Domestic & General

keeping your world running

2020

Annual Report & Accounts

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

We have policies in one in three UK households protecting individuals and families against the unexpected costs and uncertainty of appliance repairs and replacements. Present in 11 countries across Europe and Australia, D&G protects over 9 million appliances for 5.5 million customers on a subscription basis.

David Tyler, Chairman

Leading the way

"We have continued to demonstrate our commitment to customer service, streamlining our processes and ensuring that our customers remain highly satisfied."

At the end of last year, we completed a transaction that saw our majority shareholder CVC Funds reinvest in the business alongside the Abu Dhabi Investment Authority ('ADIA') as a new shareholder. We are delighted to welcome ADIA as a significant new investor to the business.

ADIA brings a wealth of investment experience from around the globe and has a strong reputation for supporting the growth of high quality companies. With its investment alongside CVC Fund's ongoing commitment, we have a new ownership structure underpinned by two stable and well-resourced global investors. It is a strong platform enabling us to focus on our growth plans in the UK and internationally.

This new investment comes at an exciting time when we are well positioned to deliver our ambitious five-year growth strategy which includes entering the US market through a new long-term relationship with Whirlpool. The strength of our business model and our track record of delivering significant transformation programmes give us confidence that we will achieve the goals we have set.

It has been a further year of good financial performance. The business has delivered growth again: 2% both in revenue and adjusted EBITDA while improving customer service. We have also maintained a strong balance sheet and we are generating cash. Capital in our insurance business remains at prudent levels above our target Solvency Capital Ratio of 130%.

The UK business has continued to demonstrate its resilience with revenue growth of 3% driven by the strength of our embedded renewals book and growth in new business. At the same time, the International business has seen growth in subscription sales of 11%.

We have continued to invest significantly in customer service, streamlining our processes and ensuring that our customers remain highly satisfied. We understand customer needs and continue to enhance our service to enable a digital first, omnichannel experience, offering simplicity and choice that in turn drive loyalty and satisfaction. We put excellent customer service at the heart of everything we do, and this has been recognised by D&G winning the 'Delivery of Service Award' at the annual ScottishPower Supplier Awards. I would like to congratulate my colleagues on this achievement.

Our long-standing relationships with major OEMs, retailers and utility providers allow us to maximise our channel reach and deliver a seamless customer experience. We thank all our partners for working with us on our mutual values and goals, and we are delighted to welcome our new partner, John Lewis.

Chairman's Statement continued

During the year, we remained focused on continuing to strengthen our risk and regulatory compliance framework. We have maintained strong governance over our key processes, helping to ensure a continuing positive relationship with our regulators. The business has planned extensively for the ever-changing political landscape that has characterised the delivery of Brexit. As a result our German insurance entity, Domestic & General Insurance Europe AG, successfully commenced trading as an EU insurer during the year.

Looking ahead, we have an ambitious strategy underpinned by market trends, customer needs and technology infrastructure that will deliver growth and create long-term value for shareholders. On behalf of the Board, I would like to say a big thank you to all our colleagues across the business for rising to the challenge and delivering our change agenda.

Everybody in the business has worked hard to embed customer centric behaviour and a culture of service excellence. It has been particularly tough to deliver these initiatives during the period when we have been affected by the COVID-19 crisis. However, our colleagues have risen to the challenge and I would like to express my admiration for the way that they have addressed it.

As a result, our trading performance in the first quarter of the new financial year has been robust with subscription plan sales increasing year on year.

David Tyler
Chairman
15 July 2020

Our values

Trust and Integrity

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

Personally Accountable

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

High Performing

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

One Team

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

Customer First

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

A look at the numbers

Our mission: Keeping your world running by delivering an essential service that never lets you down.

Our vision is to be a world-class service organisation enabled for a smart future.

