/(loss) for the year	(11.6)	2.0

Adjusted EBITDA excluding US costs reconciliation

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Operating profit	50.7	56.1
Significant items	14.9	7.9
Depreciation and amortisation	41.4	42.8
Net investment (expense)/income	(0.5)	0.1
Adjusted EBITDA	106.5	106.9
US costs ¹	0.6	-
Adjusted EBITDA excluding US costs	107.1	106.9

¹ US costs of £2.0m were included in significant items for the year ended 31 March 2020.

GLOSSARY OF TERMS

Acquisition costs	Commission and other expenses incurred on winning subscriptions from customers for acquiring appliance care protection plan business
ADIA	Abu Dhabi Investment Authority
Adjusted EBITDA	Group's operating profit for a particular period adjusted for amortisation of acquisition intangibles, depreciation and amortisation, significant items and net investment income/(expense)
Alternative Performance Measure ('APM')	An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework
APRA	The Australian Prudential Regulation Authority ('APRA') is a statutory authority of the Australian government and the prudential regulator of the Australian financial services industry
B2B2C	Business to Business to Consumer
BaFin	The Federal Financial Supervisory Authority better known by its abbreviation BaFin is the financial regulatory authority for Germany
Brexit	Brexit (portmanteau of 'British' and 'exit') is the withdrawal of the United Kingdom ('UK') from the European Union ('EU')
Cash-generating unit ('CGU')	A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets
Churn	Also referred to as 'customer churn' or attrition rate of customers. It represents the cyclical nature of customers changing their coverage.
Clients	Business partners (for example manufacturers, retailers and financial service companies) for whom we provide appliance care services including design, arrangement, pricing, selling, administration and distribution of appliance care service plans and policies for customers
COVID-19	The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing pandemic of coronavirus disease 2019 (COVID-19), caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
Customers	Individuals who have purchased appliance care service plans or policies
Deferred acquisition costs ('DAC')	The proportion of acquisition costs incurred that corresponds to the proportion of sales which have not been recognised as revenue at the balance sheet date
Deferred income	That part of sales which it is estimated will be recognised as revenue in the following or subsequent financial years
DGX	The Domestic & General experience 'DGX' is our digital transformation programme, delivering new online sales and self-service capabilities, supported by a revised Contact Centre Operating Model to give best in class contact
ECL	Expected credit loss
E-tail	Electronic retailing (E-tailing) is the sale of goods and services through the Internet. E-tailing can include business-to-business ('B2B') and business-to-consumer ('B2C') sales of products and services

European Insurance and Occupational Pensions Authority ('EIOPA')	EIOPA is a European financial regulatory institution established under EU Regulation and is one of the three European Supervisory Authorities responsible for microprudential oversight at the European Union level
Free cash flow	Defined as the sum of: (i) free cash flow of the non-regulated business; plus (ii) changes in distributable earnings from the regulated business over the amount of capital to be held for regulatory purposes determined in accordance with Solvency II principles
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FY	Financial Year
General Data Protection Regulation ('GDPR')	The GDPR is a regulation in EU law on data protection and privacy for all individuals citizens of the European Union ('EU') and the European Economic Area ('EEA')
Group	The Domestic & General group of companies, comprising Galaxy Finco Limited and all subsidiaries as set out in note 29 in the notes to the Financial Statements
IAS	International Accounting Standards
IBNR	Claims 'Incurred but Not Reported' refers to the amount owed by an insurer to all valid claimants who have had a covered loss but have not yet reported it
Investment return – interest	Calculated as investment income earned in the year over the average balance of investments plus cash and cash equivalents in the year
IFRS	International Financial Reporting Standards
M&A	Mergers and Acquisitions
Net Promoter Score ('NPS')	NPS is a management tool that is used to gauge the loyalty of a firm's customer relationship and is calculated based on responses to a single question: 'How likely is it that you would recommend our company/product/service to a friend or colleague?' The scoring for this answer is most often based on a 0 to 10 scale
OCI	Other Comprehensive Income
OEM	Original Equipment Manufacturer
Part VII transfer	A Part VII transfer, also known as insurance business transfer scheme, is a transfer of business or parts of a business under Part VII of the Financial Services & Markets Act 2000 in the United Kingdom. Part VII transfers are a common tool used by insurance businesses to address required business transformation in preparation for or in response to Brexit
Point-of-need ('PoN')	An appliance care plan sold at the point at which an appliance breaks down. The plan includes a repair, plus an extended appliance care cover
Post-point-of-sale ('PPoS')	An appliance care plan sold after the appliance has been purchased

GLOSSARY OF TERMS CONTINUED

PRA	The Prudential Regulation Authority ('PRA') is a United Kingdom financial services regulatory body, formed as one of the successors to the Financial Services Authority ('FSA'). The authority is structured as a limited company wholly owned by the Bank of England and is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. It sets standards and supervises financial institutions at the level of the individual firm
Retail Point-of-Sale ('PoS')	A retailer protection plan sold at the same time as the appliance
Revenue	The amount of sales recognised in the period either from sales made in previous periods and deferred or current year sales that are recognised in the current period
Service Level Agreement ('SLA')	A service level agreement is a commitment between a service provider and a client. Particular aspects of the service – quality, availability, responsibilities – are agreed between the service provider and the service user
Solvency II	The Solvency II Directive is a Directive in European Union law that codifies and harmonises the EU insurance regulation. Primarily this concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency
Underlying revenue	Represents revenue after the reversal of any fair value adjustments to deferred acquisition costs and deferred income associated
Unrestricted cash	Defined as the cash and cash equivalents balance of the unregulated business and the excess distributable reserves of the regulated business over and above regulatory capital requirements
USP	Undertaking Specific Parameters as defined by EIOPA to adjust standard formula
VCP	Value Creation Plan
Value in Use ('VIU')	The present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Domestic & General

Swan Court

11 Worple Road

Wimbledon

London SW19 4JS

www.domesticandgeneral.com



**Domestic
& General**