Domestic & General

keeping your world running

Annual Report & Accounts 2019

Domestic & General
The leading pan-European domestic appliance care specialist.

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Chairman's Statement

"We have worked hard to embed a culture of service excellence across the business, that will enhance our competitive strengths, deliver profitable long-term growth and continue creating value for our shareholders."

I am pleased to report that the business has delivered another year of growth in revenue (4%) and EBITDA (2%) for the Group with improving customer service (NPS up from 65 to 67). We have also maintained a strong balance sheet with unrestricted cash generation helping to reduce leverage to 3.6x Net Debt/EBITDA (2018: 3.9x). Capital in our insurance business remains at prudent levels above our target Solvency Capital Ratio of 130%.

The UK business continued to demonstrate its resilience and momentum with revenue growth of 6% driven by the strength of our embedded renewals book and growth in new business, supported by strong customer response to our new products. UK EBITDA grew by 3% year-on-year, despite significant investment in enhancing the product proposition and improving customer service. International revenues decreased by 4% as a result of our strategic move away from upfront cash products towards subscription business.

This performance has been achieved against a backdrop of delivering significant transformation in line with the objectives we set out two years ago as part of our focus on customer service improvement under the Customer First programme. Importantly, we have transitioned away from our legacy Discretionary Service plans to offer only Insurance and Maintenance plans to ensure that Domestic & General ('D&G') continues to provide products that are consistent with current and future regulation.

We are committed to putting excellent customer service at the heart of everything we do. During the year we completed a significant call centre retraining programme and made good progress in digitalising the customer journey. These efforts have translated into material improvements in customers' experience of D&G through the renewals process (where our agents have helped customers understand the benefits of our new products), online booking of engineers for repairs and online selection of replacement appliances.

Secure, long-term and mutually beneficial partnerships with OEMs, retailers and utility providers are a key strength of our business. We thank our Partners for working with us to deliver our Customer First transformation. In addition to completing successful contract renewals across more relationships, we worked with all of our Partners to adapt their systems and train their call centre agents, thereby ensuring fully aligned sales and service processes and regulatory compliance.

Another major focus during the year has been refreshing and enhancing our risk and regulatory compliance framework. I am pleased to report that we have maintained strong governance over all key processes, resulting in a continuing positive relationship with our regulators. The business has also planned extensively for the ever-changing political landscape that has characterised the delivery of Brexit. As a first and critical step in planning for a post-Brexit environment, our German insurance entity Domestic & General Insurance Europe AG, was granted its regulatory licence by BaFin on 5 April and we are preparing to begin trading as an EU insurer.

We have an ambitious transformation strategy and the task of delivering it has not been an easy one. On behalf of the Board, I wish to say a big thank you to all our colleagues across the business for rising to the challenge of continuing to improve our financial and operational capabilities while also delivering our change agenda.

The executive management team has worked hard to embed a culture of service excellence and customer-centric behaviours across the business. The combination of strongly engaged colleagues and consistently high service levels will enhance our competitive strengths, deliver profitable long-term growth and continue creating value for our shareholders.

In addition, we are pleased to have recently appointed Nina Bhatia as Non-Executive Director, effective from 1 April 2019.

David Tyler
Non-Executive Chairman
21 May 2019

About Us

The leading pan-European domestic appliance care specialist.

Products

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

Markets

Leading position and growing in large and underpenetrated UK market

•

Established in ten international markets of over 2bn protectable appliances

Customers

High quality service, subscription-based business serving 16m customers and 23m appliances

•

High levels of customer satisfaction, loyalty and revenue recurrence

Partners

Exclusive long-term partnerships with leading OEMs and retailers

•

Highly differentiated distribution model and mutually beneficial eco-system with Partners

People

Employ c,2900 people directly

•

Network of over 8,500 manufacturer-approved engineers

16m

customers worldwide

11 countries

across the globe served by 10 D&G offices

1 in 3

UK households are supported by D&G

D&G Highlights

Financial highlights*

Underlying Revenue

£811m

+4.3%

Underlying EBITDA

£101m

+2.3%

Underlying cash flow available for debt service (CFADS)

£70m

+28.0%

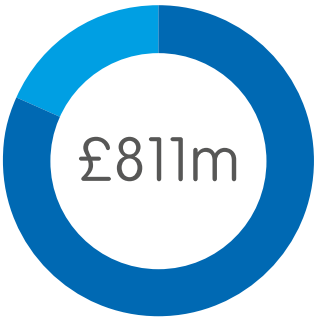
UK Revenue Renewal rate[1]

80%

Net Leverage[2]

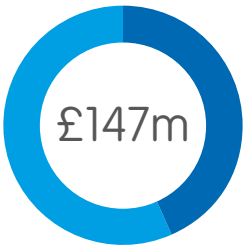
3.6x

1 % of current year UK revenue from renewals/total prior year UK revenue.
2 Net Debt/Underlying EBITDA.



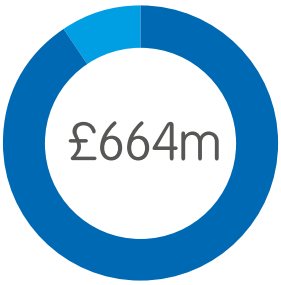
Underlying revenue across 11 locations (2019)

- £664m UK (2018: £625m)
- £147m International (2018: £153m)



International Revenue split (2019)

- £64m International Subscription (2018: £53m)
- £83m International Non-subscription (2018: £100m)



UK Underlying Revenue split (2019)

- £602m UK Subscription (2018: £559m)
- £62m UK Non-subscription (2018: £66m)

*Refer to Glossary of Terms

A large-scale provider of appliance care with a track record of growth

D&G's products protect its customers from the cost and inconvenience of appliance breakdown by providing repair and replacement protection alongside maintenance and support services.

Our simple and transparent product range

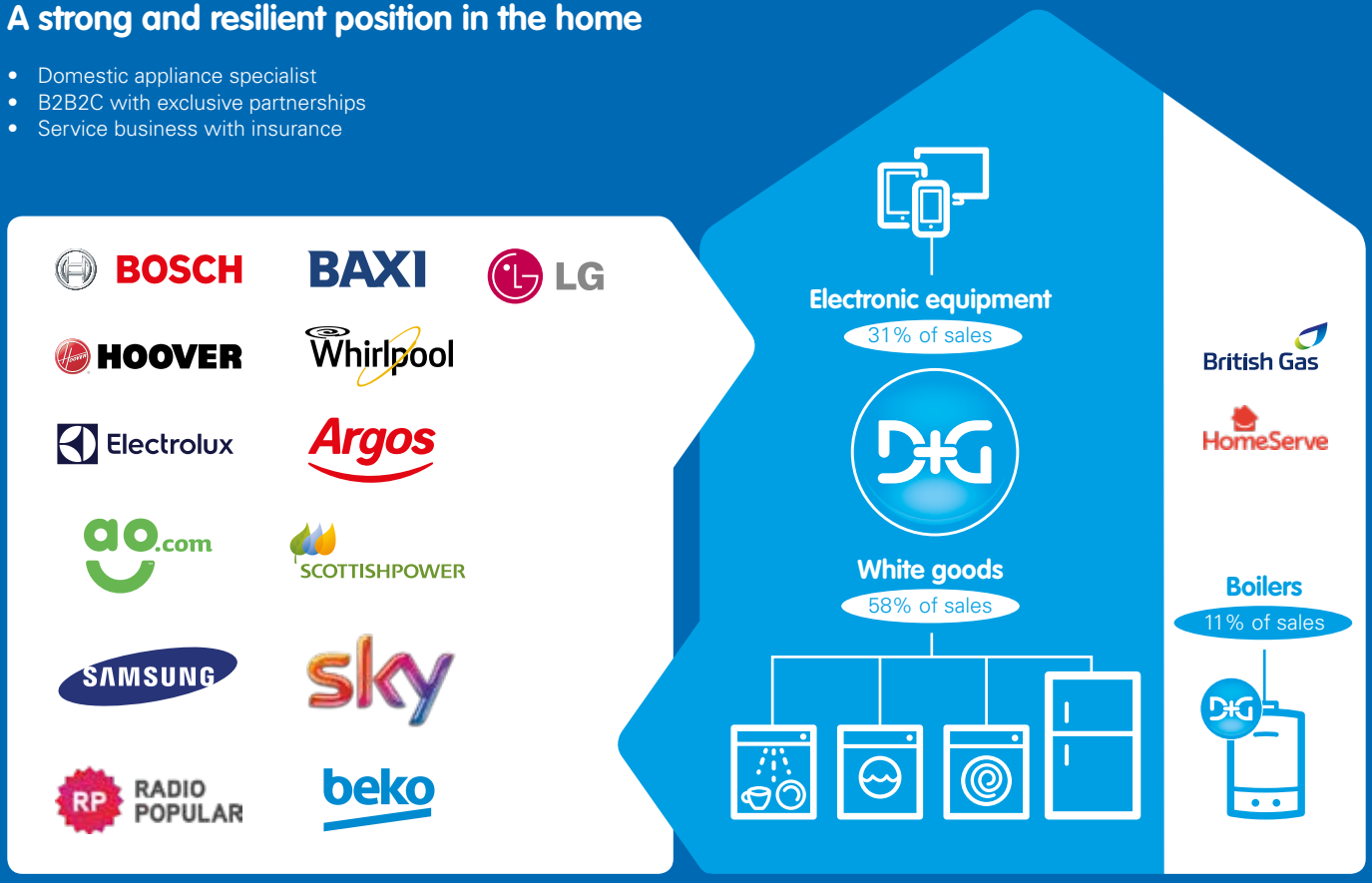
Product Care
Breakdown and accidental damage protection, and repair or replacement cover for the most important home products, including large domestic and electrical appliances, mobile phones, jewellery and boilers.

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 boilers.

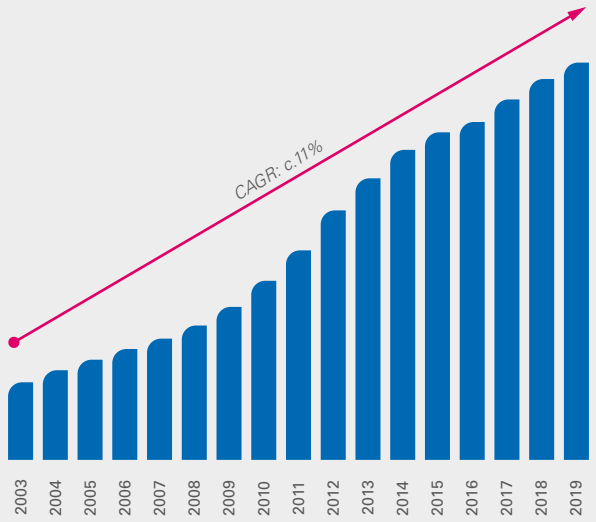
A strong and resilient position in the home

- Domestic appliance specialist
- B2B2C with exclusive partnerships
- Service business with insurance



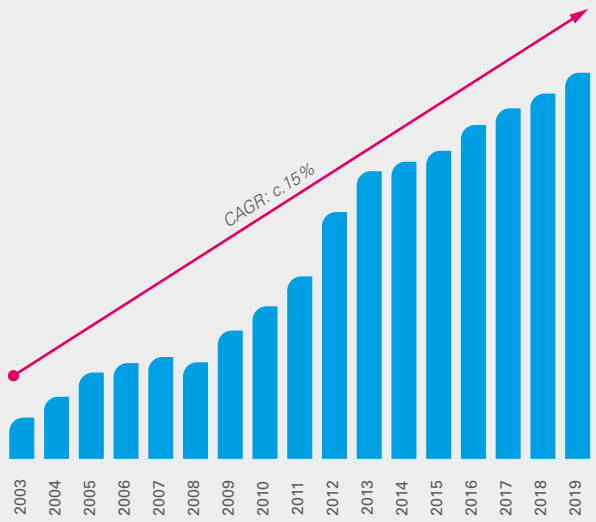
Long track record of organic revenue and profit growth

Non-cyclical, resilient revenue growth



Group underlying revenue

Sustained EBITDA growth



Group underlying EBITDA (excl. investment income)

Source: Management information based on historical financial accounts.

Where we operate

D&G operates across 11 markets, including the UK, Spain, Germany, France, Portugal, Italy and Australia. The Group had approximately 2,900 direct employees as at 31 March 2019.

We repair and replace domestic appliances

Customers
c.16m

Appliances
23m

UK households
1 in 3

Average OEM tenure
17 years

Repairs P.A.
2.5m

Replacements P.A.
>500k

Subscription-based high service Business Model

Our highly differentiated subscription model underpins strong embedded growth.

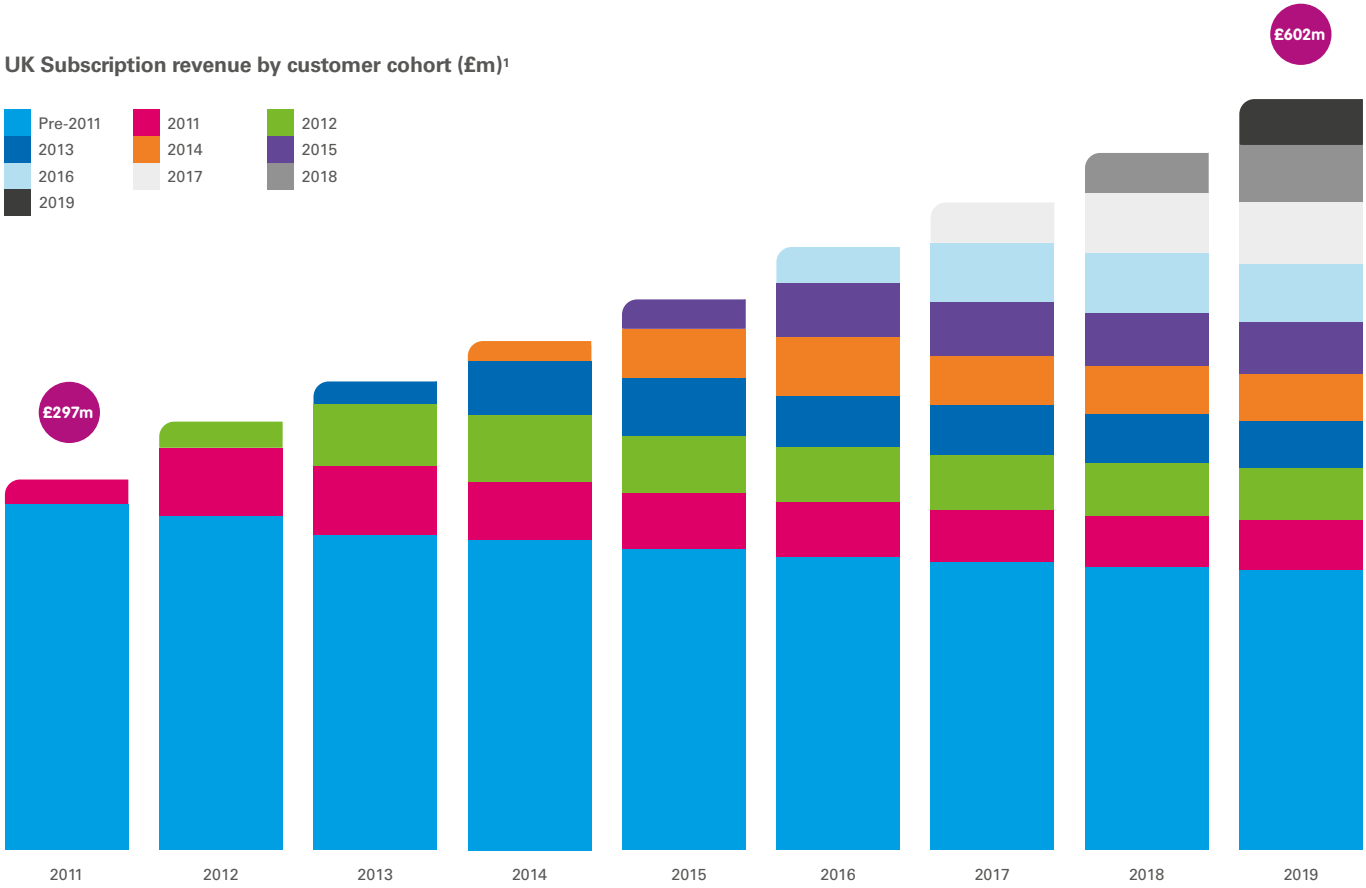
Our highly differentiated subscription model underpins strong embedded growth in the UK. During 2019, more than 92% of our new appliance care plans by value in the UK were sold as subscription plans. This subscription base supports stable and high customer renewal rates and results in higher overall customer lifetime values.