Ian Mason
Chief Executive Officer

For more information
See pages 10 and 11

Financial highlights[1]

Revenue
£831m
2019: £810m +2.5%

Free cash flow
£91m
2019: £70m +30.7%

Adjusted EBITDA[2]
£107m
2019: £105m +2.2%

Group subscription revenue
£695m
2019: £666m +4.4%

1 Refer to Glossary of Terms.

2 Adjusted EBITDA restated for 2019 to reflect impact of adopting IFRS 16 retrospectively.

Revenue across 11 markets

- £684m UK (2019: £663m)
- £147m International (2019: £147m)

UK revenue split

- £628m UK subscription (2019: £602m)
- £56m UK non-subscription (2019: £61m)

International revenue split

- £67m International subscription (2019: £64m)
- £80m International non-subscription (2019: £83m)

About Us

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

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

Customers

- High quality service, subscription-based business serving 5.5m customers and over 9m appliances
- High levels of customer satisfaction, loyalty and revenue recurrence

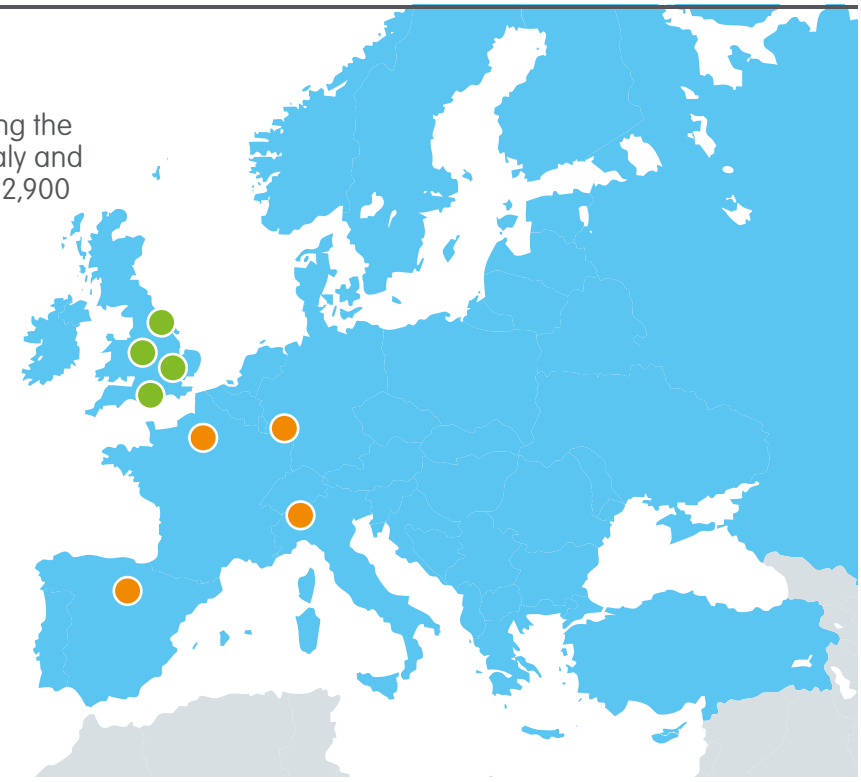
Partners

- Exclusive long-term partnerships with leading OEMs and retailers
- Highly differentiated distribution model and mutually beneficial eco-system with partners

People

- Employ c.2,900 people directly
- Network of over 9,000 manufacturer-approved engineers

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 2020.



