GALAXY FINCO LIMITED
(Registered in Jersey No. 113706)

RESULTS FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2019
(Unaudited)

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1. PERFORMANCE HIGHLIGHTS

Continued growth in underlying revenue and EBITDA

Group performance

- Revenue growth excluding run-off business +3.9%

- Underlying revenue +2.3%, with continuing growth in subscription revenues of 8.4% driven by renewals and new business

- Underlying operating costs controlled, delivering growth in underlying EBITDA of 2.8%

UK

- Revenue growth 3.2%, with subscription revenues (91.4% of total UK revenue) growing by 8.7%

- Share of revenue from renewals 75.3% (+0.4 pp)

International

- Revenue growth excluding run off business +7.7%

- Subscription revenues (45.7% of total international revenue) growing by 5.8%

- Share of revenue from renewals 31.8% (+4.4 pp)

Strategic delivery and material events up to Q3

Operational

- Foundations of modernising customer journey through digitalisation now established
- Contract negotiations for US launch progressing well
- Refinancing and new investment from ADIA and CVC fund VII completed
- Value Creation Planning for new investment cycle identifying opportunities to accelerate growth
- Ancillary Own Funds application approved by the PRA in February

2. SUMMARY FINANCIAL INFORMATION

Profit and loss £m	**For the period ended December 31**		
	2019	**2018***	**% Change**
UK Revenue			
Total UK Underlying Revenue	**511.2**	495.4	3.2%
Of which is:			
- Subscription business	**467.0**	429.7	*8.7%*
- Non subscription business	**44.2**	65.7	*(32.8%)*
Share of Revenue from Renewals	**75.3%**	74.9%	0.4%
International Revenue			
Total International Underlying Revenue	**109.8**	111.5	(1.5%)
Of which is:			
- Subscription business	**50.1**	*47.4*	*5.8%*
- Non subscription business	**59.7**	*64.1*	*(7.0%)*
Share of Revenue from Renewals	**31.8%**	27.4%	4.4%
Total Group Underlying Revenue	**621.0**	606.9	2.3%
Repair and claims Costs	**(271.5)**	(267.0)	1.7%
Underlying acquisition costs	**(148.2)**	(145.8)	1.6%
Significant items	**(3.1)**	(11.3)	(72.6%)
Operating costs	**(115.6)**	(111.6)	3.6%
EBITDA	**82.6**	71.2	16.0%
Depreciation and Amortisation	**(29.9)**	(33.6)	(10.9%)
Operating profit	**52.7**	37.6	40.1%
Investment income	**0.4**	1.3	(69.2%)
Finance costs	**(42.8)**	(38.6)	11.0%
Profit before tax (PBT)	**10.3**	0.3	2881.9%
Income tax charge	**(4.6)**	(3.6)	25.0%
Profit/(loss) after Tax (PAT)	**5.7**	(3.3)	(278.2%)

* Restated for impact of applying IFRS 16 *Leases* retrospectively

Cash Flows £m	**For the period ended December 31**		
	2019	**2018***	**% Change**
EBITDA	**82.6**	71.2	16.0%
Investment income	**0.4**	1.3	(69.2%)
Significant items	**3.1**	11.3	(72.6%)
Underlying EBITDA	**86.1**	83.8	2.8%
- UK[1]	***77.8***	*74.9*	*3.8%*
- International	***8.3***	*8.8*	*(6.2%)*
Less: Regulated Business EBITDA	**(32.6)**	(32.6)	(0.1%)
Non-Regulated Business EBITDA	**53.5**	51.2	4.6%
Non-Regulated Business capital expenditures	**(13.7)**	(13.3)	3.2%
Non-Regulated Business change in working capital	**(29.5)**	(27.9)	5.9%
Non-Regulated Business Free Cash flow	**10.3**	10.0	2.8%
Distributable reserves in Regulated Business	**34.9**	25.9	34.7%
Free Cash Flow	**45.2**	35.9	25.8%
Tax Expense	**(11.7)**	(2.6)	353.9%
Post-Tax Free Cash Flow	**33.5**	33.3	0.5%

* Restated for impact of applying IFRS 16 *Leases* retrospectively
[1] Includes holding company costs

3. OPERATING AND FINANCIAL REVIEW

Group underlying revenue increased by 2.3% for the nine-month period ended 31 December 2019 to £621.0m (31 December 2018: £606.9m) driven principally by the resilient UK subscription model and embedded growth from high renewal ratios. The decrease in International underlying revenue for the nine-month period ended 31 December 2019 to £109.8m (31 December 2018: £111.5m) is a result of the impact of the run-off of certain discontinued business previously generated in Germany and Spain.