We also benefit from highly predictable and compounding growth as a stable new cohort of customers each year delivers incremental revenues, whilst a consistently large proportion of existing subscription revenues from the prior year are renewed (2019 UK revenue renewal rate: 80%).

We have further enhanced this subscription model through flexible monthly plans which are highly valued by customers because of their lower commitment threshold through regular monthly payments with a flexible term. The affordability of flexible monthly products benefits us through higher customer take-up, sustained renewal rates and higher customer lifetime values overall.

Customer cohorts build portfolio revenue

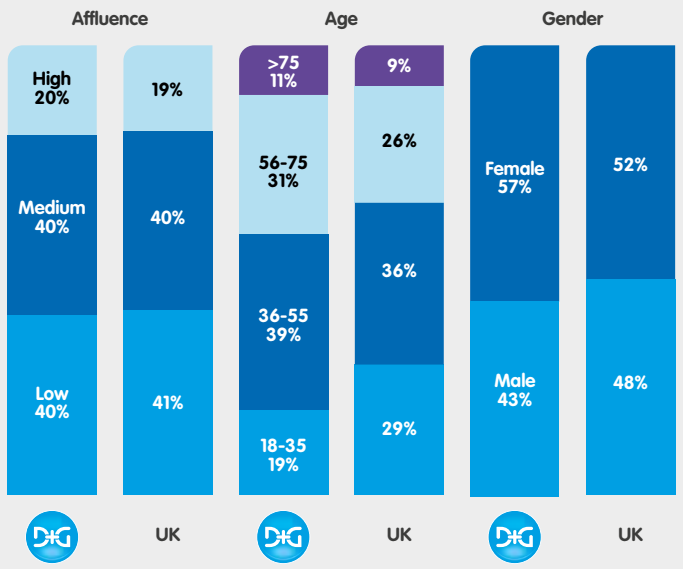
UK Subscription revenue by customer cohort (£m)[1]



1 Management information based on unaudited subscription revenue figures and analysis of sales cohort data. Calculated as current year revenue from customers who were also customers in the prior year.

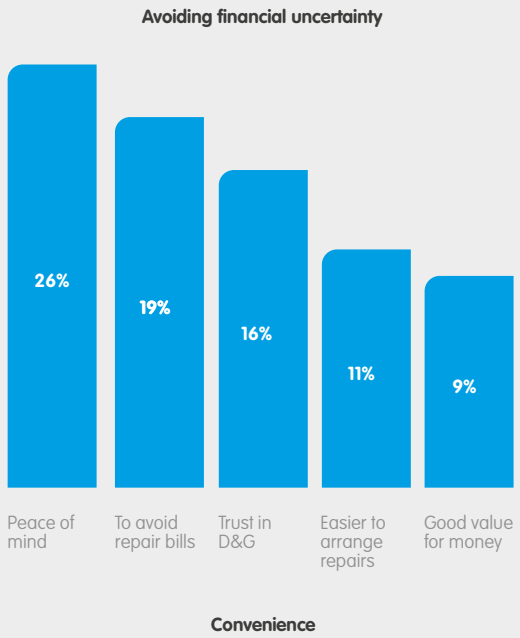
Service has universal appeal, meeting clear customer needs

Universal appeal: D&G's customer demographic is representative of UK population



Source: Management information – May 2017.

Customers have very clear needs



Source: Customer loyalty survey (July 2017).
Q: Thinking about the last extended appliance care plan you purchased, what were your main reason(s) for purchasing the plan?
Base: 2,445 customers.
Note: percentages do not sum to 100 as only top five answers shown.

High customer service and value drive satisfaction, loyalty and renewal

High level of customer service

Repairs P.A.

2.5m

Replacements P.A.

>500k

Clear value to customers

Convenience

Avoiding financial uncertainty

1 in 3 renewal customers claim p.a.

Value for money

Customer satisfaction

1st/2nd time fix

98%

Customer satisfaction*

89%

Repair NPS score

67

* Internal post repair customer satisfaction survey.

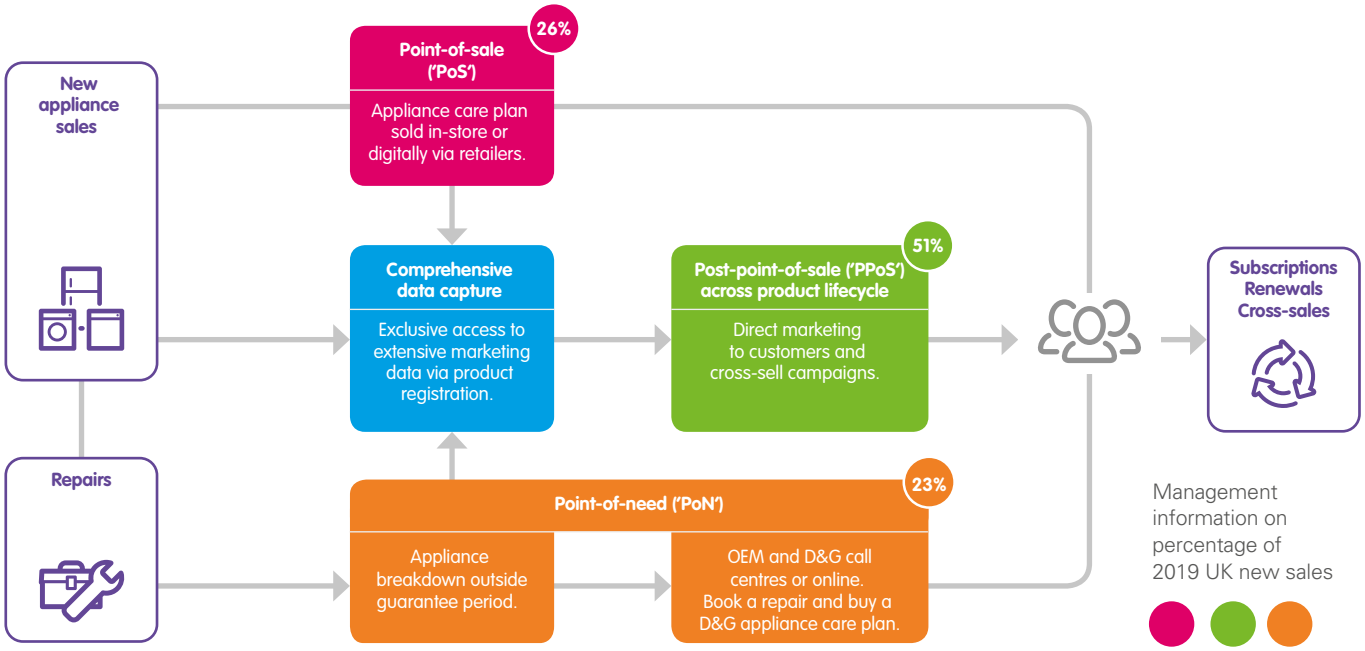
Long-established, hard to replicate B2B2C business model

Long-standing, trusted partnerships with OEMs, retailers and affinity Partners

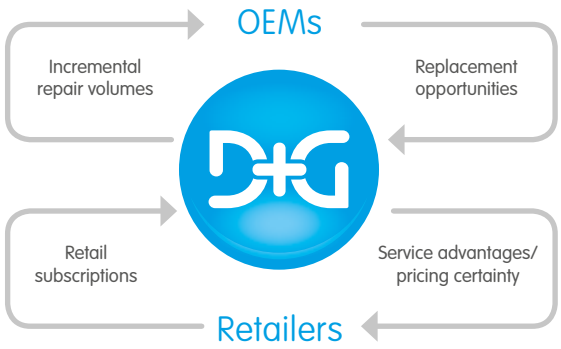
Our highly differentiated distribution model gives us access to four main touch-points with customers to secure new business:

- by retailers at the point-of-sale ('PoS') simultaneously with a customer's purchase of the appliance or, on some occasions, at post-point-of-sale ('PPoS');
- through 'call to action' marketing materials after an appliance has been purchased and that customer has registered their appliance with the manufacturer PPoS;
- at the point-of-need ('PoN') when the appliance breaks down and the customer contacts the OEM; and
- PPoS or PoN directly through the Group's own sales channel via its website and its dedicated sales agents.

Multi-channel distribution access across entire product life cycle



How the ecosystem benefits D&G and Partners



1)	High policy volumes from across the product life cycle
2)	Economies of scale by consolidating repair volumes
3)	Lower costs to service
4)	Service advantage and higher sales

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 many segments within which we operate). Our largest ten UK Partners by 2019 sales have an average tenure of 17 years and an average remaining contract length of five 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.

Average tenure 17 years

Average remaining contract length 5 years

Not lost a significant OEM Partner in the last 20 years

Mutually beneficial

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	Retailers/Affinity Partners
Over 20 years of D&G support	HOOVER, Electrolux, CANDY, BAXI, Miele, beko, Whirlpool, Dimplex	Hughes, MEDIMAX, euronics
Over 10 years of D&G support	INDESIT, BOSCH	MEDIA-SATURN, ao.com, sky, THE GOOD GUYS
Over 5 years of D&G support	LG, SAMSUNG, WORCESTER Bosch Group, Vaillant	Argos, GAME, RP RADIO POPULAR
New	ideal, PlayStation	SCOTTISHPOWER

Source: D&G management information; Company financials.

Strategic Case Study – Partnerships that deliver mutual benefits

D&G partnership pillars	Shared value drivers	Benefits and applications for D&G and our Partners
Brand	• Building and protecting blue-chip brands • Driving loyalty and advocacy	• Increased brand engagement • Encouraging ongoing repeat purchase
Growth for D&G	• Piloting new routes to market • Onboarding subscription customers • Building long-term loyalty	• Sky Engineer Introductions and Sky Protect TV Ad • Smartcare loyalty scheme gives discounts on future appliances
Customer	• Innovating, market-leading products • Digital first experience for ease and speed • Better SLA's agreed for repair experiences	• No surprises, no quibble products • Online repair bookings in less than three minutes • Largest OEM engineer booking platform in the UK
Insight Leadership	• Understanding our customers even better • OEM data and insights • Connected home leadership	• A deeper understanding of who is buying appliances • Developing smart technology capabilities

A transformative year with our clients

We have renewed long-term contractual partnerships with many of our major Partners during 2019. This was a key pillar of our Customer First transition for all of our OEM, Retailer and Affinity Partners.

These extensions provided the opportunity to confirm and refresh our strategic roadmap with Partners. This included reviewing key market and consumer trends, how they might evolve over time and how we can position our respective businesses to best serve our consumers today and tomorrow.

As a result we have continued to drive deeper relationships with our Partners in the process of delivering the Customer First programme.

This included co-creating all new appliance care products, communications, operational processes and training customer-facing staff.

This transformative year has created significant value already for D&G, our customers and our Partners, providing a solid foundation for future growth.

Reasons why our Partners work with us:

Differentiated proposition

- Our comprehensive model is highly differentiated and bespoke to our Partners where we act as brand custodian

Excel at what we do

- Maximise value for Partners and their customers
- Prospect success establishes additional Partners

Exclusive long-term contracts

- Top ten contracts average five years remaining
- Exclusive contracts

Ecosystem

- Additional repairs/replacements – our scale generates overall profit for the service departments
- Improved service levels

Contribution scale

- Significant contribution made to UK Partners last year in the form of commissions, repairs and replacements payments

Incentives

- Allows D&G to maintain customer relationships for renewals

Sky Protect

Scottish Power Boiler Care

A clearly defined strategy for driving profitable growth

Our mission is to be the leading appliance care specialist in all of our markets and to continue growing profitably in the UK and internationally.

Our strategy for delivering sustained revenue and profits growth is underpinned by our focus on high service levels and simple, clear products, a differentiated subscription model, a hard to replicate distribution model and strong historic investment. This has enabled us to focus on a number of key strategic priorities across which we have seen another year of delivery and have clear visibility over future opportunities.

Accelerate embedded growth

Continually improving customer service to accelerate growth and profitability

Our aims

To deliver digital and service initiatives such as D&G@Home, to further increase the value of our products to customers by providing high service levels and simplicity to drive cross-selling and encourage loyalty, whilst reducing costs.

Progress during the year

- Rolled out D&G@Home for all customers, with rich user content to support self service and online repair bookings and replacement.
- Completed Customer First transformation.

Future focus

- Contact centre efficiencies through enhanced digitisation and speech analytics; paperless communication.

KPIs

UK repair NPS

67

UK revenue renewal rate

80%

Operational initiatives

Drive growth in UK penetration

Our aims

To drive retention and growth in household penetration through a continuing focus on subscription business.

Progress during the year

- Data analytics based pricing engine launched to drive customer-centric pricing, retention/win-back activity and cross-selling.

Future focus

- Use of customer data analytics to drive cross-selling and targeted acquisition marketing across prospects database.
- Faster online pricing to support new business growth.

KPIs

UK penetration (appliances covered per household)

1.8

UK number of appliances on subscription

8.2m

Partner collaboration

New products and partnerships

Our aims

To leverage strong historic investment in partnership model and Customer First transformation to deliver new partnerships, open additional routes to market and launch new products.

Progress during the year

- Completed contract renewals and extensions.
- Launch of Sky engineer channel.
- Co-branded online presence.
- Launch of flexible monthly plans.

Future focus

- Pipeline of new retail and affinity partnerships.

KPIs

UK subscription sales

92%

UK average remaining length of partnership contracts

5 years

International

Grow scale and profitability in International business

Our aims

To replicate the UK business's successful subscription model across international markets to drive growth in renewal revenues and customer lifetime values.

Progress during the year

- Renegotiated Retail and OEM Partner contracts and operational improvements to incentivise acquisition of subscription customers and drive growth in new appliance registration volumes.
- In contract negotiations with key OEM partner for US launch.

Future focus

- Continuing improvement of International operating model.
- Launch of D&G US.