Subscription customers
5.5m

Subscription plans
8.3m

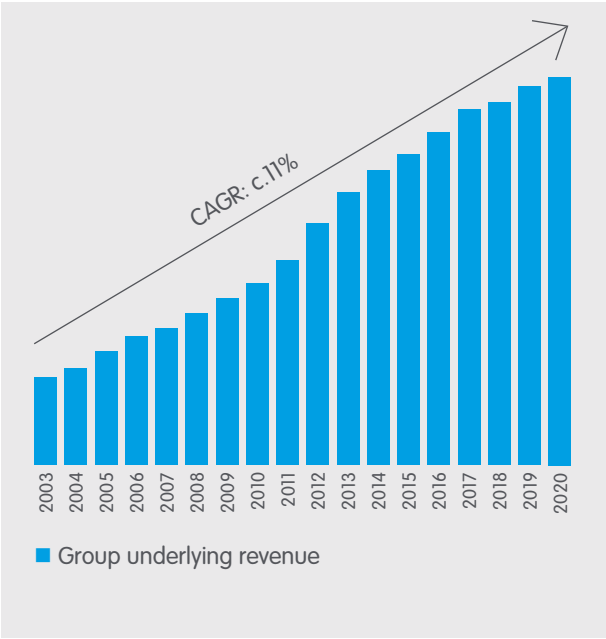
Subscription plans per customer
1.5

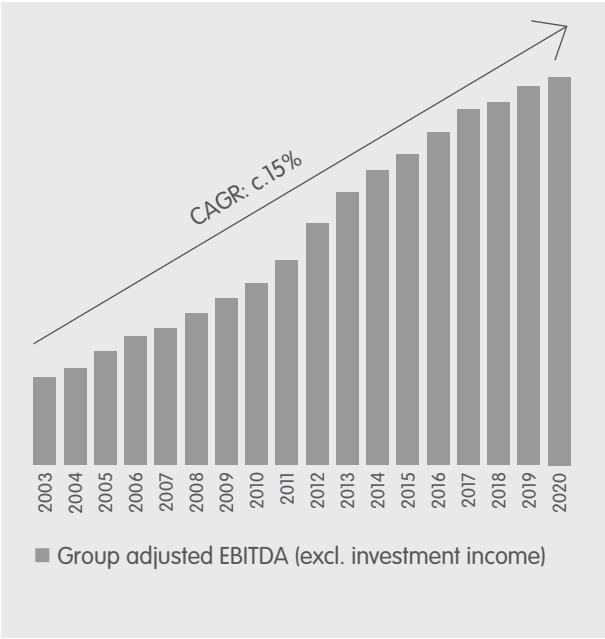
Subscription customer retention rate
85%