Share of revenue from renewals for UK was 75.3% of total UK underlying revenue, representing an increase of 3.8% to £384.8m for the period ended 31 December 2019 (31 December 2018: £370.8m). For International, the s*hare of revenue from renewals* was 31.8% of total International underlying revenue, representing an increase of 14.4% to £34.9m for the period ended 31 December 2019 (31 December 2018: £30.5m). The organic growth of our renewals book is driven by our subscription model, retention and pricing initiatives.

Repair and claims costs increased by £4.5m, or 1.7%, to £271.5m. Expressed as a proportion of underlying revenue of £621.0m and £606.9m respectively, repair and claims costs have decreased by 0.3 percentage points to 43.7%, reflecting the stable and predictable nature of claims arising from our portfolio of large volume, small value contracts, with short tail risks.

Underlying acquisition costs, comprising commission and marketing fees, increased by £2.4m, or 1.6%, to £148.2m. Expressed as a proportion of underlying revenue, underlying acquisition costs have decreased by 0.1 percentage points to 23.9%.

Investment income decreased by £0.9m, or 69.2%, to £0.4m for the period ended 31 December 2019, following the liquidation of investments into cash in Q1 in advance of the refinancing and distribution that was completed in July 2019.

Operating expenses increased by £4.0m, or 3.6%, to £115.6m for the period ended 31 December 2019, as a result of increased investment in our Contact Centres and teams to support acquisition of new business and higher irrecoverable VAT following our product transition towards insurance.

Depreciation and amortisation decreased by £3.7m, or 10.9%, to £29.9m for the period ended 31 December 2019. This has been driven by a reduction in the amortisation of acquired intangible assets of £5.5m, as elements of the customer relationships intangible asset are now fully amortised. This has been partially offset by an increase in the amortisation of software assets by £1.8m following capital investment in our IT infrastructure as we build our digital capability.

Significant items of £3.1m for the period ended 31 December 2019 relate to initial launch costs for the US, costs incurred in preparing our International business for Brexit, and includes the reversal of certain accruals raised for advisory and corporate costs incurred as part of a strategic review by the Group's shareholders to review their ownership options which have since been borne by parent entities.

Finance Costs increased by £4.2m, or 11.0%, to £42.8m for the period ended 31 December 2019. This is attributable to the increased leverage of the Group as well as non-cash finance charges driven by the write-off of unamortised financing costs relating to the old debt structure that was refinanced in July 2019.

Group EBITDA increased by 16.0% for the nine-month period ended 31 December 2019 to £82.6m (31 December 2018: £71.2m), driven by the embedded revenue growth from high renewal ratios in our UK portfolio, stable cost ratios and predictable claims and acquisition costs.

Cash flow

Free cash flow conversion in the period ended 31 December 2019 increased to 52.4% of underlying EBITDA (31 December 2018 YTD conversion of 42.8%) and remains strong whilst we continue to invest in growing the business.

Non-regulated business working capital outflow increased by £1.6m to £29.5m for the nine-month period ended 31 December 2019 (31 December 2018 outflow of £27.9m). This increase is attributable to the unwind of the negative working capital position associated with plans transferred to the regulated business as part of Customer First, and the management of accounts payable.

Tax payments increased by £9.1m for the nine-month period ended 31 December 2019 to £11.7m (31

December 2018 £2.6m). This is due to a transition in the instalment methodology in the UK resulting in tax payments being brought forward (this will normalise for subsequent financial years), and the comparative period benefitting from an allowable deduction for tax of the one-off product transition costs of £37.3m recognised in FY18 income, thereby significantly reducing the tax payable.

Leverage / capitalisation

Total gross debt and net debt has increased to £676.9m and £651.0m respectively (31 December 2018: £484.9m and £395.1m) due to the refinancing of the external debt at the end of July 2019. Following the adoption of the accounting standard IFRS 16 *Leases*, finance lease liabilities have been raised for the first time which has resulted in the gross debt increasing by £7.8m (31 December 2018 restated: £9.8m).

The Group has a revolving bank facility of £85.0m (31 March 2019: £100.0m) with a final maturity date of 30 April 2026. During Q3 FY20, £33.5m was drawn under the £85.0m super senior revolving credit facility; the undrawn facility at 31/12/19 was £51.5m. At the end of Q3 FY20, there was an on-demand letter of credit under the Facility in favour of a trust for UK service plan customers in line with British Retail Consortium guidelines for £5.0m.