KPIs

International registration volumes

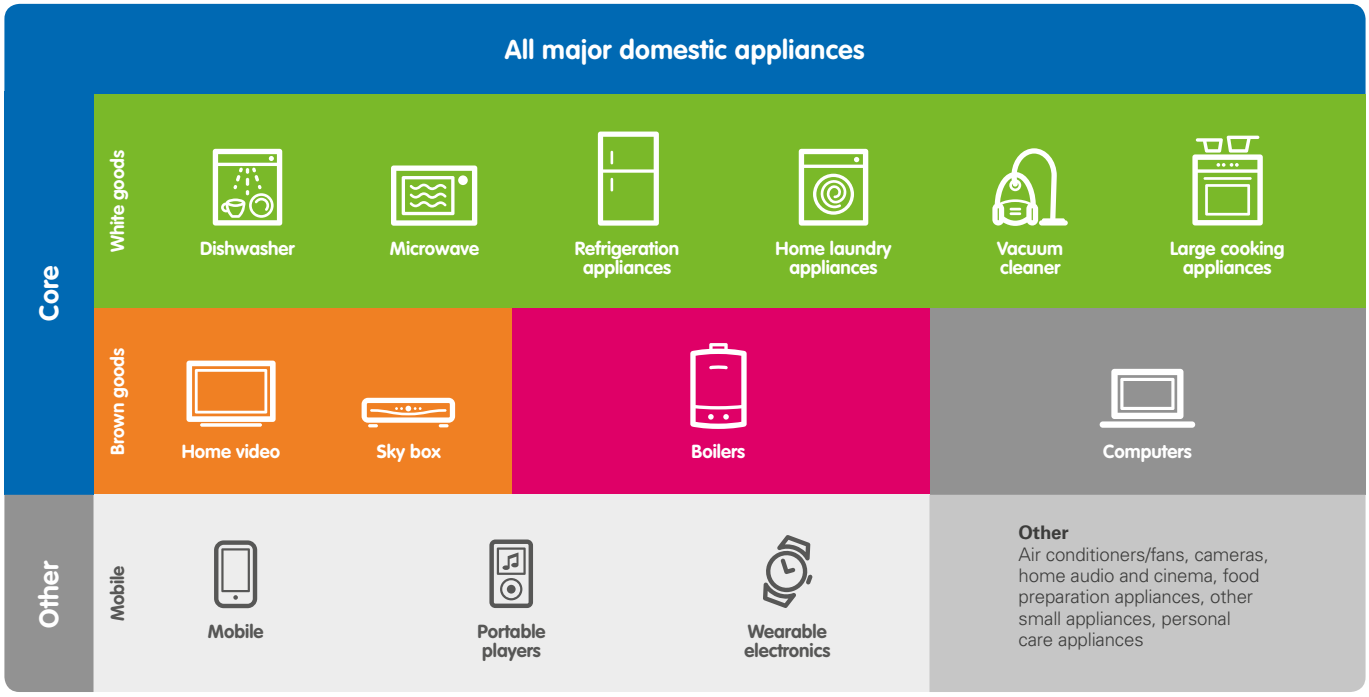
>700k

International subscription revenue growth

21%

Resilient position in the home covering all major domestic appliances

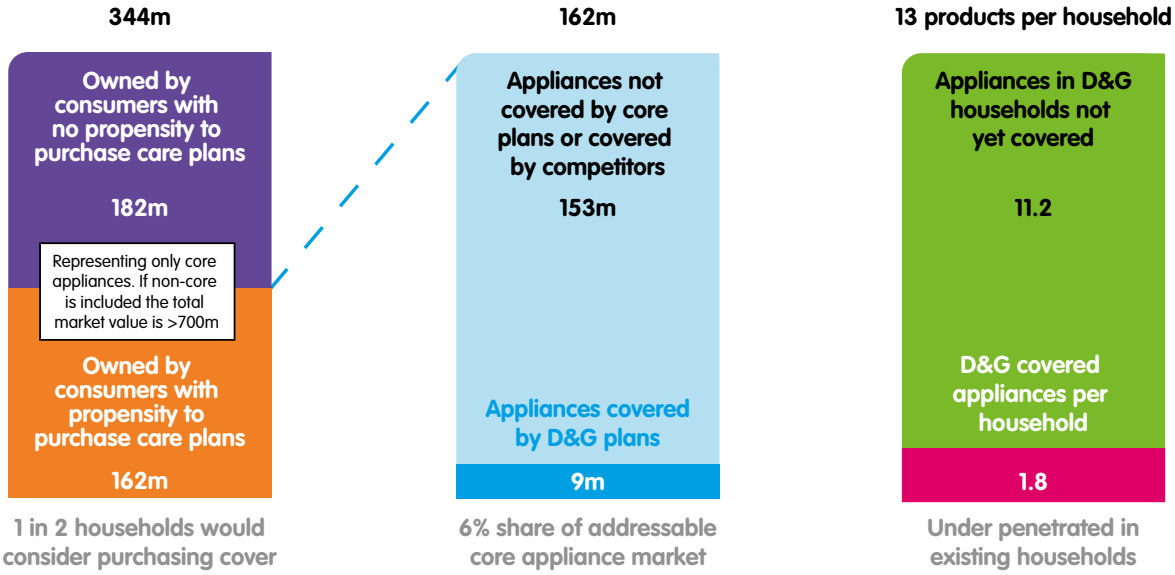
Our distribution model reaches customers across the full life-cycle of their product ownership from point-of-sale to registration on product delivery to the point of breakdown and, if required, replacement. As a result we have built a significant and Market leader position which still offers substantial opportunities for growth.



The UK is a large market with significant opportunity for growth

The UK appliance market consists of 162m core appliances which could potentially be covered by appliance care plans, of which only 9m appliances are already covered by D&G (6% of the total core addressable market). This represents approximately 1.8 appliances per household currently, whilst an average UK household is estimated to have 13 core protectable appliances. This presents a sizeable opportunity for us to continue growing within our core addressable market.

Large and under-penetrated UK market



Key international markets 3x larger than UK and with similar consumer propensity to purchase care plans

Source: Company market study, October 18.

"I am pleased to report another year of financial and operational delivery against the challenging priorities we set out as part of our Customer First transformation programme two years ago."

Customer First Transformation Completed

In Customer First we set ourselves the ambitious challenge of transforming our business and culture to focus first and foremost on delivering an excellent customer experience, underpinned by changes in our products, operations, systems and culture. We have delivered across all of these objectives with the key elements of our plan substantively completed on schedule. In addition, the business has continued to build on its track record of organic growth with another year of strong financial performance, that, combined with our operational delivery, has established the foundation for sustained, profitable growth both in the UK and internationally.

A strong culture at the heart of everything we do

Our Mission and Vision are supported by five simple values underpinned with a set of behaviours that put the customer at the heart of everything we do. Our Momentum Plan sets out the actions that demonstrate our commitment to culture change, including a new behaviour rating for every colleague. The plan has been embraced by our colleagues and is reflected in a substantially improved engagement score. I would like to take this opportunity to thank our colleagues for rising to the challenge of delivering such an ambitious and far-reaching transformation agenda.

Customer First transformation completed

We have now completed our programme to transition of all our legacy Discretionary Service plans to Maintenance or Insurance plans and within these categories, simplified our products into three core ranges: Product Care, Replacement Care and Repair & Care.

This two-year transition programme has involved unprecedented collaboration across our product design, call centre, training, IT, legal, regulatory and finance teams, all of whom have also worked in collaboration with our OEM, retail and affinity Partners to ensure that Customer First is fully embedded within their service and sales teams.

All legacy plans transitioned

Insurance	Maintenance
Appliances that are harder to maintain and service or products that are small or of relatively low value.	Appliances that can be serviced and maintained, such as boilers and white goods.

Simple and transparent products

Product Care	Replacement Care	Repair & Care

Clear benefits

Products enhanced	Service enhanced	Improved customer experience	Regulatory clarity

The improvements in product simplicity and transparency of entitlements has helped drive measurable improvements in customer satisfaction, advocacy and complaints. With one-third of our renewal customers making a claim each year, these improvements highlight our strong and clear value proposition.

Strengthening and broadening Partner relationships

Building on last year's contract renewals with our key Partners, we renewed a number of additional Partner contracts during 2019. Partnerships are at the heart of our business model and we have continued to push forward with multiple initiatives to realise the mutual benefits of Customer First.

We significantly enhanced our third-party agent training programme through a combination of online and classroom training content, developed and delivered by our network of trainers, to ensure that Partner sales teams operate to the same high standards that we expect from our own contact centres. As a result, all of our Partner agent teams are now actively selling our new products. Feedback from the process has been very encouraging with agents positive about the simplicity of the products and sales scripts.

In addition to training Partner agents, we also launched:

I. our own online Repair & Replacement platform with OEM Partners, delivering a step change in the ease and convenience with which customers can order replacement products under their plans (driving a 3% improvement in the Repair NPS and a 14% fall in like for like complaints volumes);
II. a new sales channel with Sky whereby Sky engineers are able to showcase our products to customers on repair visits; and
III. co-branded marketing communications with our newest Partner Scottish Power.

Established foundations for delivering an online-first customer experience – DGX

As part of Customer First, we have begun a wide-ranging programme of building the capabilities to deliver an online first experience for our customers. The foundations of Domestic & General Experience ('DGX'), modernising the customer journey and utilising our digital platform, enabling us for a smart future, have now been established.

During the year we successfully launched D&G@Home, our customers' portal into their D&G services, enabling online booking of repairs and replacements, both of which have driven improvements in NPS and reduced call volumes. The customer portal also provides rich and useful OEM-designed content at no extra cost, so that customers can access appliance-specific maintenance details.

DGX is an ongoing programme requiring the same level of cross-business collaboration as Customer First but with the foundations now established, we are confident that delivering this digital shift in our business will further improve customer service, grow loyalty and reduce operating costs.

Risk culture and regulatory focus embedded across the business

A key achievement of our transformation and a major focus during the year was to improve our customer proposition and ensure that D&G continues to provide products that are consistent with current and future regulation. We strengthened our team with the appointment of Tom Hughes as Chief Risk Officer, reporting directly to me; and the creation of a Group Risk Committee to drive governance and oversight across the business. As a result, we have driven strong and continuing engagement with our regulators.

Building blocks in place to drive growth in International

The building blocks to drive growth in International is by replicating our successful UK operating model, which is now firmly established:

I. a strong OEM led post-point-of-sale channel;
II. Partners incentivised to grow the base of subscription customers; and
III. a continuing stable point-of-sale business through the traditionally strong retail channels in Germany and Spain – our largest European markets.

During 2019 we successfully leveraged our UK OEM Partner discussions through the Customer First transformation to extend many of those relationships to also cover Europe. As a result, we now have contractual pan-European relationships with the top five OEM Major Domestic Appliance brands by volume across our key markets, with each Partner incentivised to deliver growth in post-point-of-sale registrations and subscription volumes.

We are seeing strong growth in registration (+4%) and conversion rates (+13%); as well as growth in subscription penetration (+21%) with retail Partners now also actively engaged.

The US market represents a significant market for our subscription-based products and we are pleased to have signed a letter of intent with one of our largest OEM Partners to launch the D&G proposition in the US. We are now in contract negotiations, operational plans are at an advanced stage and we expect to launch to consumers in 2020.

Contact centre investment and leadership delivering improvements

Our UK contact centres are open 24 hours a day, 365 days a year and are manned by approximately 1,400 agents across ten specialist teams that handle approximately 16m inbound and outbound calls per year dealing with inbound and outbound sales, customer service, customer registration, repair related, soft service and technical help calls. We have invested significantly in transforming our contact centres through training, upgraded telephony systems, digital platform development and cutting-edge speech analytics technology. During the year we complemented this investment with a focus on the leadership and operational management of our contact centres in order to ensure a smooth transition to selling and servicing our new products. As a result, we are emerging out of the transition phase with lower attrition in call centre staff, improved sales conversion rates and a strong platform that will support our digital journey.

Executive Committee changes

We made a number of changes to strengthen our Executive Committee during the year, welcoming Mark Jenkins as Group General Counsel and Company Secretary; and expanding Nick Ulycz's role to that of Chief Operating Officer, including contact centre operations.

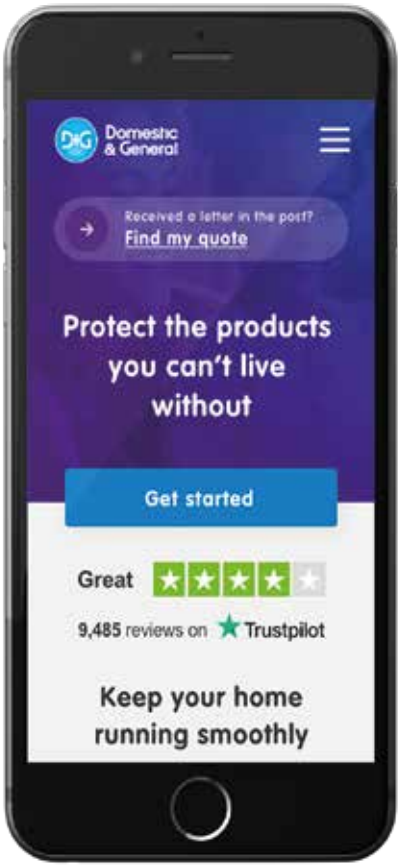
Strongly positioned to deliver sustainable growth and value

We have made significant progress in implementing our strategic priorities throughout the year whilst maintaining strong financial discipline and delivering revenue and profit growth. We have built on the core engines of our robust business model (high service, hard to replicate partnerships, subscription-based embedded growth and strong track record of secular growth) to create a platform for sustained and profitable growth in the UK and internationally.

Ian Mason
Chief Executive Officer
21 May 2019

Accelerated digital transformation to drive engagement and operational leverage and experience

We have developed our digital platforms to enhance the customer experience, drive greater digital engagement and deliver operating leverage. Customers now can effortlessly self-serve themselves for several key journeys via our digital platform. They can manage or update their own accounts, make a claim, book engineer visits, order replacement products and access maintenance information about their appliances. This year has seen a 48% increase of users to our core website, domesticandgeneral.com and our digital channel is now responsible for 1 in 3 of all product replacement interactions in the UK.



What we want our future customers to say

- "I can book a specific time slot"
- "I get really valuable rewards"
- "When my appliance needed replacing, I had a simple choice and could easily upgrade if I wanted"
- "I can link up my connected appliances through D&G at home which means I'm always up to date"
- "It's easy to view all of my appliances in one place which helps me look after them"
- "I can book a repair in 90 seconds"
- "I know that by registering all my items I'll be the first to know if something goes wrong"
- "I can track how near the engineer is to my house"
- "I can link up my connected appliances through D&G at home which means I'm always up to date"

Capabilities delivered	Customer benefits	Programme objectives
Repair booking enabled	Provides easy way to book and track your repair	Improved repair NPS and fewer low-value calls
Replacement online retail experience	Step changes from phone-based process giving clarity and control	Improved replacement NPS and fewer repeat calls
D&G@Home my account functionality	Provides an easy way of seeing all appliances and products in one place	Additional cross-sell opportunity and fewer low-value calls
Rich user content (including loyalty platform)	Provides useful content at no extra cost, builds utility, loyalty and advocacy	Improved account utilisation and increased loyalty
Paperless documents	Allows quicker and easier confirmation of cover and reduces cost to serve	Get the majority of our customers to choose e-docs over paper
Delivering the digital shift in our business will further increase service, loyalty and reduce operating costs		

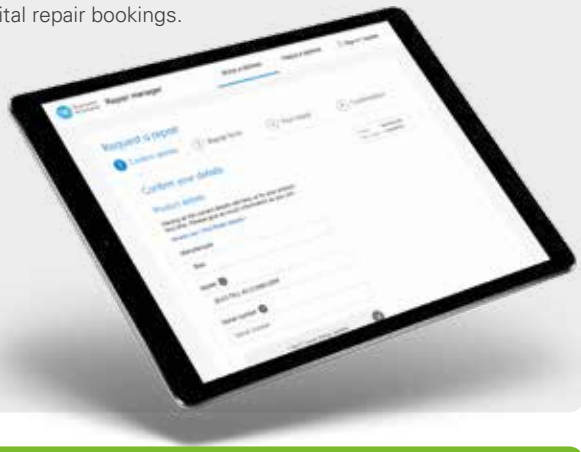
Source: Management information.

2017

Online product replacement is launched.

Content management system, is implemented on all online registration sites.

OEMs are onboarded to our repair management system, enabling more digital repair bookings.



2018

Nearly all claims can now be serviced online.

Appliance care offers customers a unique site where they can find support and advice on how to get the most out of their appliances and do basic trouble shooting.

Online product replacement allowing customers an e-tailor experience to select their new appliance and upgrade or take up new plan.

Flexible monthly plans online, providing customers with fully flexible plans.

2019

We have seen continued growth in overall digital customer satisfaction. Our digital CSAT (customer satisfaction) scores have increased by 32% compared to our previous full year.

Digital sales from domesticandgeneral.com grew by 43%.

On our broader appliance registration websites, we saw a 28% growth in the number of plans sold.

We have also seen growth and recognition for our new digital routes to market. A good example of this being our Sky Engineers app which won "Most Effective B2B App 2018" at the annual Mobile Marketing Effectiveness Awards.

60% year-on-year increase in D&G.com sessions

2.5m

2020

With our digital platforms now in place our business transformation efforts are set to accelerate further. We have strong plans to positively scale our key customer service journeys further into our digital channel and maximise operational leverage that brings.

As our digital audience grows so too does our opportunity to cross sell and up sell to our customers when appropriate.

We are looking to embed the use of data science and more advanced customer personalisation within our digital experience. We are excited about the potential use of AI and dynamic content in terms of creating even richer digital experiences for our customers into the future.

Risk management is an integral component of good corporate governance

D&G has in place a robust risk management framework, which supports business decision-making through the proactive identification, assessment and management of risks to the Group's strategy.

Governance

The Board sets and monitors adherence to the risk management framework and approves the Group's risk policies. The governance framework was strengthened in 2018 and is supported by the following committees:

Audit & Risk Committee ('ARC')

- Charged with overseeing the risks to D&G's objectives and the execution of the risk management framework, including agreeing the risk appetite for Board ratification. Refer to page 31 for members of the ARC.

Group Risk Committee ('GRC')

- Newly formed in 2018 to further strengthen our governance framework, this committee meets monthly and is comprised of the Chief Executive Officer (Chair), the Executive Committee and one independent member. Further representatives from the business are invited as necessary.

Risk appetite

The Board have 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 seek in pursuit of its objectives. These statements are reviewed on an annual basis and were refreshed in 2018 to more closely align to our strategy. We measure adherence to the risk appetite statements through a set of key risk indicators, designed to drive risk-aware decision-making.

Lines of defence

D&G has an established 'Three Lines of Defence' model in place:

1st Line of Defence

Risk management is embedded within the first line of defence from a top-down perspective through the articulation and communication of the Board's risk appetite and from a bottom-up perspective through the operation of the risk registers. Risk owners are clearly identified across the business and take responsibility for the risks in their areas.

2nd Line of Defence

This line of defence includes the functions responsible for ongoing monitoring, advice and facilitation of risk management activities, including Data Privacy, Risk Management, Actuarial and Compliance.