Repairs annually
2.4m

Replacements annually
500k

Solid track record of organic revenue and profit growth





Our Business Model at a Glance

We have a simple and transparent product range…

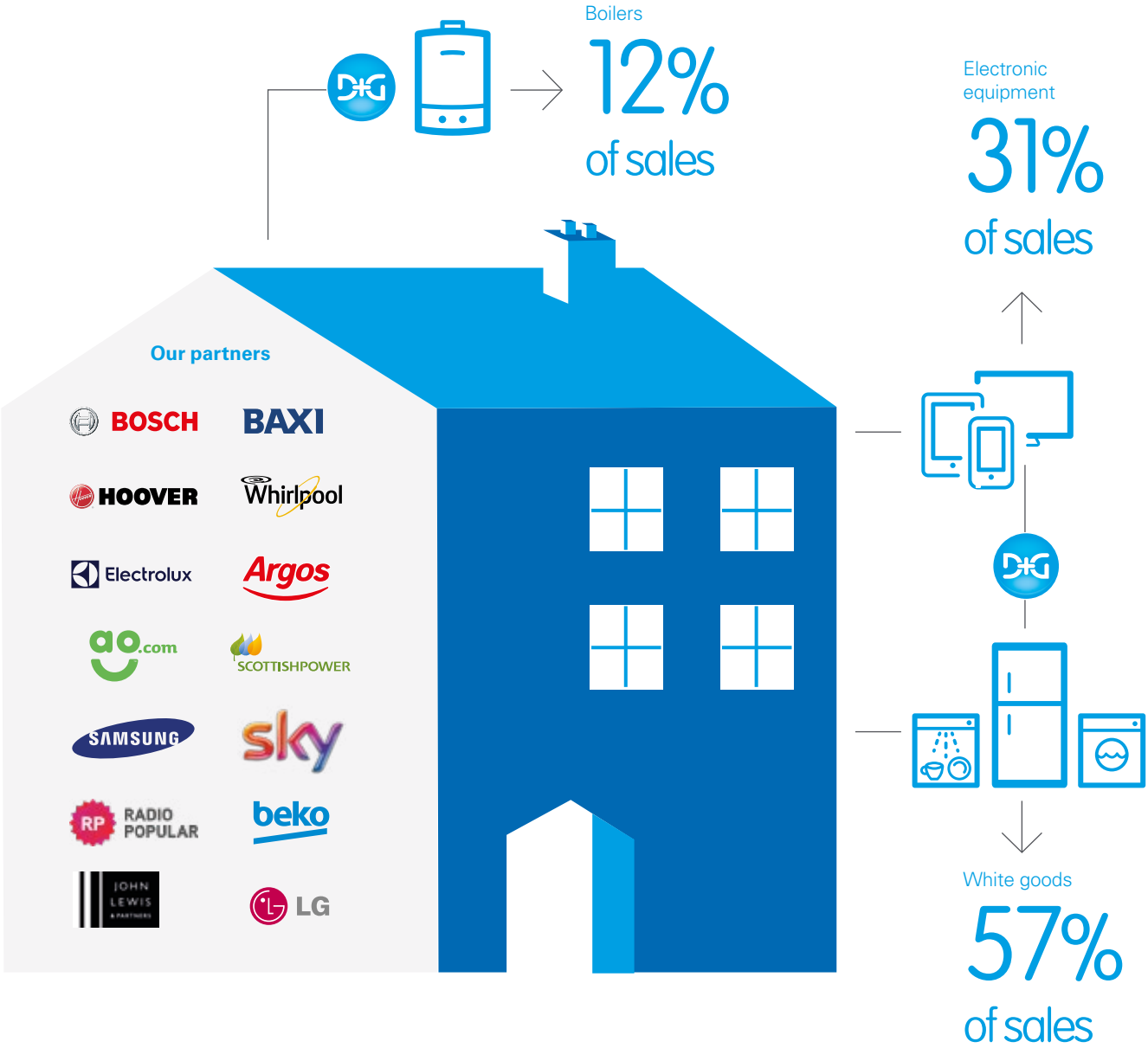
Product Care
Breakdown and accidental damage protection, and repair or replacement cover for the most important home products, including large domestic and electrical appliances, mobile phones and boilers.

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.

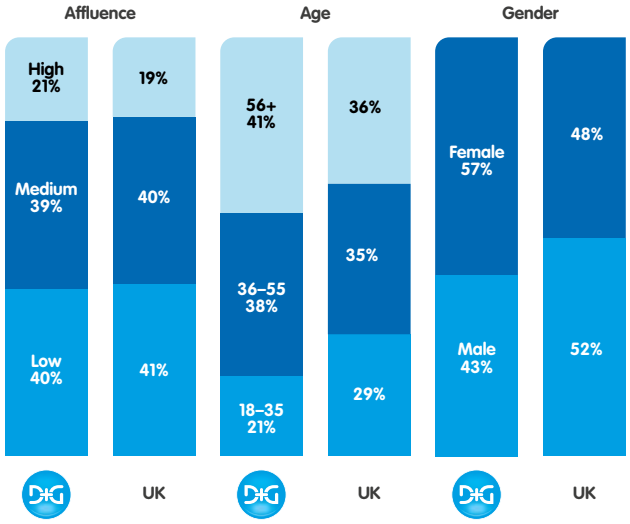
…and a strong and resilient position in the home

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

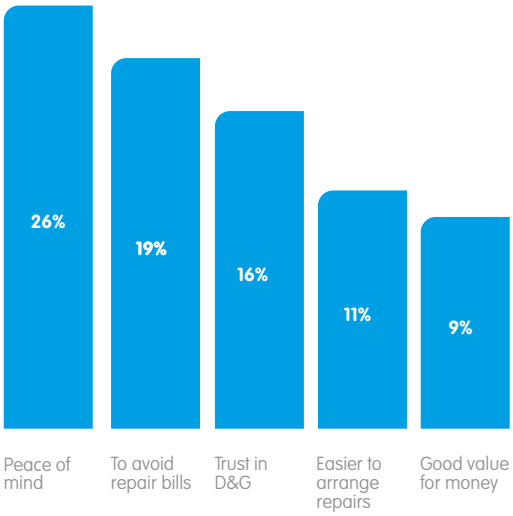


Our service has universal appeal, meeting clear customer needs…

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



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.