Solvency

	At 31 December	
£m	**2019**	**2018**
Solvency II Own Funds	**107.5**	142.6
Solvency II Capital Requirement	**65.5**	69.3
Solvency ratio	**164%**	206%

The qualifying capital resources of £107.5m (2018: £142.6m) held by the regulated business at the end of the quarter comfortably exceeded its capital requirements of £65.5m (2018: £69.3m), a regulatory solvency ratio of 164% (2018: 206%).

Management adheres to a voluntary policy of maintaining a prudential buffer of at least 30% of capital requirements in assessing distributions from the regulated business.

An Ancillary Own Funds application for the UK regulated business has been approved by the PRA in February 2020 which will positively impact Solvency II Own Funds in Q4 FY20.

Brexit

We have established an insurance entity in Germany, which has been licenced by BaFin, and have started to write all new European business from 1st November 2019 in this entity. Existing EU customers, and the renewals related to these customers, are still insured by Domestic & General Insurance PLC and will be migrated through a Part VII transfer to our new German entity. Whilst there will be an increase in the capital required by the new entity, we expect to mitigate the impact of this through reinsurance arrangements and the agreement of Undertaking Specific Parameters with BaFin.

4. PRESENTATION OF FINANCIAL INFORMATION

Cross reference

In certain areas, reference has been made to the "Offering Memorandum". In all cases, this refers to the offering memorandum of Galaxy Bidco Limited and Galaxy Finco Limited dated July 17, 2019 located at the following link:

https://investors.domesticandgeneral.com/media/1232/emerald-efinal-bmk.pdf

Financial Information

Galaxy Finco Limited was formed in August 2013 by funds advised by CVC Advisers Limited, a leading global private equity investor, to acquire D&G Group Holdings Limited and its subsidiary companies, and to manage the business of the Group.

The Group is a portfolio company of CVC Advisers Limited as defined by the 'Guidelines for Disclosure and Transparency in Private Equity' published by David Walker in November 2007 (the 'Walker Report').

Galaxy Finco Limited is required to prepare consolidated financial statements in accordance with IAS 1 Presentation of Financial Statements.

The financial information discussed within this financial review has been prepared in accordance with the basis of preparation as described in the unaudited consolidated financial statements of Galaxy Finco Limited for the nine-month period ended 31 December 2019 included herein.

The financial review should be read in conjunction with the audited consolidated financial statements of Galaxy Finco Limited for the year ended 31 March 2019.

Refer to pages xiv – xx and pages 239 - 276 *"Certain Definitions*" in the Offering Memorandum for a list of terms and abbreviations used throughout this financial review.

Alternative Performance Measures ('APMs')

In this financial review, we present certain financial measures that are not required by or presented in accordance with IFRS because we believe they provide investors with useful additional information to measure our performance (including Underlying Revenue, Underlying Acquisition Costs and Underlying EBITDA) or liquidity (including Free Cash Flow).

Refer to pages x – xiii "*Non-IFRS Financial Measures*" in the Offering Memorandum for a description of these items.

Net leverage, net leverage ratio and Underlying Adjusted EBITDA measures presented in this financial report are not the same as Consolidated Net Leverage, Consolidated Net Leverage Ratio or Consolidated EBITDA as defined in our revolving credit facility agreement and bond indentures and should not be used for the purposes of the covenants thereunder.

Information Regarding Forward-Looking Statements

This financial review includes "forward-looking statements", within the meaning of the U.S. securities laws and certain other jurisdictions, based on our current expectations and projections about future events.

All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to in the sections entitled *"Forward-looking statements"* on pages xxi – xxii in the offering memorandum including those set forth under the sections thereof entitled "*Risk Factors*" on pages 34 – 70 in the Offering Memorandum.

Presentation

Rounding adjustments have been made in calculating some of the financial information included in this financial review. Figures shown as totals in some tables and elsewhere may not be exact arithmetic aggregations of the figures that precede them.

Non-GAAP alternative performance measures reconciliation

The table below provides a reconciliation between GAAP and non-GAAP underlying performance measures.