3rd Line of Defence

The Internal Audit function, which reports directly to the Board, is responsible for independent assurance over managing risks.

Principal risks

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

Risk	Risk management and mitigation
Change in market dynamics Risks associated with changes in the wider economy or commercial environment including changes to customer behaviour, new market entrants and Britain's exit from the European Union. D&G's business in the European Union is currently conducted using passporting rights by DGI from the United Kingdom. A Hard Brexit under which DGI lost these passporting rights and without any transitional provisions granted by European Union countries to allow continued service provision from the United Kingdom would result in the inability of DGI to continue regulated activities in the European Union and would therefore have a material impact on D&G's international business.	Our employees have significant experience in our chosen markets and our products are regularly reviewed to ensure that they remain competitive and meet customer needs. The impact of changes to the economy are regularly analysed for business and financial impact. As a result of the formal extension of the Article 50 deadline to 31 October 2019, we continue to review options to mitigate against a Hard Brexit in light of the broader context of the ongoing Brexit process between the UK and the EU, including potential for a court-approved Part VII transfer of our EU businesses into our licenced German insurance entity. An exceptional one-off capitalisation of the new entity may be required at the point of transfer dependent upon the length and nature of any transitional arrangements, and the precise timing and scope of transfer. However, over the medium term, we do not expect aggregate capital requirements for the Group to increase significantly.
Conduct D&G is subject to a number of conduct regulations and is committed to providing reliable services that meet customer needs. Any material failure to protect the rights and needs of customers could lead to damaged reputation, regulatory censure and financial impact through reduced customer retention.	We have a suite of controls in our first line of defence to manage conduct risk including: • 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. • Governance committees charged with monitoring adherence to conduct risk appetite. • Robust employee vetting processes. Our second line of defence includes a risk-based compliance monitoring programme, targeting key areas of conduct risk.
Outsourcing D&G has agreements in place with outsourcers and client contact centres to deliver important aspects of the customer journey including sales, customer service, claims handling and complaints. Failing to provide effective oversight could result in increased reputational risk, higher operational costs and regulatory censure.	All new outsourcing agreements are arranged in accordance with our procurement policy and subject to appropriate levels of due diligence and on-boarding. We monitor the performance of our outsourcers and have a dedicated team to ensure third parties manage risk in accordance with our internal standards. Performance against each aspect of the customer journey is reported through our Conduct Standards Committee and Product Governance Committee, where any exceptions are identified and proactively addressed.
Key client relationships D&G maintains close relationships with strategically important Partners, the loss of which could materially impact the delivery of future growth plans.	Our dedicated Client Management team maintain a close relationship with our partners with careful management of service levels. We have negotiated long-term agreements with each of our key clients and contracts typically allows D&G to maintain customer relationships for renewals creating incentives for long-term, sustainable partnerships with our clients. We monitor our key client dependence in accordance with our business strategy to ensure that our concentration risk does not exceed our appetite.

Risk	Risk management and mitigation
People D&G's strategy can only be delivered by personnel with the right levels of skills, talent and behaviour. Overall performance could be impacted by our ability to attract and retain key talent.	We regularly review our employee engagement and adequacy of our skills and resourcing, including via: • Recruitment and vetting policy. • Mandatory training programme for all employees. • Performance management processes. • Regular review of succession planning.
Technology Risks associated with the appropriate delivery and future-proofing of our technology, including the potential impact of business interruption through systems and hardware.	To ensure our systems and hardware meet D&G's operational objectives and enable the delivery of our strategy, we have the following key controls in place: • IT governance structure. • IT Service Continuity Management framework. • Capacity planning. • Change and Release management procedures. • Procurement processes.
Regulatory and legal landscape The risks arising out of changes to laws, regulations or to supervisory expectations or approach, which could adversely impact on D&G's financial and operational performance.	We maintain an open, transparent and honest relationship with our regulators. We have experienced Compliance and Risk teams who regularly scan the horizon for new and changing regulation/legislation and carry out impact assessments upon the identification of relevant regulatory or legislative change.
Critical business change The risk of loss due to inadequate delivery of strategic business change, including Customer First and Brexit.	We regularly assess the impact of strategic delivery through our programme forums, which report through our governance committee structure. Capacity for change is assessed holistically on an ongoing basis.
Data security and protection D&G regularly collects, processes, stores and handles non-public data from policyholders and suppliers and therefore must comply with all applicable data protection laws (including GDPR). Failure to comply with data protection laws could lead to regulatory censure, significant fines, and damage to reputation.	We have embedded a robust control framework to mitigate the risk of non-compliance with our data security and privacy requirements, and regularly review our conformance with relevant international standards. We comply with GDPR on the processing of personal data and on the free movement of such data.
Reputation The risk of D&G losing reputational capital, due to failings in the quality and ethics of our service and products. This could result in lost revenue, increased operational/acquisition costs and increased regulatory exposure.	We manage the risk to our reputation through a variety of key controls, including: • Monitoring of online review platforms, including Glassdoor, TrustPilot and relevant social media. • Dedicated complaints team. • Robust product governance processes to identify potential reputational risks.
Underwriting & Pricing The risk that underwriting does not accurately reflect all the perils being insured, or that the pricing is not commercially viable.	We manage the risk of underwriting and pricing adversely impacting on business performance by: • Building statistically robust pricing models with multiple years of data and run by experienced specialist teams. • Monitoring performance, including written premium and costs. • Dedicated team managing repairers' costs and quality.
Financial management The risk relating to the failure to maintain appropriate financial controls throughout the business, including around credit and market risk.	Our experienced Finance team regularly review our control environment to ensure sound capital management and financial reporting in accordance with our Solvency II Capital Management Policy. Further detail relating to our approach to financial risk management can be found in the notes to the financial statements (note 31).

Financial Review

"We have delivered another year of growth in revenue and profitability, highlighting the strength of our business model."

Underlying Group Revenue

£811m

+4.3% Increase from 2018

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)

£101m

+2.3% Increase from 2018

Underlying cash flow available for debt service (CFADS)

£70m

+28.0% Increase from 2018

Summary financial information	2019 £m	2018 £m
Group revenue	**810.3**	770.5
UK	**664.3**	624.6
International	**147.0**	152.9
Total underlying revenue	**811.3**	777.5
Group operating profit	**43.4**	14.9
Loss before taxation	**(6.2)**	(36.0)
Significant items	**15.2**	41.2
Depreciation and amortisation	**11.7**	9.5
Amortisation of acquisition intangible assets	**28.7**	30.9
Net finance costs	**51.4**	52.9
Underlying EBITDA	**100.8**	98.5

Overview

I am pleased to report another strong year of financial performance. Group underlying revenue increased by 4% to £811.3m (2018: £777.5m), 82% of which was generated in the UK. High levels of customer loyalty continue to drive organic growth, evidenced by an 86.5% subscription customer retention rate. The Group continues to deliver consistent profitability with underlying EBITDA increasing 2% to £100.8m (2018: £98.5m) as revenue growth and management of our expenditures have mitigated the cost impact of higher claims arising from our continued investment in product and service as part of our Customer First Programme.

Revenue

Group revenue increased by 5% to £810.3m (2018: £770.5m). On an underlying basis, after adjusting for fair value adjustments associated with acquisition accounting, underlying revenue increased by 4% to £811.3m (2018: £777.5m). The increase in revenue was due to a 6% increase in UK underlying revenue to £664.3m (2018: £624.6m), primarily driven by continued high renewal rates achieved on our back book of business of 75% (2018: 75%) and a 2% increase in new business revenue to £166.6m (2018: £162.9m). International underlying revenue decreased by 4% to £147.0m (2018: £152.9m) but increased from 2018 on a constant currency basis after excluding the discontinued business revenue from a customer in Germany.

Operating profit

Operating profit increased by £28.5m to £43.4m (2018: £14.9m). This is attributable to a reduction in significant items of £26.0m, due to material one-off product transition costs incurred in the prior year, and an improvement in underlying trading performance driven by revenue growth and a focus on costs.

Repairs and claims costs increased 10% to £367.8m (2018: £335.2m). Expressed as a proportion of underlying revenue the repairs and claims cost ratio increased from 43% to 45%. The UK ratio has increased from 44% to 47%, reflecting the significant investment we have made in our product proposition to remove certain costs from the replacement journey and increased levels of cover as part of our Customer First transformation. International claims ratio decreased from 39% to 38% as cover on run-off business in Germany comes to an end.

Acquisition costs increased by 2% to £203.6m (2018: £199.9m). Expressed as a proportion of underlying revenue, the acquisition cost ratio has reduced from 26% to 25% as higher claims costs have led to reduced acquisition costs on some of our schemes.

Other operating costs increased by 2% to £151.2m (2018: £148.4m), mainly driven by a 23% increase in depreciation and amortisation to £11.7m (2018: £9.5m) reflecting the investment we have made in our digital capability to drive customer satisfaction.

Significant items

A significant item charge of £15.2m (2018: £41.2m) has been recognised.

	2019 £m	2018 £m
Strategic Review project	**8.7**	–
Restructuring costs	**(0.2)**	3.9
Brexit costs	**4.4**	–
Product transition costs	**2.3**	37.3
Significant items	**15.2**	41.2

Following the decision by the Group's shareholders (funds managed and advised by CVC Advisors Limited) to review their ownership options, the Group incurred £8.7m (2018: £nil) of advisory and corporate costs in continuing to review the strategic options for the Group.

The Group also incurred one-off costs of £2.3m (2018: £37.3m) relating to an enhanced product offering, announced as part of the Customer First programme in October 2017.

Other significant items include costs incurred in preparation for Brexit £4.4m (2018: £nil).

Net finance costs

Total finance costs reduced by 3% to £51.4m (2018: £52.9m), reflecting the partial redemption (£24.9m) and refinancing of the Senior Secured Floating Rate Notes due 2019 in the last quarter of 2018 at a lower rate of interest. Included in the total finance costs were finance costs on the shareholder debt of £17.5m (2018: £16.1m).

Loss before tax

Reflecting the improvement in underlying trading and a reduction in significant items, the Group's loss before tax decreased to £6.2m (2018: loss of £36.0m).

Taxation

The income tax charge increased by £11.0m to £7.3m (2018: £3.7m tax credit). The Group's effective tax rate on profits before significant items and amortisation has increased to 32% (2018: 6%) due to certain significant costs associated with the Strategic Review project being disallowable for tax purposes.

Group cash flow, net debt and balance sheet

	2019 £m	2018 £m
Third party debt	**475.1**	475.1
Unrestricted cash reserves	**(116.7)**	(92.5)
Net debt	**358.4**	382.6

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.

Net debt decreased by £24.2m to £358.4m (2018: £382.6m). Gross third-party debt remained unchanged at £475.1m with unrestricted cash reserves increasing by £24.2m to £116.7m, reflecting the reclassification of cash balances in our Australian services subsidiary as unrestricted.

	2019 £m	2018 £m
Cash and cash equivalents at the beginning of the year	**40.9**	30.1
Net cash from operating activities	**–**	4.6
Net cash from investing activities	**7.8**	34.7
Net cash used in financing activities	**(1.4)**	(27.1)
Effects of exchange rates	**–**	(1.4)
Cash and cash equivalents at the end of the year	**47.3**	40.9
Investments	**126.4**	155.0
Cash and cash equivalents and investments at the end of the year	**173.7**	195.9

Alternative performance measures ('APMs')

In reporting financial information, the Group presents Alternate Performance Measures ('APMs') such as underlying revenue, underlying EBITDA and underlying cash flow available for debt service which are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

The Group believes that the presentation of APMs provides stakeholders with additional useful information on business performance and underlying trends but does not consider them to be a substitute for or superior to IFRS measures.

The APMs are aligned to our strategy and together are used to measure the performance of the business and form the basis of the performance measures for remuneration.

Underlying measures exclude certain fair value and amortisation charges arising from the acquisition of Domestic & General Group Holdings Limited in 2013 and significant items because if included, these items could distort the understanding of our performance for the year and the comparability between periods.

Reconciliation between these alternative measures and their equivalent IFRS measures is provided on Page 25.

Net cash from investing activities decreased £26.9m to £7.8m (2018: £34.7m) driven by capital investments in our contact centres and digital capability, and withdrawals from money market funds in 2018 as part of our investment and cash flow management strategy.

There was a net cash outflow from financing activities of £1.4m in 2019 reflecting the payment of costs from the refinancing of the Senior Secured Floating Rates notes due in 2019 at the end of 2018. The outflow of £27.1m in 2018 was attributable to the partial redemption of £24.9m of the 2019 Notes as part of the refinancing.

As a result, the Group's cash and cash equivalents and investments decreased by £22.2m to £173.7m (2018: £195.9m).

The Group's ability to service debt depends primarily on two separate streams of cash flow: (a) free cashflow from the non-regulated business and (b) distributable earnings of the regulated business, the latter of which 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.

Underlying cash flow available for debt service ('CFADS')

Underlying cash flow available for debt service ('CFADS') is presented below:

	2019 £m	2018 £m
Underlying EBITDA	**62.5**	45.8
Working capital movements	**(19.3)**	(9.7)
Capital expenditure	**(19.9)**	(19.3)
Free cash flow from unregulated business	**23.3**	16.8
Regulated profit after tax	**31.7**	45.8
Change in capital requirements	**(3.3)**	(4.5)
Change in capital resources	**15.5**	(9.5)
Distributable earnings from regulated business	**43.9**	31.8
Other cash flows between regulated and unregulated	**2.8**	6.1
Underlying CFADS	**70.0**	54.7

Underlying CFADS increased by £15.3m to £70.0m (2018: £54.7m), reflecting an underlying cash conversion rate of 69% (2018: 56%) (being underlying cash flow available for debt service divided by underlying EBITDA).

Capital structure and solvency

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

	2019 £m*	2018 £m
Solvency II capital resources	**144.0**	114.6
Solvency II capital requirement	**56.2**	53.7
Solvency ratio	**256%**	213%

*Estimated and unaudited

The Group has continued to maintain a strong regulatory capital position as we have completed the Customer First transformation programme, with a solvency ratio in excess of our 130% 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 company, Domestic & General Insurance PLC ('DGI'), is regulated by the UK Prudential Regulation Authority ('PRA'). The Board regularly reviews the capital position of DGI under the European Solvency II directive.

As part of the Solvency II regime, DGI 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 all the risks faced by DGI and includes stress tests applied to financial projections by varying assumptions for future experience. DGI is well capitalised under the Solvency II standard model (with Undertaking Specific Parameters ('USPs') and on the basis of its ORSA.

The qualifying capital resources of £144.0m (2018: £114.6m) held by DGI at the year-end comfortably exceeded its capital requirements of £56.2m (2018: £53.7m), a capital surplus of £87.8m (2018: £60.9m) and a regulatory solvency ratio of 256% (2018: 213%).

Management adheres to a voluntary policy of paying dividends out of DGI's distributable reserves only to the extent that a prudential buffer of approximately 30% of capital requirements continues to be maintained after giving effect to the proposed distribution.

Accounting policies and new standards

The Group's specific accounting measures, including changes of accounting presentation and selected key judgements and sources of estimation uncertainty, are explained in the notes to the financial statements.

Alternative profit measures reconciliations

Underlying revenue

Year ended 31 March	2019 £m	2018 £m
Revenue	**810.3**	770.5
Add back: Fair value adjustment arising from acquisition	**1.0**	7.0
Underlying revenue	**811.3**	777.5

Underlying earnings before interest, tax, depreciation and amortisation

Year ended 31 March	2019 £m	2018 £m
Loss before taxation	**(6.2)**	(36.0)
Net finance costs	**51.4**	52.9
Depreciation and amortisation	**40.4**	40.4
EBITDA	**85.6**	57.3
Significant items	**15.2**	41.2
Underlying EBITDA	**100.8**	98.5

Tom Hinton
Group Chief Financial Officer
21 May 2019

People

In 2017 we launched a three-year People Strategy, designed to transform the way we recruit, train and develop our people. It supports our vision of becoming a world-class service organisation enabled for a smart future through improvements across three pillars, built on a foundation of our Company values and behaviours.

Great People Experience

Making D&G a great place to work by engaging our people.

Building Talent

Providing rewarding careers for talented people across the business.

Capability for Performance

Enabling people managers to lead high performing teams.

Throughout the 2019 financial year, we made significant progress within these areas, launching and embedding several initiatives that have increased our employee engagement score, supported business objectives and reduced absence and attrition.

We reviewed our benefits offering to further support the health and wellbeing of our people. We now offer every UK colleague a competitive benefits package, including access to finance services, a health cash plan, hundreds of discounts on leading brands and the option to purchase additional holiday.