…resulting in high customer service and value, driving loyalty and renewal

High level of customer service

Replacements annually

500k

Repairs annually

2.4m

Clear value to customers

- Convenience
- Avoiding financial uncertainty
- High usage rates
- Value for money

Customer satisfaction

Customer satisfaction[1]

89%

First/second time fix

81%/98%

Repair NPS

66

1 Based on Repair CSAT survey FY20 monthly average results.

Business Model

Subscription model

Our highly differentiated subscription model underpins strong embedded growth.

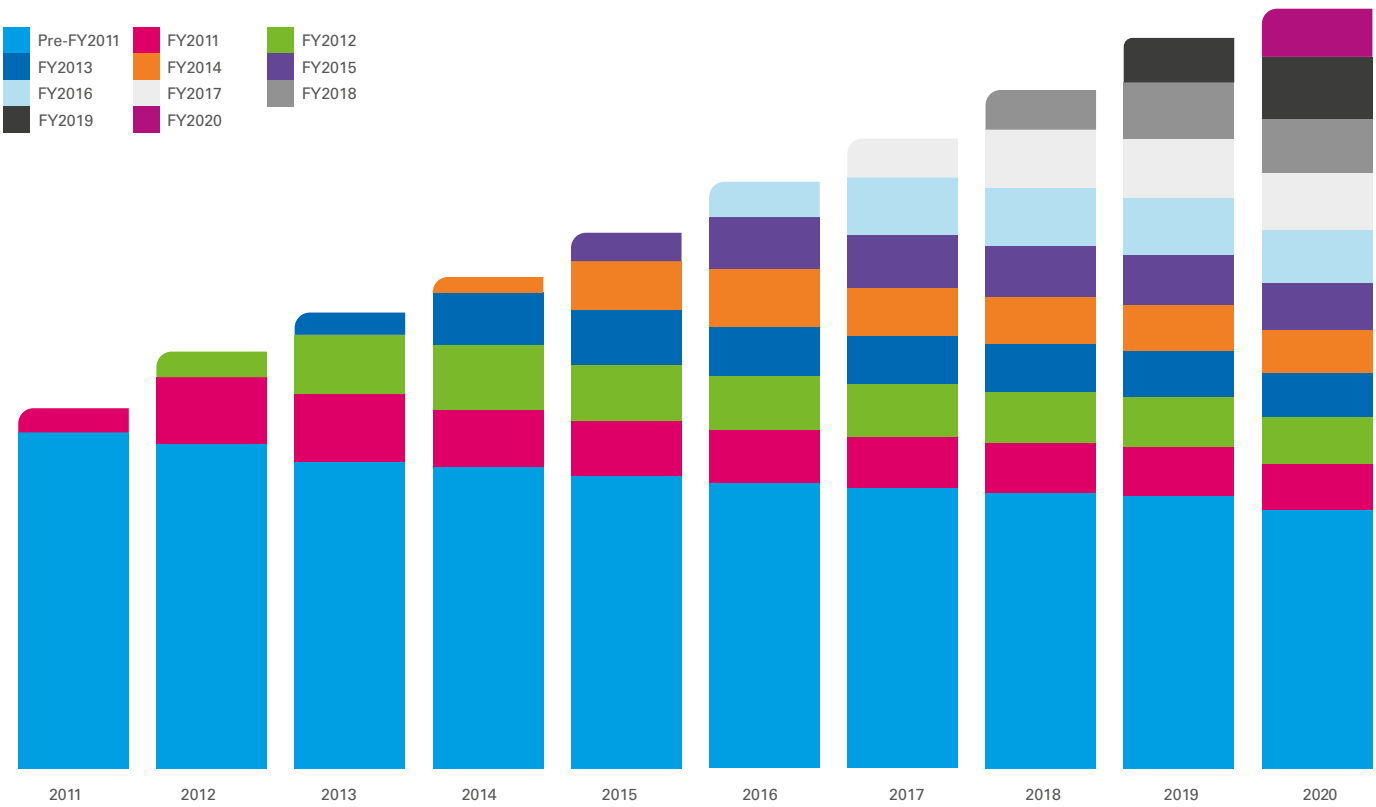
In order to access the service we provide, customers sign up for a subscription plan, committing to pay us monthly, subject to the ability to cancel at any time. Our highly differentiated subscription model underpins strong embedded growth in the UK. During FY20, more than 94% of our new appliance care 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.