	For the period ended December 31		
£m	2019	2018*	% Change
Revenue	**621.0**	605.9	2.5%
Fair value adjustment arising from acquisition	**-**	1.0	(100.0%)
Underlying revenue	**621.0**	606.9	2.3%
Operating profit	**52.7**	37.6	40.1%
Amortisation of acquisition intangibles	**17.4**	22.9	(24.0%)
Depreciation and amortisation	**12.5**	10.7	17.2%
EBITDA	**82.6**	71.2	16.0%
Investment income	**0.4**	1.3	(69.2%)
Significant items	**3.1**	11.3	(72.6%)
Underlying EBITDA	**86.1**	83.8	2.8%
Underlying EBITDA	**86.1**	83.8	2.8%
Holding company (cost reversals) / costs**	**(0.1)**	0.9	(111.1%)
Underlying adjusted EBITDA	**86.0**	84.7	1.6%

* Restated for impact of applying IFRS 16 retrospectively

**CVC monitoring fee agreement was retrospectively terminated effective from 1 January 2019. The credit in the current financial year relates to the reversal of the accrual for Q4 FY19 that is no longer required.

5. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

GALAXY FINCO LIMITED

CONSOLIDATED INCOME STATEMENT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2019

		Period ended 31 December 2019 (Unaudited)			Period ended 31 December 2018 (Unaudited) (Restated)*		
	Note	**Before significant items and amortisation £m**	**Significant items and amortisation £m**	**After significant items and amortisation £m**	Before significant items and amortisation £m	Significant Items And Amortisation £m	After significant items and amortisation £m
Revenue	5	**621.0**	**-**	**621.0**	605.9	-	605.9
Operating costs							
- Amortisation	6	**-**	**(17.4)**	**(17.4)**	-	(22.9)	(22.9)
- Other operating costs	6	**(547.6)**	**(3.1)**	**(550.7)**	(533.9)	(11.3)	(545.2)
- Impairment loss on financial assets		**(0.2)**	**-**	**(0.2)**	(0.2)	-	(0.2)
Operating profit		**73.2**	**(20.5)**	**52.7**	71.8	(34.2)	37.6
Investment income		**0.4**	**-**	**0.4**	1.3	-	1.3
Finance costs		**(42.8)**	**-**	**(42.8)**	(38.6)	-	(38.6)
Profit before taxation		**30.8**	**(20.5)**	**10.3**	34.5	(34.2)	0.3
Income tax (charge)/credit	7	**(7.4)**	**2.8**	**(4.6)**	(8.0)	4.4	(3.6)
Profit/(loss) for the period				**5.7**			(3.3)

The total profit/(loss) for the period 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.

**Comparative period has been restated to reflect the adoption of IFRS 16 for the year beginning 1 April 2019 using the fully retrospective approach*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2019

	Period ended 31 December 2019 (Unaudited)	Period ended 31 December 2018 (Unaudited) (Restated)*
	£m	£m
Profit/(loss) for the period	**5.7**	(3.3)
Currency translation differences	**(0.3)**	-
Loss on available-for-sale financial assets	**-**	(0.4)
Changes in fair value of investments through OCI	**(0.2)**	-
Effective portion of changes in fair value of cash flow hedges – hedging reserve	**(3.9)**	-
Total comprehensive income/(loss) for the period	**1.3**	(3.7)

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

All components of other comprehensive income/(loss) may be subsequently reclassified to profit or loss.

**Comparative period has been restated to reflect the adoption of IFRS 16 for the year beginning 1 April 2019 using the fully retrospective approach*

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2019

	Note	**31 December 2019 (Unaudited)**	31 March 2019 (Unaudited) (Restated)*
		£m	£m
Assets			
Goodwill and intangible assets		**485.8**	499.0
Property, plant and equipment	8	**19.1**	20.6
Deferred acquisition costs		**248.0**	243.1
Financial investments	9	**95.9**	126.4
Trade and other receivables		**616.5**	592.5
Cash and cash equivalents	12	**37.0**	47.3
Total assets		**1,502.3**	1,528.9
Liabilities			
Loans and borrowings	14	**646.6**	668.3
Deferred tax liabilities		**27.4**	30.3
Deferred income		**759.5**	716.5
Claims and repair costs provision	13	**29.0**	26.3
Current tax (asset)/liability		**(5.3)**	1.5
Derivative financial instruments	10	**14.6**	-
Trade and other payables		**190.9**	200.5
Total liabilities		**1,662.7**	1,643.4
Equity			
Share capital		**89.9**	89.9
Other reserves		**(4.2)**	0.2
Accumulated loss		**(246.1)**	(204.6)
Total equity		**(160.4)**	(114.5)
Total equity and liabilities		**1,502.3**	1,528.9

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

**Comparative period has been restated to reflect the adoption of IFRS 16 for the year beginning 1 April 2019 using the fully retrospective approach*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2019