To ensure we continually listen and respond to the needs of our people, we also refreshed our employee forum to encourage two-way communication. The forum is hosted by senior leaders every quarter and its members are chosen by colleagues to ensure we have a diverse range of views from all parts of the business.

The progression and development of our people is very important to D&G. In 2018, 100 colleagues were promoted within the business. Last year we launched a progression programme specifically for our 1,200 UK call centre agents. This programme is designed to reward people who demonstrate the right behaviours and deliver great performance and, in turn, provide additional opportunities to progress and develop even more.

Our approach to learning is modern, reflective and aligned with the high performing culture we aspire to create within the business. We refreshed our online learning platform and partnered with leading learning providers to offer our employees modern learning solutions. Employees have access to thousands of online reading materials, videos and quizzes, as well as face-to-face, bite-size learning sessions.

Our new employee forum representatives with senior leaders at their first meeting.

Senior leaders presenting our values and behaviours at one of D&G's quarterly manager events

Gender pay report

2018 has been a year of progress towards our aspiration to become a world-class service organisation enabled for a smart future. We have seen improvements in our median hourly pay gap and understand the essential role our people play in achieving our vision and know that only by being truly inclusive, will we achieve this.

Hourly wages pay gap

Women earn 94 pence for every £1 that men earn when comparing median hourly wages. Their median hourly wage is 6% (2018: 9%) lower than men's.

	2019	2018	Change from 2018
Executive Committee members at 31 March:			
Female	0	2	(2)
Male	7	6	1
Employees as a percentage of headcount at 31 March:			
Senior managers			
Female	25.6%	26.1%	(0.5%)
Male	74.4%	73.9%	0.5%
All employees			
Female	49.9%	49.0%	0.9%
Male	50.1%	51.0%	(0.9%)

People (continued)

Talent, succession and diversity

Being an employer of a diverse workforce and nurturing the talent in our business is at the centre of our people strategy. We want to create a culture of inclusion where our colleagues feel engaged and can build fulfilling careers. To do this we have focused on four key talent, succession and diversity priorities.

Recruiting a diverse workforce

The way we position ourselves in the recruitment market to attract the right people is crucial. All our external recruitment events and marketing materials have and will continue to promote diversity.

We support our management teams to recruit and assess candidates fairly. We also ensure that our recruitment Partners are aligned to our organisation's values and behaviours, and share the same diversity and inclusion approach that we champion.

We work closely with both hiring managers and external agencies to ensure they provide candidate pools that are gender balanced. We make sure that shortlists for senior roles are diverse and support our diversity agenda.

Nurturing and growing talent

We have created succession plans to support the growth of talented people within the business. Our talent programmes are balanced to support diversity and have provided development opportunities for our people from all parts of the business.

We recently launched two development programmes for our call centre colleagues. Our new team leader development and agent progression programmes are open to everyone within the frontline, regardless of tenure, location, gender and age.

As part of our succession plans, we have identified colleagues to develop and nurture to become the future leaders of our business. We also encourage our people to personally develop by providing easy access to online learning resources through our refreshed online platform.

Retaining talent

Recruiting a talented and diverse workforce is a focus for us, but retaining existing talent is just as important. We operate a flexible working policy across our offices. To embed this policy, we will provide learning for our management teams to ensure they know how to fairly support their teams.

We want to continue to support parents, so we plan to offer more flexible working hours and enhance our parental leave policies. We will also provide more support to returning parents through additional policies and guidance.

To provide additional support for women returning from maternity leave, we are implementing coaching plans to help them transition back into work.

In 2018, we promoted 100 colleagues – a reflection of our commitment to retain talent and enable colleagues to build fulfilling careers.

Managing a diverse workforce

We are focusing on promoting ourselves as an equal opportunity employer, internally and externally. We recently refreshed our Diversity and Inclusion Statement to reflect our renewed focus and enhanced culture.

We want our people to feel empowered and make D&G a great place to work. In 2018, we held our first International Women's Day event and in 2019, we held our first women's event with particular focus on supporting more women progress into senior roles in the business.

We are creating more events and networks that acknowledge and embrace the different types of people we have within our organisation. We are also sponsoring the Brighton Pride Festival in 2019, a reflection of our commitment to promoting diversity and inclusion.

We have established a new employee forum that includes a cross section of 16 people from across the entire business, including representatives from every international office.

We have launched several classroom-based and online training programmes to support manager capability and enhance awareness of diversity, particularly within the frontline.

We want all our people to grow within our business by living our values and embracing the opportunities available at D&G and build fulfilling careers.

Charity and community

Our employees are passionate about supporting local communities and important causes. We take part in a number of charitable events across the year, coordinated by our colleagues and charity committees.

Every two years, we ask our colleagues to select a local site charity for our Brighton, Nottingham and Bedworth offices, as well as a Group charity to support.

In 2018, they chose The Martlet's in Brighton, Framework in Nottingham and Rosie's Rainbow Pantry in Bedworth – our chosen Group charity this year is Mind. Over the past year we have raised a total of £60,000 through fundraising events organised by our people, including quiz nights, bake sales and sporting events.

We also collaborated with one of our Partners, AO, to provide dozens of appliances for Framework's new training centre in late 2018. It is designed to provide essential living skills, such as basic home maintenance and cooking skills, by building hands-on experience.

Recognising the important part Brighton Pride Festival plays in our local community, in summer 2019 we are sponsoring the event for the second time. The event will be led by our newly-created LGBTQ+ group, who drive positive activities across the site.

In 2018 we raised a total of

£60,000

Environment, social & governance

Good governance is central to operations with priority given to treating our customers fairly.

We have various internal committees to oversee governance, including the following:

- UK and International Conduct Standards Committees: These committees are charged with the responsibility for monitoring and strengthening our approach to treating customers fairly.
- UK and International Product Development Committees: Their role is to oversee the activity of designing new products, modifying or developing existing products and ensuring that standards are understood and applied when carrying out product development, with the goal of ensuring that products represent good value for customers.

We have also incorporated a Risk Committee to oversee and monitor risk and compliance matters within the business. The Risk Committee supports the objectives set by the Group Audit and Risk Committee and reports into the Executive Committee on a monthly basis.

Our employees play a critical role in serving our customers and successfully delivering our strategy. A comprehensive three-year People Strategy was launched in 2017 which sets out our cultural aspirations and the key actions that we will take to enhance how we recruit, train and develop our people.

Underpinning the People Strategy is a culture and values programme that inspires employee engagement, drives the right outcomes for customers and creates an environment of diversity and inclusion. We are committed to supporting the health of our colleagues, through regular initiatives that promote mental, emotional and physical wellbeing, such as health awareness weeks, complementary fruit every week and the introduction of mental health advocates across the UK.

We firmly believe in supporting the local communities in which we operate, and run many local volunteering and fundraising initiatives every year in support of national and local charities raising over £60,000 in the past year.

We are committed to providing products and services that help to reduce the use of energy and natural resources. We believe that our products and services contribute towards longer product life and reduced waste through effective repairs. Our use of long-established local and national manufacturer repair networks helps to minimise the environmental consequences of transportation. When we replace products, we aim to offer only A or B grade energy efficiency rated appliances. We also work closely with our service networks white good manufacturer clients to ensure end of life products are disposed of in an environmentally-conscious manner.

Corporate Governance

"The Board has overseen the delivery of a number of strategic milestones throughout 2018/19."

The year in review has seen the business rise to a number of challenges, as we deliver on our Customer First transformation strategy.

The key Board and committee actions in the year included:

- Reviewing and approving our new five-year strategic plan.
- Approving the customer first digital service programme.
- Reviewing and developing our internal governance framework and policies, including our risk management framework.
- Conducting a Board effectiveness review.

David Tyler
Non-Executive Chairman
21 May 2019

Galaxy Midco 1 Limited has an Audit & Risk Committee and a Remuneration Committee with responsibilities for ensuring that the Group, including Galaxy Finco Limited, continues to conduct its business in accordance with applicable best practice.

Details of the membership and terms of reference of each of these committees are provided in more detail on Page 31.

Galaxy Midco 1 Limited is the statutory entity at which the operational board sits, and through its subsidiaries provides appliance care for domestic appliances and consumer electronic products to consumers.

Galaxy Finco Limited is a subsidiary of Galaxy Midco 1 Limited and is a holding company within the Domestic & General Group. This Annual Report and Accounts are presented for Galaxy Finco Limited and is the largest group of companies for which the results of the Domestic & General 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, a non-executive director of that company.

Corporate Governance Framework

Galaxy Midco 1 Limited

Audit and Risk Committee

Members:
David Tyler (Chair)
Debbie Hewitt MBE
Tom Hinton
Peter Rutland
David Wells

Terms of Reference:
Meet at least three times a year and in the current year met four times.

Responsibilities include: the review of the annual and quarterly financial statements (including the reasonableness of areas of judgement); review of the appropriateness of the Group's accounting policies and procedures; review of the effectiveness of the audit process and the relationship of the Group with its external auditors including the level and nature of non-audit services; review of the effectiveness of the internal audit function; and review of the effectiveness of the Group's internal controls, risk management and compliance processes.

Remuneration Committee

Members:
Pev Hooper (Chair)
Debbie Hewitt MBE
Ian Mason
Peter Rutland
David Tyler
David Wells

Terms of Reference:
Meet at least once a year and in the current year met four times.

Responsibilities include: determining the overall framework and policy for remuneration of the Chairman, the Executive Directors and senior executives of the Group. The remuneration policy for executive directors and senior management is to provide packages that are intended to attract, motivate and retain high calibre individuals, to develop the Group further and enhance its value.

Domestic & General Insurance plc ('DGI')*
*regulated operating entity

Audit and Risk Committee

Members:
Barbara Merry (Chair)
Tom Hinton
David Tyler

Terms of Reference:
Meet at least three times a year and in the current year met four times.

Responsibilities include: the review of the annual and quarterly financial statements (including the reasonableness of areas of judgement); review of the appropriateness of accounting policies and procedures; review of the effectiveness of the audit process and the relationship with its external auditors including the level and nature of non-audit services; review of the effectiveness of the internal audit function; and review of the effectiveness of internal controls, risk management and compliance processes.

Board of Directors

The Directors set out here are Directors of Galaxy Midco 1 Limited. Galaxy Midco 1 Limited is the statutory entity at which the Group's operational board sits. The Directors of Galaxy Finco Limited are set out in the Directors' Report on page 35.

Strong Leadership

David Tyler 01
Group Chairman

David became Chairman of the Group on 24 September 2015. David has over 40 years of experience in both executive and non-executive roles at a variety of businesses across the consumer, retail, business services and financial services sectors. David has extensive experience as chairman at a number of the UK's largest and most established public companies. He is currently Chairman of Hammerson plc, which he has chaired since 2013. David was also Chairman of J Sainsbury plc from 2009 to March 2019.

Ian Mason 02
Chief Executive Officer

Ian was appointed Chief Executive Officer on 4 July 2016. Previously, Ian was CEO of Electrocomponents PLC. During his 14-year tenure as CEO he led the business through a period of significant change and has extensive experience of the strategic, systems and service challenges of growing and transforming a business. He also has significant non-executive experience, and is currently a non-executive director of Qinetiq Group PLC.

Tom Hinton 03
Chief Financial Officer

Tom joined D&G in September 2017 and is an experienced Group CFO. Most recently he was CFO at Infinis PLC, one of the UK's largest listed independent renewable energy businesses. Prior to this, Tom spent 12 years with Centrica where he held a number of finance and strategy roles, including CFO of Centrica Energy Canada and Financial Controller of British Gas. Tom has been a trustee on the Christian Aid board from 2010 to 2018 and chaired its Finance and Fundraising Committee.

Nina Bhatia 04
Independent Non-Executive Director

Nina became a Director on 1 April 2019. From 2010 to 2018, Nina was part of the Centrica leadership team, during which time she led the creation of Hive (Centrica's award-winning Internet of Things business). Prior to that, Nina spent 23 years at McKinsey & Co. the global management consulting firm, where she was elected a Partner in 1999. She served clients in multiple sectors including energy, media, healthcare and the public sector. Nina is a 2017 Digital Masters Award Winner for transformational leadership whilst at Centrica and in 2016 was ranked among Upworthy's Top 100 ethnic minority executives.

Debbie Hewitt MBE 05
Independent Non-Executive Director

Debbie became a Director on 17 December 2013 having been a Director of D&G Group Holdings Limited since 2008. She is a former managing director of RAC plc and is currently chairman of The Restaurant Group plc, Visa Europe, BGL Group and White Stuff. Debbie holds an MBA (distinction) from Bath University, is a Fellow of the Chartered Institute of Personnel Development ('FCIPD') and was awarded an MBE for services to Business and the Public Sector in the New Year Honours list in 2011.

Robin (Pev) Hooper 06
Non-Executive Director

Pev became a Director of the Group on 12 August 2013 in preparation for the acquisition of D&G Group Holdings Limited by funds managed by CVC Capital Partners. Pev is a Partner of CVC and joined them in 2004. Prior to joining CVC, Pev worked for Citigroup and Schroders in their M&A departments.

Peter Rutland 07
Non-Executive Director

Peter became a Director of the Group on 12 August 2013 in preparation for the acquisition of D&G Group Holdings Limited by funds managed by CVC Capital Partners. Peter is a partner of CVC and joined them in 2007. Prior to joining CVC, he worked for Advent International and Goldman Sachs in their Investment Banking Division.

David Wells 08
Non-Executive Director

David became a Director of the Group on 24 September 2015. David is an investment professional at CVC and joined them in 2009. Prior to joining CVC, David worked for OC&C Strategy Consultants.

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

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, Managing Director of the Omega Group and was also with the corporation of LLoyds for some 14 years. Barbara was the first chair of the Independent Women in Insurance network ('iWIN'). Currently Barbara is also a non-executive director with Pool Reinsurance Company Limited, Ed Broking LLP, Argus Group Holdings and is Chair of Parker Norfolk and Partners Limited.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Executive Committee

The Board delegate the day to day operations of the business to the Executive Committee, which along with Ian Mason and Tom Hinton, is made up of the following key management personnel.

Joe Fitzgerald
Managing Director

Joe joined the D&G graduate scheme in November 1998 and has worked in a variety of roles across the business. He was appointed Underwriting Director in 2007 and now leads our Marketing, Commercial, Customer Experience and Digital as well as the Underwriting & Pricing functions. Joe is a qualified management accountant.

Mark Jenkins
Group General Counsel & Company Secretary

Mark is an experienced lawyer and corporate advisor, most recently as Chief of Staff and Treasury & Corporate Counsel at The Co-operative Bank plc, advising the Executive and Board on the turnaround and subsequent restructuring and recapitalisation. Mark has previously led the creation of a start-up company and worked at Ondra Partners, the boutique investment bank. Mark started his career at US law firm White & Case, working in London and Hong Kong. Mark holds a BA in Jurisprudence from The University of Oxford.

Steve Purser
Managing Director

Steve joined in March 2008 and previously held the Marketing Director and the Sales & Marketing Director roles. His 15-year career in the industry has included UK and international roles, including senior positions at Homeserve and Allianz insurance. Currently Steve is responsible for UK Sales, Client Management, International and Strategy and Growth.

Mike Sturrock
Chief Information Officer

Mike joined in November 2017 to lead the Technology & Change function. Mike previously held senior roles at Three, BskyB and, more recently, director roles at EasyJet and the DX Group. Mike is also a member of the Board of Trustees that governs the RNLI.

Nick Ulycz
Chief Operating Officer

Nick was appointed in December 2016 and leads the Operations, HR and Communications function. Prior to joining D&G, Nick was Head of HR for HSBC in the UK, before which he worked at FirstData as HR Director. Nick studied HR and is a Fellow of the Chartered Institute of Personnel and Development.

* Jo Hale, Customer Contract Director, served as an Executive Committee member throughout the year in review leaving the business on 31 March 2019.

Directors' Report of Galaxy Finco Limited

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and Auditor's Report, for the year ended 31 March 2019.

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

The names of the Directors who served through the year are set out below:

Thomas Edward Hinton
Robin (Pev) Hooper
Peter William James Rutland
David William Wells

Share capital

Details of share capital are to be found in note 26 to the financial statements.

Dividends

The Directors do not recommend the payment of a dividend on ordinary shares at this time (2018: £nil).

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. Trade payables of the Group at 31 March 2019 were equivalent to 25 days' purchases (2018: 23), 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 6 to 15. The Financial Review on Pages 23 to 25 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 30 to the financial statements.

Details of the Group's loans and borrowings are given in note 24 to the financial statements. The regulated business also continues to meet its capital requirements and we have a capital management process in place as discussed in note 32 to the financial statements.