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]

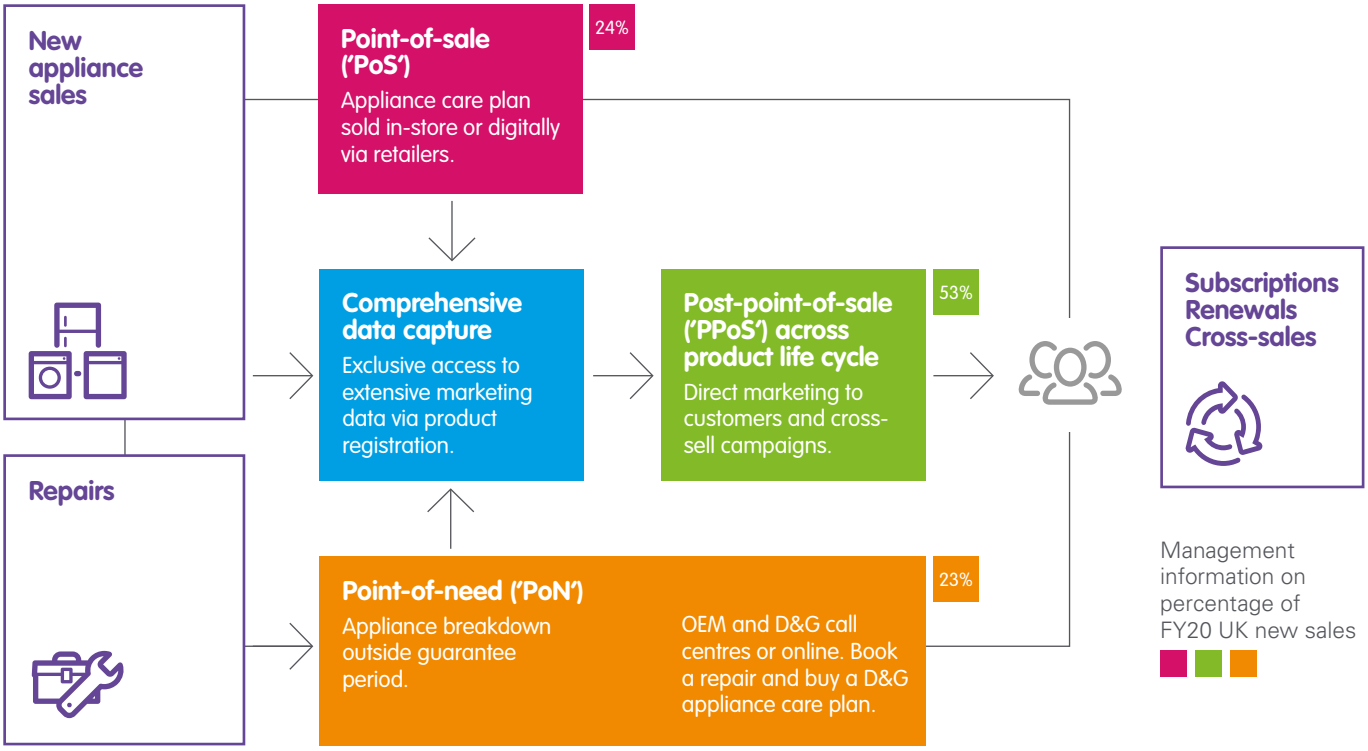


1 Management information based on unaudited subscription revenue figures and analysis of sales cohort data. Calculated as current year revenue from customers who were also customers in the prior year.