	31 December 2019 (Unaudited)				
	Ordinary share capital £m	**Share premium £m**	**Hedging and other reserves £m**	**Accumulated loss £m**	**Total equity £m**
At 1 April 2019	**0.9**	**89.0**	**0.2**	**(204.6)**	**(114.5)**
Profit for the period	**-**	**-**	**-**	**5.7**	**5.7**
Dividend paid	**-**	**-**	**-**	**(47.2)**	**(47.2)**
Other comprehensive loss for the period	**-**	**-**	**(4.4)**	**-**	**(4.4)**
Balance as at 31 December 2019	**0.9**	**89.0**	**(4.2)**	**(246.1)**	**(160.4)**

	31 December 2018 (Unaudited) (Restated)*				
	Ordinary share capital £m	Share premium £m	Hedging and 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)
Impact of initial application of IFRS 16	-	-	-	(2.5)	(2.5)
Tax impact on application of IFRS 9	-	-	-	0.8	0.8
Restated balance at 1 April 2018	0.9	89.0	0.2	(191.9)	(101.8)
Loss for the period	-	-	-	(3.3)	(3.3)
Other comprehensive loss for the period	-	-	(0.4)	-	(0.4)
Balance as at 31 December 2018	0.9	89.0	(0.2)	(195.2)	(105.5)

**Comparative period has been restated to reflect the adoption of IFRS 16 for the year beginning 1 April 2019 using the fully retrospective approach*

CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2019

	Note	**Period ended 31 December 2019 (Unaudited)**	Period ended 31 December 2018 (Unaudited) (Restated)*
		£m	£m
Profit before tax		**10.3**	0.3
Adjustments for:			
Depreciation of property, plant and equipment		**4.4**	4.6
Amortisation of software		**7.9**	6.1
Amortisation of acquired intangible assets	6	**17.4**	22.9
Revaluation of land and buildings		**-**	(0.8)
Interest expense		**42.8**	38.6
Interest income		**(0.4)**	(1.3)
Significant items - other operating costs	6	**3.1**	11.3
Impairment loss on financial assets		**0.2**	0.2
		85.7	81.9
Changes in working capital			
Increase in deferred acquisition costs		**(6.2)**	(3.6)
Increase in trade and other receivables		**(83.9)**	(54.7)
Increase in deferred income		**46.3**	34.2
Increase in claims and repair costs provision		**2.9**	2.5
Decrease in trade and other payables		**(5.1)**	(12.1)
Cash flows from operating activities		**39.7**	48.2
Significant items		**(13.8)**	(17.8)
Interest received from cash and cash equivalents		**0.4**	0.4
Interest paid		**(23.9)**	(29.4)
Income taxes paid		**(14.3)**	(7.8)
Dividends paid		**(47.2)**	-
Net cash used in operating activities		**(59.1)**	(6.4)
Cash flows from investing activities			
Interest received on investments		**-**	0.8
Acquisition of property, plant and equipment		**(1.8)**	(2.0)
Acquisition of software		**(12.1)**	(11.6)
Withdrawal from credit institutions		**1.4**	25.8
Withdrawal from money market funds		**21.2**	5.2
Decrease in financial instrument investments		**65.3**	0.2
Net cash from investing activities		**74.0**	18.4
Cash flows from financing activities			
Redemption of loan notes		**(475.1)**	(0.9)
Proceeds from debt issuances and facilities		**649.2**	-
Repayment of lease liability		**(2.3)**	(2.5)
Amounts paid to parent undertakings		**(194.1)**	(0.3)
Net cash used in financing activities		**(22.3)**	(3.7)
Net (decrease)/increase in cash and cash equivalents		**(7.4)**	8.3
Effects of exchange rates		**(2.9)**	0.3
Cash and cash equivalents at beginning of the period		**47.3**	40.9
Cash and cash equivalents at the end of the period	12	**37.0**	49.5

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

**Comparative period has been restated to reflect the adoption of IFRS 16 for the year beginning 1 April 2019 using the fully retrospective approach*

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Galaxy Finco Limited (the "Company") is a private company incorporated in Jersey. These condensed consolidated interim financial statements of the Company are for the nine-month period 1 April 2019 to 31 December 2019 and comprise the Company and its subsidiaries (together referred to as the 'Group').

2. Statement of Compliance

The Group condensed consolidated interim financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

3. Basis of preparation

The condensed consolidated interim financial statements for the nine-month period ended 31 December 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting. The financial information contained in these interim results does not constitute statutory accounts of Galaxy Finco Limited within the meaning of Section 105 of the Companies (Jersey) Law, 1991.