We have considered the key factors in the business that could have an impact on trading and whether an adverse change in these could affect our ability to meet our liabilities. These include a potential increase in repair costs, potential loss of a key client given the economic climate and potential increases in cancellation rates. We have considered reasonable changes in these areas when setting our forecasts and projections which show that the Group should be able to meet its debt obligations.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they adopt the going concern basis in preparing the Annual Report and Accounts.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

In accordance with section 109 of the Companies (Jersey) Law 1991 the shareholders approved the reappointment of KPMG LLP as auditors to the Company, who are deemed to continue in office until such resolution is revoked.

By order of the Board

SJ Secretaries Limited
Company Secretary
21 May 2019

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.

Independent Auditor's Report
To The Members Of Galaxy Finco Limited

Opinion
We have audited the group financial statements of Galaxy Finco Limited ("the company") for the year ended 31 March 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes, including the accounting policies in note 4.

In our opinion the group financial statements:
- give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the EU of the state of the group's affairs as at 31 March 2019 and of the group's result for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit
Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or to cease its operations, and as they have concluded that the group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

Other information
The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Matters on which we are required to report by exception
Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:
- proper accounting records have not been kept by the company, or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the company's accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 36, the directors are responsible for: the preparation of financial statements which give a true and fair view; 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; assessing the group'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 they either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company'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 company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kushan Tikkoo
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL

21 May 2019

Consolidated Income Statement
For the year ended 31 March 2019

	Note	Year ended 31 March 2019 Before significant items and amortisation £m	Year ended 31 March 2019 Significant items and amortisation £m	Year ended 31 March 2019 After significant items and amortisation £m	Year ended 31 March 2018 Before significant items and amortisation £m	Year ended 31 March 2018 Significant items and amortisation £m	Year ended 31 March 2018 After significant items and amortisation £m
Revenue	6	**810.3**	**–**	**810.3**	770.5	–	770.5
Operating costs							
– Amortisation	7	**–**	**(28.7)**	**(28.7)**	–	(30.9)	(30.9)
– Other operating costs	7	**(722.6)**	**(15.2)**	**(737.8)**	(683.5)	(41.2)	(724.7)
– Impairment loss on financial assets	10	**(0.4)**	**–**	**(0.4)**	–	–	–
Operating profit/(loss)		**87.3**	**(43.9)**	**43.4**	87.0	(72.1)	14.9
Investment income	8	**1.8**	**–**	**1.8**	2.0	–	2.0
Finance costs	9	**(51.4)**	**–**	**(51.4)**	(52.9)	–	(52.9)
Profit/(Loss) before taxation	10	**37.7**	**(43.9)**	**(6.2)**	36.1	(72.1)	(36.0)
Income tax (charge)/credit	13	**(11.9)**	**4.6**	**(7.3)**	(2.2)	5.9	3.7
Loss for the year				**(13.5)**			(32.3)

The total loss 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 2019

	Note	**Year ended 31 March 2019 £m**	Year ended 31 March 2018 £m
Loss for the year		**(13.5)**	(32.3)
Currency translation differences		**0.1**	(0.3)
Loss on available-for-sale financial assets		**–**	(0.6)
Changes in fair value of investments through OCI		**(0.1)**	–
Effective portion of changes in fair value of cash flow hedges – hedging reserve		**–**	0.6
Total comprehensive loss for the year	26	**(13.5)**	(32.6)

The total comprehensive loss for the year is attributable to the equity shareholders of the Group.

All components of other comprehensive income 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 2019

	Note	31 March 2019 £m	31 March 2018 £m
Assets			
Goodwill and intangible assets	15	**499.0**	517.9
Property, plant and equipment	14	**13.2**	12.4
Deferred acquisition costs	16	**243.1**	242.5
Financial investments	18	**126.4**	155.0
– available-for-sale		**–**	100.5
– at amortised cost		**2.0**	–
– at fair value through other comprehensive income		**97.3**	–
– at fair value through profit and loss		**27.1**	18.8
– other loans and receivables		**–**	35.7
Trade and other receivables	20	**592.5**	504.1
Cash and cash equivalents	21	**47.3**	40.9
Total assets		**1,521.5**	1,472.8
Liabilities			
Loans and borrowings	24	**658.8**	639.2
Deferred tax liabilities	17	**30.7**	36.2
Deferred income	22	**716.5**	661.9
Claims and repair costs provision	23	**26.3**	24.3
Current tax liability		**1.5**	0.7
Trade and other payables	25	**200.5**	206.4
Total liabilities		**1,634.3**	1,568.7
Equity			
Share capital		**89.9**	89.9
Other reserves		**0.2**	0.2
Accumulated loss		**(202.9)**	(186.0)
Total equity	26	**(112.8)**	(95.9)
Total equity and liabilities		**1,521.5**	1,472.8

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

These financial statements were approved by the Board of Directors on 21 May 2019 and were signed on its behalf by:

Tom Hinton
Chief Financial Officer

Consolidated Statement of Changes in Equity
At 31 March 2019

	Ordinary share capital £m	Share premium £m	Hedging reserves £m	Other reserves £m	Accumulated loss £m	Total equity £m
At 1 April 2018	**0.9**	**89.0**	**–**	**0.2**	**(186.0)**	**(95.9)**
Impact of initial application of IFRS 9	**–**	**–**	**–**	**–**	**(4.2)**	**(4.2)**
Tax impact on application of IFRS 9	**–**	**–**	**–**	**–**	**0.8**	**0.8**
Restated balance at 1 April 2018	**0.9**	**89.0**	**–**	**0.2**	**(189.4)**	**(99.3)**
Loss for the year	**–**	**–**	**–**	**–**	**(13.5)**	**(13.5)**
Other comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**
Balance as at 31 March 2019	**0.9**	**89.0**	**–**	**0.2**	**(202.9)**	**(112.8)**

	Ordinary share capital £m	Share premium £m	Hedging reserves £m	Other reserves £m	Accumulated loss £m	Total equity £m
At 1 April 2017	0.9	89.0	(0.6)	1.1	(153.7)	(63.3)
Loss for the year	–	–	–	–	(32.3)	(32.3)
Other comprehensive income/(loss) for the year	–	–	0.6	(0.9)	–	(0.3)
Balance as at 31 March 2018	0.9	89.0	–	0.2	(186.0)	(95.9)

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

Consolidated Cash Flow Statement
For the year ended 31 March 2019

	Note	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Loss before tax		**(6.2)**	(36.0)
Adjustments for:			
Depreciation of property, plant and equipment	14	**3.3**	3.4
Amortisation of software	15	**8.4**	6.1
Amortisation of acquired intangible assets	7	**28.7**	30.9
Revaluation of land and buildings	14	**(0.9)**	–
Interest expense	9	**51.4**	52.9
Interest income	8	**(1.8)**	(2.0)
Significant items – other operating costs	7	**15.2**	41.2
Impairment loss on financial assets	10	**0.4**	–
		98.5	96.5
Changes in working capital			
Increase in deferred acquisition costs		**(2.2)**	(20.1)
Increase in trade and other receivables		**(94.0)**	(80.1)
Increase in deferred income		**57.9**	47.7
Increase in claims and repair costs provision		**2.2**	0.1
Increase in trade and other payables		**3.9**	11.5
Cash flows from operating activities		**66.3**	55.6
Significant items		**(23.9)**	(9.5)
Interest received from cash and cash equivalents		**0.7**	0.4
Interest paid		**(31.9)**	(34.5)
Income taxes paid		**(11.2)**	(7.4)
Net cash from operating activities		**–**	4.6
Cash flows from investing activities			
Interest received on investments		**1.2**	1.8
Acquisition of property, plant and equipment		**(2.3)**	(6.0)
Acquisition of software		**(18.2)**	(14.1)
Withdrawal from credit institutions		**33.6**	11.7
(Deposit with)/withdrawal from money market funds		**(8.3)**	39.4
Financial instrument investments		**1.8**	1.9
Net cash from investing activities		**7.8**	34.7
Cash flows from financing activities			
Refinancing and redemption of Secured Floating Rate Notes		**–**	(26.3)
Repayment of bank loan		**(0.4)**	–
Amounts paid to group undertakings		**(1.0)**	(0.8)
Net cash used in financing activities		**(1.4)**	(27.1)
Net increase in cash and cash equivalents		**6.4**	12.2
Effects of exchange rates		**–**	(1.4)
Cash and cash equivalents at beginning of the year		**40.9**	30.1
Cash and cash equivalents at the end of the year	21	**47.3**	40.9

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

Notes to the Financial Statements

1. General information

Galaxy Finco Limited is a private Company incorporated in Jersey and the Company's registered office address is 27 Esplanade, St Helier, Jersey JE4 8PS. These consolidated financial statements for the year to 31 March 2019 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. Statement of compliance

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as endorsed by the EU ('Adopted IFRSs').

3. Basis for preparation

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 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).

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The nature of debt within the Group does not meet the requirements of listed debt as per IFRS 8 Operating Segments and as a result the requirements do not apply to the Group.

New, amended and revised standards and interpretations

The following amendments to accounting standards have been adopted by the Group:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

IFRS 9 addresses the classification, measurement, recognition and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Following implementation of IFRS 9, financial assets previously classified as available for sale and loans and receivables, are now classified as fair value through other comprehensive income ('OCI') and amortised cost respectively. As permitted by IFRS 9, comparative information has not been restated and as a result, balance sheet amounts as at 31 March 2018 have been accounted for in accordance with the previous policy under IAS 39. The measurement basis under IFRS 9 remains the same as that under the previous standard and under the new impairment model, the simplified approach permitted for trade receivables has been applied which requires expected lifetime losses to be recognised from initial recognition. For financial investments, consisting of debt securities that are considered to have low credit risk at the reporting date, 12-month expected credit losses are recognised at initial recognition. The impact of this change to impairment is highlighted in note 31(b).

IFRS 15 establishes principles that an entity should apply to report information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. 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. As IFRS 4 currently applies to the Group, IFRS 15 does not have an impact on the financial statements of the Group.

None of the amendments listed above have had any material impact on the amounts reported in this consolidated set of financial statements.

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

IFRS 16	Leases
IFRS 17	Insurance Contracts
IFRIC 22	Foreign Currency Transactions and Advance Consideration
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 2	Classification and Measurements of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 40	Transfers of Investment Property
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

At 31 March 2019, the amendments highlighted above for IFRS 2, 10 and IAS 19, 28 and 40 have been assessed as not applicable to the Group and therefore have no impact. The Group's analysis as to the impact that IFRS 16 and 17 will have on the financial statements for future reporting periods has concluded the following:

IFRS 16 Leases effective for periods beginning on or after 1 January 2019

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will result in almost all leases being recognised on the balance sheet for lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

3. Basis for preparation continued

IFRS 16 Leases effective for periods beginning on or after 1 January 2019 continued

On adoption of IFRS 16, the Group will recognise lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases (principally leases for office buildings). These liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate assessed for each lease that was capitalised.

In applying IFRS 16 for the first time, the Group will apply the following practical expedients permitted by the standard:

- to 'grandfather' the assessment of which transactions are leases
- expensing operating leases that are short term leases i.e. with a term of 12 months or less and low value leases.

The group has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Group will adopt IFRS 16 Leases for the financial year commencing 1st April 2019 and will restate the comparative (financial year ended 31 March 2019) using the fully retrospective approach. The estimated impact of applying IFRS 16 on the year ended 31 March 2019 will be to decrease Shareholders' equity by £2.1m, increase Right-of-Use asset by £7.4m, lease liability by £9.5m, decrease operating costs by £3.8m and increase depreciation and interest expense by £2.9m and £0.5m respectively.

IFRS 17 Insurance Contracts effective for periods beginning on or after 1 January 2021

IFRS 17 applies to all types of insurance contracts as well as certain guarantees and financial instruments with discretionary participating features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts by using a general measurement model with certain modifications for contracts with direct participation features (the variable fee approach). An optional, simplified premium allocation approach can be used when certain criteria are met mainly for short-term duration contracts.

The standard is currently being reviewed by the Group and is expected to have a material impact on the financial statements of the Group in future periods, although this impact is yet to be quantified. The expected changes include:

- insurance contracts to be accounted for under defined approaches – General Measurement Model and Premium Allocation Approach;
- additional disclosures relating to the risks and amounts reported in financial statements; and
- different performance measures.

4. Summary of significant accounting policies

A. Basis of consolidation

The consolidated financial statements include the results of the Company and its subsidiaries. Subsidiaries are those entities over which the investor controls an investee when it is exposed or has rights to variable returns from its involvement.

In preparing the consolidated financial statements, intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Control exists when the Group has the power to govern the financial and operating policies of an entity so as 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.

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 exclusive of VAT or IPT (insurance premium tax) 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. Revenue recognition commences 'when cover starts'.

C. Significant items

Significant items are those items that are material and 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.

4. Summary of significant accounting policies continued

D. 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.

E. 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.

F. 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.

G. Income tax

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.

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.

H. Provisions

The claims and repair costs provision comprise 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.

I. Investments and other financial assets

The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the historical financial information provided continues to be accounted for in accordance with the Group's previous policy under IAS 39.

(a) Classification

From 1 April 2018, 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.

(b) Recognition and derecognition
Purchases and sales of financial assets are recognised on 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.

(c) 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 subsequently 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.

(d) Impairment
From 1 April 2018, 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 are a probability-weighted estimate of credit losses and are 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.

4. Summary of significant accounting policies continued

I. Investments and other financial assets continued

Presentation of loss allowances in the statement of financial position

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 statement of financial position.

Write-off

The gross carrying amount of a financial asset is written off (either partially in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower 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.

(e) Accounting policies applied until 31 March 2018

Classification

Until 31 March 2018, the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables; and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9 (see description above).

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest rate method.

Available-for-sale financial assets and financial assets at FVTPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVTPL – in the income statement;
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in the income statement and other changes in the carrying amount were recognised in other comprehensive income; and
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to the income statement.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset was impaired if objective evidence indicated that a loss event had occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that could be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continued to be recognised through the unwinding of the discount. When a subsequent event caused the amount of impairment loss to decrease, the decrease in impairment loss was reversed through the income statement.

J. Financial liabilities

(a) 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; or
  - derivative hedging instruments; or
  - designated as at FVTPL; and
- financial liabilities at amortised cost.

(b) 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.

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.

(c) 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 (see K below).

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.

K. 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 reserve. 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.

L. 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 valuation 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.

M. Intangible assets
(a) 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 and is tested annually for impairment.

(b) 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. 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.

4. Summary of significant accounting policies continued

M. Intangible assets continued

(c) Other intangible assets

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

(d) 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.

(e) 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

(f) 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 cash-generating unit ('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.

N. 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.

O. Foreign currencies

(a) Foreign operations

The results of overseas branches and subsidiaries are translated into Sterling at the average rate of exchange during the year. Assets and liabilities of overseas branches and subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Foreign exchange differences arising on the translation of the results and balance sheets are recognised in other comprehensive income.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. 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.

P. 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.

Q. Leases

Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease.

Lease incentives received are recognised as a reduction of the rental expense over the lease term on a straight-line basis.

5. Critical estimates and judgements

The preparation of financial statements in accordance with endorsed IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

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 adjacent:

A. Estimate: Measurement of recoverable amount of goodwill contained in cash-generating units ('CGUs') (note 15)
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 derived from its most recent business plans over a five-year period. The main assumptions upon which the cash flow projections are based include service plan and insurance policy sales volumes and prices, claims costs, revenue growth, operating margins, retention rates and cancellation rates.

B. 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.

C. 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 past 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 31(b).

D. 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 risk pattern of the policy.

6. Revenue

	Year ended 31 March 2019		
	Maintenance plans £m	**Insurance £m**	**Total £m**
Sales	**440.1**	**431.6**	**871.7**
Deferred income movement	**65.9**	**(126.3)**	**(60.4)**
	506.0	**305.3**	**811.3**
Fair value adjustment			**(1.0)**
Revenue			**810.3**

	Year ended 31 March 2018		
	Maintenance plans £m	Insurance £m	Total £m
Sales	507.8	310.9	818.7
Deferred income movement	(25.7)	(15.5)	(41.2)
	482.1	295.4	777.5
Fair value adjustment			(7.0)
Revenue			770.5

Deferred acquisition costs ('DAC') totalling £208.8m were not recognised in the fair value balance sheet at the date the Group was formed as they had no fair value at that date. Deferred income was reduced by the DAC amount since the fair value of the deferred income liability excludes any margin for the effort of selling the appliance care contract.

The fair value adjustment to DAC and deferred income reverses in line with the Group's earnings patterns for recognising such items meaning that the net impact to profit is nil. This fair value adjustment fully reversed during the current financial year.