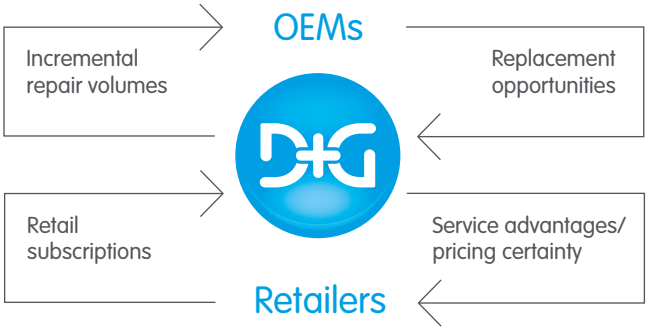
D&G's Eco-System

We have developed a unique eco-system with our partners which is difficult to replicate. This eco-system drives benefits for both D&G and our partners, as well as our joint customers.

Multi-channel distribution access across entire product life cycle.



How the eco-system benefits D&G and partners



- **High policy volumes from across the product life cycle**
- **Economies of scale by consolidating repair volumes**
- **Lower costs to service**
- **Service advantage and higher sales**

Chief Executive Officer's Statement

Ian Mason, Chief Executive Officer

Maintaining our track record of growth

"As a business we focus first and foremost on delivering an excellent customer experience."

£107m
Group adjusted EBITDA

£695m
Group subscription revenue

I am pleased to report that the business has continued its track record of growth with another year of good financial performance and operational delivery in both in the UK and internationally. Our new contract to expand into the US market with Whirlpool presents further opportunities for sustained and profitable growth.

COVID-19

At the time of producing this report, we were a few months into the COVID-19 pandemic. The business has responded quickly, mobilising the entire workforce to work from home to protect our employees. This was an extraordinary achievement in a short period of time thanks to the commitment and hard work of our people. Our primary focus has been on serving our customers, and we have worked closely with client partners to ensure our service network has continued to operate effectively and safely, providing a full repair and replacement service. Throughout these challenging times, Domestic & General has proven to be a stable and resilient business. Customer retention and sales conversion have remained strong, demonstrating the continued appeal of our products and we have seen increasing NPS across key journeys.

Strategy review completed

During the year, we completed a detailed review of our strategic priorities to produce an ambitious 5-year plan that will modernise and grow the business and we received full endorsement of the strategy from the Board and our owners CVC Funds and ADIA. Delivery of the plan will significantly increase customer satisfaction, improve operational efficiency, and grow revenue and profit. This will help us to achieve our vision of becoming a world-class service organisation enabled for a smart future. Critical to the success of the plan is our digital transformation programme 'DGX' as well as the enhancement of our Contact Centre operating model. We will look to further expand our product portfolio, establish new routes to market and develop our brand identity. We will continue to grow our International business, in particular establishing ourselves in the US market.

Supporting our people and embedding cultural change

At the heart of Domestic & General is a strong organisational culture. Our c.2,900 employees are committed to the delivery of our mission to 'keep your world running'. Our cultural change programme has made significant progress over the last twelve months, with improvements in an overall engagement score across the Group. We have seen success in key strategic deliverables and strong business performance aligned to our Company values and behaviours. These achievements are testament to the talent, dedication and hard work of every employee from the frontline to head office.

Customer centric approach

As a business we focus first and foremost on delivering an excellent customer experience. To do this, we constantly monitor insights through our Voice of the Customer platform to ensure we stay abreast of changes in behaviour, and adapt our products and services to emerging needs. Delivering value for money is a core element of our marketing plan and we have seen our customer satisfaction metrics improve. Customer trends are showing an increased appetite for content and we are delivering initiatives that enable us to engage with customers in new and creative ways. This, in conjunction with more tailored and personalised campaigns, will enable us to deliver the customer growth numbers in our strategic plan.