These condensed consolidated interim financial statements have been prepared by applying the accounting policies used in the 31 March 2019 Annual Report and Accounts, except for the adoption of new standards that have become effective, which were in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 March 2019.

The Directors have reviewed the Group's ongoing financial commitments for the next 12 months and beyond. The Director's review included consideration of future plans, loans and borrowings, cash flow and liquidity. As a result of this review, the Directors have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

4. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group applies, for the first time, IFRS 16 *Leases* that requires restatement of previous financial periods. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the condensed consolidated interim financial statements of the Group.

IFRS 16

The Group has adopted IFRS 16 *Leases* for the financial year commencing 1st April 2019 and has chosen to restate the comparative (financial year ended 31 March 2019) using the fully retrospective approach.

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.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were 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 has used the following practical expedients permitted by the standard:

- to 'grandfather' the assessment of which transactions are leases, and
- 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*.

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

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

As a lessee

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

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment (refer to note 4L in the Group's annual financial statements as at 31 March 2019). In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured to reflect any lease modification or reassessments.

The Group presents its right-of-use assets in 'property, plant and equipment - other leased' and lease liabilities in 'loans and borrowings' in the balance sheet.

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

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

The Group leases land and buildings for its own use both in the UK and across its international locations. The main component of 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 liabilities cover several Group sites with leases due to expire between 2020 and 2026.

The Group also leases motor vehicles, IT equipment, and fixtures and fittings. These leases usually have a lease term of one to three years, with various renewal options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

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

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

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

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

b) *Amounts recognised in the balance sheet:*

Accumulated loss

The impact of the initial application of IFRS 16 at 1 April 2018 resulted in an increase in the accumulated loss of £2.5m which reflects the difference between the Right-of-Use asset of £7.6m and the lease liability of £10.1m at this initial application date.

Right-of-Use Assets

		(Unaudited)		
	Land and buildings	**Motor Vehicles**	**Fixtures, fittings and equipment**	**Total**
	£m	**£m**	**£m**	**£m**
At 1 April 2018	7.1	0.5	-	7.6
Additions	2.3	0.2	0.2	2.7
Depreciation	(2.7)	(0.2)	(0.0)	(2.9)
At 31 March 2019	6.7	0.5	0.2	7.4
Additions	3.3	0.3	-	3.6
Depreciation	(2.1)	(0.1)	(0.0)	(2.2)
At 31 December 2019	**7.9**	**0.7**	**0.2**	**8.8**

c) Amounts recognised in the income statement

	Period ended 31 December 2019 (Unaudited) £m	Period ended 31 December 2018 (Unaudited) £m
Interest on lease liabilities	**0.4**	0.4
Depreciation on leased assets	**2.2**	2.2

d) Amounts recognised in the cash flow statement

	Period ended 31 December 2019 (Unaudited) £m	Period ended 31 December 2018 (Unaudited) £m
Total cash outflows for lease liability	**(2.3)**	(2.5)

5. Revenue

	Period ended 31 December 2019 (Unaudited)		
	Maintenance plans £m	**Insurance £m**	**Total £m**
Sales	**284.8**	**382.8**	**667.6**
Deferred income movement	**47.8**	**(94.4)**	**(46.6)**
	332.6	**288.4**	**621.0**
Fair value adjustment			**-**
Revenue			**621.0**

	Period ended 31 December 2018 (Unaudited)		
	Maintenance plans £m	Insurance £m	Total £m
Sales	338.4	304.4	642.8
Deferred income movement	45.4	(81.3)	(35.9)
	383.8	223.1	606.9
Fair value adjustment			(1.0)
Revenue			605.9

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 prior financial year.

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

6. Significant items and amortisation of intangible assets

	Period ended 31 December 2019 (Unaudited) £m	Period ended 31 December 2018 (Unaudited) £m
Amortisation of intangible assets acquired in a business combination	**(17.4)**	(22.9)
Significant items	**(3.1)**	(11.3)
	(20.5)	(34.2)

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.

Significant items relate to one-off costs incurred for the initial launch of the US, transitioning our discretionary service plan business to maintenance service plans and insurance-based warranties, as well as costs incurred for preparation of Brexit and for the Strategic Review project.