In addition to the fair value adjustments to revenue, operating costs are stated net of the fair value adjustment to DAC of £1.0m (31 March 2018: £7.0m).

7. Significant items and amortisation of intangible assets

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Amortisation of intangible assets acquired in a business combination	**(28.7)**	(30.9)
Strategic Review project	**(8.7)**	–
Restructuring costs	**0.2**	(3.9)
Brexit costs	**(4.4)**	–
Product transition costs	**(2.3)**	(37.3)
	(43.9)	(72.1)

The amortisation charge relates to intangible assets recognised as a result of the one-off event of acquiring Domestic & General Group Holdings Limited in 2013.

The Strategic Review project is a formal project following the decision by the Group's shareholders (funds managed and advised by CVC Advisors Limited) to review their ownership options. The Group has incurred advisory and corporate costs in continuing to review the strategic options for the Group.

7. Significant items and amortisation continued

As a result of the formal extension of the Article 50 deadline to 31 October 2019, we continue to review options to mitigate against a Hard Brexit in light of the broader context of the ongoing Brexit process between the UK and the EU, including potential for a court-approved Part VII transfer of our EU businesses into our licenced German insurance entity. An exceptional one-off capitalisation of the new entity may be required at the point of transfer dependent upon the length and nature of any transitional arrangements, and the precise timing and scope of transfer. However, over the medium term, we do not expect aggregate capital requirements for the Group to increase significantly. Project costs incurred principally relate to the Independent Expert in respect of potential Part VII transfer activity, tax and structuring advice, and legal fees.

Product transition costs relate to the one-off costs incurred in transitioning our discretionary service plan business to maintenance service plans and insurance-based warranties.

Other costs relate to costs incurred in the restructuring of elements of our business.

8. Investment income

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Interest income on loans and receivables	**1.8**	2.0

9. Finance costs

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Interest payable on external loans and borrowings	**29.7**	33.0
Interest payable on shareholder loans and borrowings	**17.5**	16.1
Finance charges – amortisation of deferred financing costs	**4.2**	3.8
	51.4	52.9

10. Loss before taxation

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
The following items have been included in arriving at the loss before taxation (excluding those already disclosed in note 7):		
Employee costs (note 12)	**102.9**	101.2
Auditor's remuneration (note 11)	**0.5**	0.4
Depreciation of property, plant and equipment (note 14)	**3.3**	3.4
Amortisation of software (note 15)	**8.4**	6.1
Operating lease rental payments (note 27a)	**4.2**	4.2
Sub-lease income (note 27a)	**(0.6)**	(0.5)
Repairs and maintenance expenditure on property, plant and equipment	**10.7**	9.0
Repairs and claims costs	**367.8**	335.2
Acquisition costs	**203.6**	199.9
Research and development costs	**4.2**	3.1
Impairment loss on financial assets	**0.4**	–

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

The following table gives an analysis of the total fees (excluding VAT) in respect of services provided to the Group by KPMG LLP and its network firms:

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Audit of the Group's financial statements	**0.1**	0.0
Audit of the subsidiary financial statements	**0.3**	0.3
Audit related assurance*	**0.3**	0.1
Total audit and audit related assurance fees	**0.7**	0.4

* Includes other assurance work performed of £0.3m (2018: £nil) that is included in significant items in note 7 within the Strategic Review project.

12. Employee costs

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
(a) Staff costs for the Group during the period		
Wages and salaries	**88.5**	87.6
Social security costs	**9.8**	9.5
Other pension costs	**4.6**	4.1
	102.9	101.2

Included in staff costs is £6.6m (31 March 2018: £5.3m) that is treated as acquisition costs.

	Number	Number
(b) Average number of employees during the period		
Directors	**4**	4
Sales and marketing	**226**	233
Commercial finance and claims	**203**	295
Finance and administration	**480**	480
Contact Centres and IT	**2,055**	1,811
	2,968	2,823

13. Taxation

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Current tax expense		
Current tax on profit for the year	**(11.0)**	(2.1)
Adjustment to tax charge in respect of prior years	**(0.9)**	(0.1)
Total current tax	**(11.9)**	(2.2)
Deferred tax credit		
Origination/(reversal) of temporary differences	**(0.6)**	(0.2)
Tax effect of amortisation of intangible assets	**5.4**	5.5
Impact of rate change	**(0.2)**	0.6
Total deferred tax	**4.6**	5.9
Total income tax (charge)/credit	**(7.3)**	3.7

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Loss on ordinary activities before tax	**(6.2)**	(36.0)
Standard rate of corporation tax in the UK	**19%**	19%
	£m	£m
Loss on ordinary activities multiplied by the standard rate of corporation tax	**(1.2)**	(6.8)
Effects of:		
Change in UK corporation tax rate on timing differences	**0.2**	(0.6)
Items disallowable for tax purposes	**6.2**	1.8
Adjustment to tax charge in respect of prior years	**0.9**	0.1
Tax rate differences in branches	**0.5**	1.4
Tax rate differences in non-UK subsidiaries	**0.5**	0.2
Other	**0.2**	0.2
Total income tax charge/(credit)	**7.3**	(3.7)

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) were enacted on 15 September 2016. This will reduce the Company's future current tax charge accordingly.

14. Property, plant and equipment

	Land and buildings £m	Computer equipment £m	Fixtures, fittings and equipment £m	Total £m
Cost				
At 1 April 2018	**2.2**	**15.8**	**10.8**	**28.8**
Revaluation	**0.9**	**–**	**–**	**0.9**
Additions	**–**	**0.8**	**2.6**	**3.4**
Disposals	**–**	**(0.2)**	**–**	**(0.2)**
Balance as at 31 March 2019	**3.1**	**16.4**	**13.4**	**32.9**
Depreciation				
At 1 April 2018	**–**	**12.1**	**4.3**	**16.4**
Charge for the year	**–**	**1.4**	**1.9**	**3.3**
On disposals	**–**	**–**	**–**	**–**
Balance as at 31 March 2019	**–**	**13.5**	**6.2**	**19.7**
Carrying amount at 31 March 2019	**3.1**	**2.9**	**7.2**	**13.2**

	Land and buildings £m	Computer equipment £m	Fixtures, fittings and equipment £m	Total £m
Cost				
At 1 April 2017	2.2	14.3	7.5	24.0
Reclassification	–	0.2	(1.1)	(0.9)
	2.2	14.5	6.4	23.1
Additions	–	1.3	4.4	5.7
Balance as at 31 March 2018	2.2	15.8	10.8	28.8
Depreciation				
At 1 April 2017	–	9.6	3.5	13.1
Reclassification	–	0.4	(0.5)	(0.1)
	–	10.0	3.0	13.0
Charge for the year	–	2.1	1.3	3.4
Balance as at 31 March 2018	–	12.1	4.3	16.4
Carrying amount at 31 March 2018	2.2	3.7	6.5	12.4

The Company's freehold property was valued in October 2018 by Colliers International Valuation UK LLP, a firm of independent Chartered Surveyors. The valuations were undertaken in accordance with the Valuation standards issued by the Royal Institution of Chartered Surveyors in the United Kingdom.

The revaluation exercise resulted in a revaluation surplus of £0.9m, which has been recognised against a historic net revaluation loss in the income statement.

The Directors consider the carrying value to be reflective of that valuation as at 31 March 2019.

15. Goodwill and intangible assets

	Goodwill £m	OEM relationships £m	Customer relationships and other £m	Software £m	Total £m
Cost					
At 1 April 2018	**278.5**	**260.9**	**251.3**	**48.1**	**838.8**
Additions	**–**	**–**	**–**	**18.2**	**18.2**
Balance as at 31 March 2019	**278.5**	**260.9**	**251.3**	**66.3**	**857.0**
Amortisation and impairment losses					
At 1 April 2018	**–**	**74.6**	**229.9**	**16.4**	**320.9**
Charge for the year	**–**	**17.4**	**11.3**	**8.4**	**37.1**
Balance as at 31 March 2019	**–**	**92.0**	**241.2**	**24.8**	**358.0**
Carrying amount at 31 March 2019	**278.5**	**168.9**	**10.1**	**41.5**	**499.0**

	Goodwill £m	OEM relationships £m	Customer relationships and other £m	Software £m	Total £m
Cost					
At 1 April 2017	278.5	260.9	251.3	33.2	823.9
Reclassification	–	–	–	0.9	0.9
	278.5	260.9	251.3	34.1	824.8
Additions	–	–	–	14.2	14.2
On disposals	–	–	–	(0.2)	(0.2)
Balance as at 31 March 2018	278.5	260.9	251.3	48.1	838.8
Amortisation and impairment losses					
At 1 April 2017	–	57.2	216.4	10.4	284.0
Reclassification	–	–	–	0.1	0.1
	–	57.2	216.4	10.5	284.1
Charge for the year	–	17.4	13.5	6.1	37.0
On disposals	–	–	–	(0.2)	(0.2)
Balance as at 31 March 2018	–	74.6	229.9	16.4	320.9
Carrying amount at 31 March 2018	278.5	186.3	21.4	31.7	517.9

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

The goodwill acquired through a business combination is as a result of the acquisition on 19 December 2013 by Galaxy Bidco Limited, a wholly owned subsidiary of Galaxy Finco 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 cash-generating units ('CGUs') that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2019 £m	2018 £m
UK – Non-regulated business	**161.0**	161.0
UK – Regulated business	**104.6**	104.6
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 derived from its most recent business plans over a five-year period. The main assumptions upon which the cash flow projections are based include service plan and insurance policy sales volumes and prices, claims costs, revenue growth, operating margins, retention rates and cancellation rates.

15. Goodwill and intangible assets continued

The projected cash flows were discounted using a pre-tax discount rate of 8.9% at 31 March 2019 for all three CGUs and 8% at 31 March 2018 for the UK – Non-Regulated CGU, and 9% at 31 March 2018 for the UK-Regulated and International CGUs, which reflected current market assessments of the time value of money and the risks specific to the CGUs. Ten-year swap rates have been used as the basis for estimating the future cost of debt for the Group after applying Company specific adjustments.

Management used a long-term growth rate of 1.6% at 31 March 2019 and 3% at 31 March 2018 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 – Regulated, UK – Non-regulated 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:

	2019	2018
Long-term growth rate for zero headroom		
UK – Regulated	**(19.5%)**	(15.1%)
UK – Non-regulated	**(35.9%)**	(23.9%)
International	**(53.1%)**	(17.2%)
Discount rate for zero headroom		
UK – Regulated	**18.6%**	18.1%
UK – Non-regulated	**21.5%**	19.9%
International	**28.8%**	20.6%

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.

16. Deferred acquisition costs

	2019 £m	2018 £m
Balance at the start of the year	**242.5**	220.4
Arising in the year	**204.1**	222.0
Amortisation for the year	**(205.1)**	(197.9)
Foreign exchange	**1.6**	(2.0)
Balance at the end of the year	**243.1**	242.5
Split between:		
Amounts expected to be amortised in 12 months	**184.3**	178.2
Amounts expected to be amortised after 12 months	**58.8**	64.3
	243.1	242.5

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.

See note 6 for details on the fair value adjustment arising on acquisition.

17. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 £m	Liabilities 2019 £m	Net 2019 £m
Intangible assets	**–**	**(30.9)**	**(30.9)**
Capital allowances	**(0.2)**	**–**	**(0.2)**
Other temporary differences	**1.5**	**(1.1)**	**0.4**
	1.3	**(32.0)**	**(30.7)**

	Assets 2018 £m	Liabilities 2018 £m	Net 2018 £m
Intangible assets	–	(36.1)	(36.1)
Capital allowances	0.3	–	0.3
Other temporary differences	0.8	(1.2)	(0.4)
	1.1	(37.3)	(36.2)

Movement in temporary differences during the period

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) were enacted on 15 September 2016.

18. Financial investments

	FVOCI* 2019 £m	FVTPL** 2019 £m	Amortised cost 2019 £m	Total 2019 £m
Money market funds	**–**	**27.1**	**–**	**27.1**
Investments carried at fair value	**97.3**	**–**	**–**	**97.3**
Deposits with credit institutions	**–**	**–**	**2.0**	**2.0**
	97.3	**27.1**	**2.0**	**126.4**

	AFS*** 2018 £m	FVTPL** 2018 £m	Other loans and receivables 2018 £m	Total 2018 £m
Money market funds	–	18.8	–	18.8
Investments carried at fair value	100.5	–	–	100.5
Deposits with credit institutions	–	–	35.7	35.7
	100.5	18.8	35.7	155.0

* FVOCI – Fair value through other comprehensive income.
** FVTPL – Fair value through profit or loss.
*** AFS – Available-for-sale financial assets.

Investments carried at fair value relate 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.

The value of financial assets which are expected to be recovered in less than one year is £59.4m (31 March 2018: £85.5m) and those greater than one year is £67.0m (31 March 2018: £69.5m).

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.

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 2019 £m	**FVTPL** – designated on initial recognition 2019 £m**	**Financial assets held at amortised cost 2019 £m**	**Financial liabilities held at amortised cost 2019 £m**	**Total 2019 £m**
Investments	**97.3**	**27.1**	**2.0**	**–**	**126.4**
Trade and other receivables	**–**	**–**	**592.5**	**–**	**592.5**
Cash and cash equivalents	**–**	**–**	**47.3**	**–**	**47.3**
Loans and borrowings	**–**	**–**	**–**	**(658.8)**	**(658.8)**
Trade and other payables	**–**	**–**	**–**	**(200.5)**	**(200.5)**
	97.3	**27.1**	**641.8**	**(859.3)**	**(93.1)**

	AFS*** – designated on initial recognition 2018 £m	FVTPL* – designated on initial recognition 2018 £m	Loans and receivables 2018 £m	Financial liabilities held at amortised cost 2018 £m	Total 2018 £m
Investments	100.5	18.8	35.7	–	155.0
Trade and other receivables	–	–	504.1	–	504.1
Cash and cash equivalents	–	–	40.9	–	40.9
Loans and borrowings	–	–	–	(639.2)	(639.2)
Trade and other payables	–	–	–	(206.4)	(206.4)
	100.5	18.8	580.7	(845.6)	(145.6)

* FVOCI – Fair value through other comprehensive income.
** FVTPL – Fair value through profit or loss.
*** AFS – Available for sale financial assets.

(a) Classification of financial assets at fair value through other comprehensive income ('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. These investments were classified as available-for-sale in the year ended 31 March 2018.

Movements in the carrying amount of these financial assets 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. Financial assets at FVOCI comprise debt securities where the contractual cash flows are solely principal, and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

(b) Classification of financial assets at fair value through profit or loss ('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 which it arises.

In year ended 31 March 2018, the Group classified financial assets at FVTPL if they were acquired principally for the purpose of selling in the short term, i.e. are held for trading. They were presented as current assets if they were expected to be sold within 12 months after the end of the reporting period; otherwise they were presented as non-current assets.

(c) Classification of financial assets at 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. These investments were classified as loans and receivables for the year ended 31 March 2018.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Due to the short-term nature of trade and other current receivables, their carrying amount is materially the same as the likely fair value.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Information about the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 31.

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 non-optional derivatives, and option pricing models for optional derivatives. 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 and 2 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; and
- 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).

	Level 1 2019 £m	**Level 2 2019 £m**	**Total 2019 £m**
Investments at fair value through profit and loss	**–**	**27.1**	**27.1**
Investments at fair value through other comprehensive income	**31.9**	**65.4**	**97.3**
	31.9	**92.5**	**124.4**

	Level 1 2018 £m	Level 2 2018 £m	Total 2018 £m
Investments at fair value through profit and loss	–	18.8	18.8
Available-for-sale investments	35.1	65.4	100.5
	35.1	84.2	119.3

20. Trade and other receivables

	2019 £m	2018 £m
Trade receivables	**497.5**	420.5
Other receivables	**15.1**	5.2
Expected loss and bad debt provision	**(4.9)**	(1.0)
Prepayments and accrued income	**84.8**	79.4
	592.5	504.1

All trade and other receivables are current.

21. Cash and cash equivalents

	2019 £m	2018 £m
Bank and cash balances	**2.1**	12.0
Call deposits and short-term bank deposits	**45.2**	28.9
	47.3	40.9

22. Deferred income

	2019 £m	2018 £m
Balance at the start of the year	**661.9**	614.5
Amounts deferred during the year	**870.3**	816.9
Amounts recognised as revenue during the year	**(812.2)**	(769.0)
Foreign exchange	**(3.5)**	(0.5)
Balance as at the end of the year	**716.5**	661.9
Split between:		
Amounts expected to be recognised in 12 months	**543.1**	486.5
Amounts expected to be recognised after 12 months	**173.4**	175.4
	716.5	661.9

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.