7. Taxation

	Period ended 31 December 2019 (Unaudited) £m	Period ended 31 December 2018 (Unaudited) £m
Current tax on profit for the period	**(7.4)**	(8.0)
Deferred tax	**2.8**	4.4
Total income tax charge	**(4.6)**	(3.6)

8. Property, plant and equipment

	Note	**31 December 2019 (Unaudited) £m**	31 March 2019 (Unaudited) Restated £m
Owner-occupied property measured at fair value		**3.1**	3.1
Other owned PPE		**7.2**	10.1
Other leased PPE	4	**8.8**	7.4
		19.1	20.6

9. Financial investments

	31 December 2019 (Unaudited)			
	FVOCI* £m	**FVTPL** £m**	**Amortised cost £m**	**Total £m**
Money market funds	**-**	**5.5**	**-**	**5.5**
Investment in unlisted securities	**-**	**54.8**	**-**	**54.8**
Investments carried at fair value	**35.2**	**-**	**-**	**35.2**
Deposits with credit institutions	**-**	**-**	**0.4**	**0.4**
	35.2	**60.3**	**0.4**	**95.9**

	31 March 2019 (Unaudited)			
	FVOCI*	FVTPL**	Amortised cost	Total
	£m	£m	£m	£m
Money market funds	-	27.1	-	27.1
Investment in unlisted securities	-	-	-	-
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

* FVOCI - Fair value through other comprehensive income
** FVTPL - Fair value through profit or loss

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.

Investments in unlisted securities relate to an investment in preference shares in Galaxy Finco 2, a fellow subsidiary of its holding company, Galaxy Midco 2.

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.

10. Derivative financial instruments

a) Derivative liability

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

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

	31 December 2019 (Unaudited)	31 March 2019 (Unaudited) Restated
	£m	£m
Cross Currency Interest Rate Swap	**14.6**	-
- Current liability	**3.0**	-
- Non-current liability	**11.6**	-

The fair value of the derivative financial instruments is based on market quotations and the hedges are due to mature in July 2024.

b) Hedge accounting

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

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

Hedged item	Notional €m	Term (years)	Maturity date
€150m of Floating Rate Senior Notes	150	5	31 July 2024

Hedging instrument – derivative liability	**31 December 2019 (Unaudited) £m**	31 March 2019 (Unaudited) £m
€150m Cross Currency Interest Rate Swap	**(14.6)**	-

The above hedge was intended to minimise the Group's exposure to adverse fluctuations in currency movements between GBP and EUR. Elements of the Group's loans and borrowings, as set out in note 14, are variable rate borrowings.

During the year the following amounts were recognised in profit or loss in relation to the cross-currency interest rate swaps (CCIRS):

	Period ended 31 December 2019 (Unaudited) £m	Period ended 31 December 2018 (Unaudited) £m
Effective portion of cash flow hedge and costs of hedging included in finance costs	**11.5**	-

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

	31 December 2019 (Unaudited) £m	31 March 2019 (Unaudited) £m
Balance at 1 April	**-**	-
Amount recognised in equity in the period/year	**(3.9)**	-
Cash flow hedge reserve as at 31 December	**(3.9)**	-

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

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

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

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

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

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

11. 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:

	31 December 2019 (Unaudited)				
	FVOCI* - designated on initial recognition £m	**FVTPL** - designated on initial recognition £m**	**Financial assets held at amortised cost £m**	**Financial liabilities held at amortised cost £m**	**Total £m**
Investments	**35.2**	**60.3**	**0.4**	**-**	**95.9**
Trade and other receivables	**-**	**-**	**616.5**	**-**	**616.5**
Cash and cash equivalents	**-**	**-**	**37.0**	**-**	**37.0**
Derivative liabilities	**-**	**(14.6)**	**-**	**-**	**(14.6)**
Loans and borrowings	**-**	**-**	**-**	**(646.6)**	**(646.6)**
Trade and other payables	**-**	**-**	**-**	**(190.9)**	**(190.9)**
	35.2	**45.7**	**653.9**	**(837.5)**	**(102.7)**

	31 March 2019 (Unaudited) Restated				
	FVOCI* - designated on initial recognition £m	FVTPL** - designated on initial recognition £m	Financial assets held at amortised cost £m	Financial liabilities held at amortised cost £m	Total £m
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
Derivative liabilities	-	-	-	-	-
Loans and borrowings	-	-	-	(668.3)	(668.3)
Trade and other payables	-	-	-	(200.5)	(200.5)
	97.3	27.1	641.8	(868.8)	(102.6)

* FVOCI - Fair value through other comprehensive income

** FVTPL - Fair value through profit or loss

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.

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.

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.