See note 6 for details on the fair value adjustment arising on acquisition.

23. Claims and repair costs provision

	2019 £m	2018 £m
Balance at the start of the year	**24.3**	24.1
Amounts incurred during the year	**367.8**	335.2
Amounts paid during the year	**(365.8)**	(335.0)
Balance as at the end of the year	**26.3**	24.3

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.

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 claims and repairs cost provision for liabilities 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 2019 of £2.6m (31 March 2018: £2.4m) which represents 0.7% (31 March 2018: 0.7%) of the total claims and repair costs for the year ended 31 March 2019 and is 3.0% (31 March 2018: 2.8%) of profit before investment return and finance costs, significant items and amortisation, and tax for the year ended 31 March 2019.

24. Loans and borrowings

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

	2019 £m	2018 £m
6.375% Senior Secured Notes due 2020	**200.0**	200.0
Senior Secured Floating Rate Notes due 2020	**150.1**	150.1
7.875% Senior Notes due 2021	**125.0**	125.0
10% Loan Due to Parent Company	**187.9**	170.5
Total Principal	**663.0**	645.6
Financing costs	**(4.2)**	(6.4)
Carrying amount	**658.8**	639.2

The fair value of the 10% loan due to parent company is considered to be materially the same as the carrying value above. The fair values for the Senior Secured, Senior Secured Floating, and Senior notes are lower than their carrying values above by £1.8m to £198.2m, £1.8m to £148.3m, and £3.4m to £121.6m respectively, as determined with reference to observable market prices for those tranches of debt.

For more information about the Group's exposure to interest rate risk see note 31.

The Group repaid £0.3m (31 March 2018: £0.8m) to the Parent Company during the period/year.

Terms and debt repayment schedule

	Nominal interest rate	Year of maturity	Principal £m	Carrying amount £m
6.375% Senior Secured Notes due 2020	6.375%	2020	200.0	198.8
Senior Secured Floating Rate Notes due 2020	LIBOR + 4.5%	2020	150.1	148.2
7.875% Senior Notes due 2021	7.875%	2021	125.0	123.9
10% Loan due to Parent Company	10%	2033	125.0	187.9

The entire balance of loans and borrowings 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 to 31 March 2019 and year ended 31 March 2018.

Certain Group companies have pledged collateral as security in respect of the loan notes in the form of a general charge over their assets. The book value of collateral as at 31 March 2019 is £680.6m (31 March 2018: £731.2m).

The Group has a revolving bank facility of £100.0m (31 March 2018: £100.0m) with a final maturity date of 1 November 2020, of which £10.0m (31 March 2018: £23.0m) is 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. £90.0m (31 March 2018: £77.0m) was undrawn at the balance sheet date, and of this £3.0m (31 March 2018: £3.0m) is currently available as a same day drawdown money market facility.

25. Trade and other payables

	2019 £m	2018 £m
Trade payables	**133.7**	137.4
Accrued expenses	**66.8**	69.0
	200.5	206.4

Of the total payables, £8.0m (31 March 2018: £14.8m) is expected to be settled more than 12 months after the reporting date.

26. Total equity

	Capital £m	Hedging reserve £m	Other reserve £m	Accumulated loss £m	Total £m
At 1 April 2018	**89.9**	**–**	**0.2**	**(186.0)**	**(95.9)**
Impact of initial application of IFRS 9	**–**	**–**	**–**	**(4.2)**	**(4.2)**
Tax impact on application of IFRS 9	**–**	**–**	**–**	**0.8**	**0.8**
Restated balance at 1 April 2018	**89.9**	**–**	**0.2**	**(189.4)**	**(99.3)**
Total comprehensive income for the year	**–**	**–**	**–**	**(13.5)**	**(13.5)**
Balance as at 31 March 2019	**89.9**	**–**	**0.2**	**(202.9)**	**(112.8)**

	Capital £m	Hedging reserve £m	Other reserve £m	Accumulated loss £m	Total £m
At 1 April 2017	89.9	(0.6)	1.1	(153.7)	(63.3)
Total comprehensive income for the year	–	0.6	(0.9)	(32.3)	(32.6)
Balance as at 31 March 2018	89.9	–	0.2	(186.0)	(95.9)

Capital

	2019 £m	2018 £m
Ordinary share capital	**0.9**	0.9
Share premium	**89.0**	89.0
	89.9	89.9

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

Class	Par Value	2019 No.	2018 No.
A ordinary	£0.01	**89,871,070**	89,871,070

Called-up share capital

	2019		2018	
Allotted, called-up and fully paid	No.	£m	No.	£m
Ordinary shares paid at £0.01p each	**89,871,070**	**0.9**	89,871,070	0.9

Share premium account

	2019 £m	2018 £m
Balance as at 1 April, 31 March	**89.0**	89.0

Hedging reserve
The hedging reserve 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 reserve
The other reserve relates to available-for-sale financial instruments recognised at fair value through other comprehensive income and foreign exchange differences on consolidation of foreign subsidiaries and branches.

27. Commitments and contingencies

A. Operating lease commitments
Non-cancellable operating lease rentals on properties are payable as follows:

	2019 £m	2018 £m
Within one year	**3.9**	3.8
Between two and five years	**6.0**	8.0
More than five years	**0.2**	0.2
	10.1	12.0

The main component of operating leases is the Group's Head Office building which is on a 14-year lease ending in 2021. Space not required is sublet on a short-term basis. The remaining lease commitments cover a number of Group sites with leases due to expire between 2019 and 2026.

During the year to 31 March 2019, £4.2m (year ended 31 March 2018: £4.2m) was recognised as an expense in the income statement in respect of operating leases; £0.6m (year ended 31 March 2018: £0.5m) was recognised as income in the income statement in respect of subleases.

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

	2019 £m	2018 £m
Within one year	**0.3**	0.3
Between two and five years	**0.3**	0.6
	0.6	0.9

B. Capital commitments

At 31 March 2019 the Group had capital commitments contracted for but not provided of £1.3m (31 March 2018: £2.7m).

C. Contingent liabilities

At 31 March 2019, the Group had contingent liabilities in relation to estimated fees of between £4m-£6m that would become payable to advisors upon a successful Initial Public Offering (IPO) of the Group, if this option was pursued. Given the inherent uncertainty involved in an IPO process, payment of these fees is not considered to be probable and therefore no liability has been recognised in the balance sheet.

There were no contingent liabilities at 31 March 2018.

28. 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 services	100%
Inkfish Financial Services Limited	England & Wales[2]	Telemarketing services	100%
Domestic & General Service Gmbh	Germany[3]	Appliance care service plans	100%
Domestic & General Insurance Europe Limited	Germany[3]	Warranty Insurance	100%
Domestic & General Services (Pty) Ltd	Australia[4]	Appliance care service plans	100%
Servicios Domestic & General Espana S.L.	Spain[5]	Appliance care service plans	100%
Servizi Domestic & General Italia S.r.l.	Italy[6]	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 JE4 8PS.
(2) Address of registered office is Swan Court, 11 Worple Road, Wimbledon, London, SW19 4JS.
(3) Address of registered office is Hagenauer Strasse 44, 65203 Wiesbaden, Germany.
(4) Address of registered office is Level 21, Australia Square, 264 George Street, Sydney, NSW 2000, Australia.
(5) Address of registered office is Calle de Julian Camarillo, 4B, 3° planta. 28037 Madrid.
(6) Address of registered office is Cernusco sul Naviglio (MI) Via Gobetti n. 2/C, Italia.

All subsidiaries are included in the Group consolidation.

29. Related parties

A. Ultimate controlling party

The ultimate controlling party of the Group is Galaxy Topco Limited, an entity whose shareholders are funds managed and advised by subsidiaries and affiliates of CVC Capital Partners SICAV-FIS S.A.

B. Other related party transactions and balances

As at 31 March 2019 amounts owed to the immediate Parent undertaking Galaxy Midco 2 Limited totalled £187.9m (31 March 2018: £170.5m). Interest of £17.5m (31 March 2018: £16.1m) was charged on this balance. No repayments were made during the period (31 March 2018: £nil).

As at 31 March 2019 amounts owed by a Parent undertaking, Galaxy Midco 1 Limited, totalled £0.9m (31 March 2018: £0.5m). No interest was charged on this trading balance.

During the year to 31 March 2019, £1.0m (31 March 2018: £1.0m) was paid as a monitoring fee to CVC Capital Partners Advisory Company (Luxembourg) S.a.r.l.

C. Transactions with key management personnel

Key management personnel include all Domestic & General Group and subsidiary directors, and direct reports to the Executive Directors.

	2019 £m	2018 £m
Wages and salaries and other social security costs	**8.7**	9.3
Other pension costs – defined contribution schemes	**0.4**	0.5
Total key management personnel compensation	**9.1**	9.8

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.

30. 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. Internationally, the Group provides cover either through local service companies or through branches of Domestic & General Insurance PLC. 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 23)

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.

31. 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 greatest risk to changes in interest rates arises from its investment portfolio and borrowings.

Interest rate risk within the investment portfolio and external borrowings is managed actively by the Group's Treasury function. Interest rate risk on cash balances is not hedged unless of strategic importance to the underlying business.

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

- For the next 12 months: a minimum of 66% fixed or hedged with offsetting cash balances
- For the next 13 to 24 months: a minimum of 50% fixed or hedged with offsetting cash balances
- For the next 25 to 36 months: a minimum of 40% fixed or hedged with offsetting cash balances
- For the next 37 to 48 months: a minimum of 30% fixed or hedged with offsetting cash balances
- For the next 49 to 60 months: a minimum of 20% 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 £1.8m (31 March 2018: £2.2m) positive annual impact on interest income, and a £5.0m (31 March 2018: £4.9m) negative annual impact on interest payable by the Group. The above analyses assume that all other variables remain constant.

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.

(a) 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 2019 £m	**B rated (or below) Institutions 2019 £m**	**Unrated 2019 £m**	**Total 2019 £m**
Cash and cash equivalents	**47.3**	**–**	**–**	**47.3**
Money market funds	**27.1**	**–**	**–**	**27.1**
Investments carried at fair value	**82.6**	**14.7**	**–**	**97.3**
Deposits with credit institutions	**2.0**	**–**	**–**	**2.0**
Trade and other receivables	**–**	**–**	**592.5**	**592.5**
	159.0	**14.7**	**592.5**	**766.2**

	A rated (or above) Institutions 2018 £m	B rated (or below) Institutions 2018 £m	Unrated 2018 £m	Total 2018 £m
Cash and cash equivalents	40.9	–	–	40.9
Money market funds	18.8	–	–	18.8
Investments carried at fair value	81.7	18.8	–	100.5
Deposits with credit institutions	35.7	–	–	35.7
Trade and other receivables	–	–	504.1	504.1
	177.1	18.8	504.1	700.0

31. Financial risk management continued

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.

(b) Impairment of financial assets

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

- Trade (warranty debtors) and other receivables
- Debt investments carried at FVOCI

Trade receivables (warranty debtors) 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 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 1 April 2018 (on adoption of IFRS 9) and 31 March 2019 have been determined for trade receivables (warranty debtors) as the exposure at 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 actual 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.

At 1 April 2018, the expected credit loss allowance for trade and other receivables was £4.2m. The impact of adopting IFRS 9 has been adjusted against opening reserves; future changes to the expected credit loss allowance will be reported in profit or loss. At 31 March 2019, the expected credit loss allowance for trade and other receivables is £4.6m, and the movement has been reported in profit or 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.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables and other receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Debt investments

The entity's debt investments at fair value through other comprehensive income ('FVOCI') are 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 include 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. The loss allowance for debt investments at FVOCI as at 1 April 2018 (on adoption of IFRS 9) and 31 March 2019 has been determined to be immaterial and, as such, no adjustment to the carrying amount has been made.

Past due or impaired financial assets

The table below sets out an analysis of the Group's assets, showing those which are past due, or impaired. Categories of financial assets for which there are neither past due or impaired balances have not been included below.

		Trade and other receivables 2019 £m	Total 2019 £m
Not past due		**596.3**	**596.3**
Past due (days)	**0–30**	**0.3**	**0.3**
	31–60	**0.4**	**0.4**
	61–90	**0.1**	**0.1**
	Greater than 90	**0.3**	**0.3**
Provision		**(4.9)**	**(4.9)**
Carrying amount		**592.5**	**592.5**

		Trade and other receivables 2018 £m	Total 2018 £m
Not past due		500.9	500.9
Past due (days)	0–30	3.0	3.0
	31–60	0.1	0.1
	61–90	0.4	0.4
	Greater than 90	0.7	0.7
Provision		(1.0)	(1.0)
Carrying amount		504.1	504.1

The Group considers notified disputes and collection experience in determining which assets should be impaired.

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.

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 and Repair costs 2019 £m	Loans and borrowings 2019 £m	Trade and other payables 2019 £m	Interest payable 2019 £m	Total 2019 £m
0–90 days	**26.3**	**–**	**183.5**	**12.4**	**222.2**
91 days–1 year	**–**	**–**	**9.0**	**37.8**	**46.8**
1–3 years	**–**	**475.1**	**5.5**	**67.1**	**547.7**
3–5 years	**–**	**–**	**2.9**	**16.4**	**19.3**
Greater than 5 years	**–**	**187.9**	**(0.4)**	**182.8**	**370.3**
Total	**26.3**	**663.0**	**200.5**	**316.5**	**1,206.3**

	Claims and Repair costs 2018 £m	Loans and borrowings 2018 £m	Trade and other payables 2018 £m	Interest payable 2018 £m	Total 2018 £m
0–90 days	24.3	–	158.3	12.3	194.9
91 days–1 year	–	–	33.3	37.7	71.0
1–3 years	–	350.1	11.3	91.4	452.8
3–5 years	–	125.0	2.6	35.5	163.1
Greater than 5 years	–	170.5	0.9	182.9	354.3
Total	24.3	645.6	206.4	359.8	1,236.1

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, and asset and liability matching within the Group is such that foreign exchange risk is not material.

The Directors believe net exposure to foreign exchange is not currently significant.

32. Capital management

The Board's primary objective in respect of capital management is to ensure the Group maintains sufficient financial resources to meet all obligations as they fall due, including meeting the regulatory requirements of the regulated insurance business of the Group.

The total amount of debt and equity capital of the Group comprises shareholders' deficit of £112.8m (31 March 2018: £95.9m), Senior Secured Notes (net of financing costs) of £198.8m (31 March 2018: £198.1m), Senior Secured Floating Rate Notes of £148.2m (31 March 2018: £147.2m), Senior Notes of £123.9m (31 March 2018: £123.4m) and amounts owed to parent undertakings (including accrued interest) of £187.9m (31 March 2018: £170.5m).

The Group's insurance business is regulated by the UK Prudential Regulation Authority ('PRA'). The Board regularly reviews the 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 Statement of Financial Position and the Solvency II Balance Sheet, for example between IFRS insurance liabilities and Solvency II technical provisions. The insurance business 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 all the 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.

The insurance business has a branch in Australia which is regulated by the Australian Prudential Regulation Authority ('APRA') and required to hold capital to cover its Australian liabilities.

The Group has embedded its capital management processes into its normal planning, reporting and decision-making activities.

Glossary of Terms

Acquisition cost ratio
Calculated as acquisition costs over underlying revenue

Acquisition costs
Commission and other expenses incurred on acquiring applicance care protection plan business

AFS
Available-for-sale

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

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.

Claims cost ratio
Calculated as claims and repair costs over underlying revenue

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

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

FVOCI
Fair value though other comprehensive income

FVTPL
Fair value though profit or loss

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)

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

OEM
Original Equipment Manufacturer

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

Retail Point-of-Sale ('PoS')
A retailer protection plan sold at the same time as the appliance

Glossary of Terms continued

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

Underlying Cash Flow Available for Debt Service ('CFADS')
Defined as the sum of (i) Free Cash Flow of the Non-Regulated Business, plus (ii) dividends that can be distributed by the Regulated Business over the amount of capital to be held for regulatory purposes determined in accordance with Solvency II principles, plus (iii) certain payments from the Regulated Business to the Non-Regulated Business not included in (i) and (ii) above

Underlying EBITDA
Earnings, including interest income, before interest expense, tax, depreciation, amortisation and significant items

Underlying Revenue
Represents revenue after the reversal of any fair value adjustments to Deferred Acquisition Costs and Deferred Income associated with the acquisition method of accounting for business combinations

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

Value in Use ('VIU')
The present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Notes

Notes

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