The Group classifies its financial assets 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, liquidity risk and interest rate risk can be found in note 31 of the Group's annual financial statements for the year ended 31 March 2019.

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, 2 and 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; 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 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2019 (Unaudited)			
	Level1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Investments at fair value through profit and loss	**-**	**5.5**	**54.8**	**60.3**
Investments at fair value through other comprehensive income	**-**	**35.2**	**-**	**35.2**
Derivative financial instruments	**-**	**(14.6)**	**-**	**(14.6)**
	-	**26.1**	**54.8**	**80.9**

	31 March 2019 (Unaudited)			
	Level1	Level 2	Level 3	Total
	£m	£m	£m	£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
Derivative financial instruments	-	-	-	-
	31.9	92.5	-	124.4

12. Cash and cash equivalents

	31 December 2019 (Unaudited) £m	31 March 2019 (Unaudited) £m
Bank and cash balances	**26.4**	2.1
Call deposits and short-term bank deposits	**10.6**	45.2
	37.0	47.3

13. Claims and repair costs provision

	31 December 2019 (Unaudited) £m	31 March 2019 (Unaudited) £m
Balance at the start of the period/year	**26.3**	24.3
Amounts incurred during the period/year	**271.5**	367.8
Amounts paid during the period/year	**(268.8)**	(365.8)
Balance as at the end of the period/year	**29.0**	26.3

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

14. Loans and borrowings

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

	31 December 2019 (Unaudited) £m	31 March 2019 (Unaudited) Restated £m
6.5% Senior Secured Notes due 2026	**305.0**	-
€200m Senior Secured Floating Rate Notes due 2026	**170.0**	-
9.25% Senior Notes due 2027	**150.0**	-
Drawn Revolving Credit Facility (RCF)	**33.5**	-
6.375% Senior Secured Notes due 2020	**-**	200.0
Senior Secured Floating Rate Notes due 2020	**-**	150.1
7.875% Senior Notes due 2021	**-**	125.0
10% Loan Due to Parent Company	**-**	187.9
Total Principal	**658.5**	663.0
Financing costs	**(19.7)**	(4.2)
Carrying amount	**638.8**	658.8
Lease liability	**7.8**	9.5
Loans and borrowings	**646.6**	668.3

For more information about the Group's exposure to interest rate risk see note 31 of the Group's annual financial statements for 31 March 2019.

Terms and debt repayment schedule for Loan Notes

	Nominal interest rate	Year of maturity	Principal £m	Carrying amount £m
6.5% Senior Secured Notes	6.50%	2026	305.0	296.0
€200m Senior Secured Floating Rate Notes	EURIBOR+5%	2026	170.0	164.2
9.25% Senior Notes	9.25%	2027	150.0	145.1
Drawn RCF	3.00%	2026	33.5	33.5
				638.8

The entire balance of loans and borrowings, with the exception of the drawn RCF, 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 has a revolving credit facility of £85.0m (31 March 2019: £100.0m) with a final maturity date of 1 May 2026, of which £5.0m (31 March 2019: £10.0m) 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. £46.5m (31 March 2019: £90.0m) was available for drawing at the balance sheet date, and of this £3.0m (31 March 2019: £3.0m) is currently available as a same day drawdown money market facility.

15. Related parties

The nature of the related party transactions of the Group are consistent in nature and scope with those disclosed in note 29 of the Group's consolidated financial statements for the year ended 31 March 2019.

16. 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 nature of these risks is disclosed in note 31 of the Group's consolidated financial statements for the year ended 31 March 2019.

Credit ratings of significant classes of financial assets

	31 December 2019 (Unaudited)			
	A rated (or above) Institutions £m	**B rated (or below) Institutions £m**	**Unrated £m**	**Total £m**
Cash and cash equivalents	**37.0**	**-**	**-**	**37.0**
Money market funds	**5.5**	**-**	**-**	**5.5**
Investments carried at fair value	**35.2**	**-**	**-**	**35.2**
Investment in unlisted securities	**-**	**-**	**54.8**	**54.8**
Deposits with credit institutions	**0.4**	**-**	**-**	**0.4**
Trade and other receivables	**-**	**-**	**616.5**	**616.5**
	78.1	**-**	**671.3**	**749.4**

	31 March 2019 (Unaudited)			
	A rated (or above) Institutions £m	B rated (or below) Institutions £m	Unrated £m	Total £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
Investment in unlisted securities	-	-	-	-
Deposits with credit institutions	2.0	-	-	2.0
Trade and other receivables	-	-	592.5	592.5
	159.0	14.7	592.5	766.2