Digital transformation underway

We have made real progress this year on our flagship digital transformation programme 'DGX', which gives customers more choice, better experiences and delivers significant cost savings. We had nearly 4 million website visits last year, with twice as many customers now using our self-service capabilities. Half of our product replacement activity is now completed online, and we are ahead of our call saving targets to reduce the number of calls we are making. Having recently reviewed the DGX plan as part of our 5-year plan, we have increased the funding and ambition to continue this momentum and drive a step-change in our business over the next 24 months.

Group Operations and a new Target Operating Model

To enhance ways of working and drive best practice, we have consolidated our UK and International Operations into one single Group Operations function, with over 2,000 employees handling nearly 20 million customer interactions. We recognise the need to continuously evolve, which is why we have defined a new Target Operating Model for Operations. This will be embedded over the next two years and includes significant investment in technology, process optimisation, organisational structure and our sourcing model, to deliver significant benefits in parallel with our wider digital evolution. Initial work has delivered a material reduction in operating costs this year, improved agent tenure and increased sales performance.

Strengthening and broadening partner relationships

Long-term partnerships are at the heart of our business model, and we have continued to renew contracts and develop mutually beneficial initiatives with our key partners during 2020. We are pleased to be appointed the new provider of John Lewis's Extended Warranty programme. We were able to demonstrate to John Lewis our full capabilities with regards to customer service and claims fulfilment, and worked collaboratively with them to deliver an enhanced proposition under the new insurance brand of 'Protect Plus'.

Driving growth in International

The International division has had another strong year as we replicate the success of the UK business subscription model across international markets, driving growth in renewal revenues and customer lifetime values through our OEM and retail partnerships.

There has been strong growth in subscriptions (+11%) and KPIs across the business are up as a result. OEM registrations have grown +16% and Contact Centre conversion rates have increased to 15%. The retail subscription business has also grown by 8%. We have extended partnerships with key partners Medimax, Radio Popular and Electrolux on the back of our success and agreed a long-term partnership with Amazon. The signing of a long-term deal with Whirlpool in the US is a significant landmark for the Group.

Risk culture and regulatory focus

We continue to invest in our Risk Management, Compliance and Data Privacy functions to ensure we remain compliant with current and future regulations, whilst protecting our customers and people. Our relationships with our regulators continue to be underpinned by openness and transparency, which forms a key part of our Customer First culture.

Executive Committee changes

We made several changes during the year to strengthen our Executive Committee, welcoming Mark Bridges as International Director, James Peddar as Digital Director and Gayle Terry as Chief Marketing Officer.

Ian Mason
Chief Executive Officer
15 July 2020

Our Strategy in Action

Our 5 year plan

We are pleased to announce that we have agreed a refreshed 5-year business plan with our board to drive the next phases of growth for D&G.

This is the culmination of a rigorous Value Creation Plan ('VCP') process where we have reviewed the current business performance, the macro environment, potential options to drive growth and shareholder value. This has given us a very clear business plan and objectives for the next five years.

This strategy is an evolution of the two-year Customer First transition which we completed in 2019 which transformed our business and is supported by recent investments by our shareholders. Our strategy is to build on our traditional UK successes and evolve to become a multi-channel, high-growth international business. This strategy has three simple pillars which will drive long-term growth, even better customer experiences and increase our international footprint.

D&G's 5 Year Business Plan
'to become a multi-channel, high-growth international business'

1. Digital transformation 'DGX'

Best of voice and digital
- Digital
- Contact Centre transformation to support DGX

'DGX' is our digital transformation programme, delivering new online sales and self-service capabilities, supported by a revised Contact Centre Target Operating Model ('TOM') to give best-in-class contact. This will boost engagement, loyalty, sales and profit as cost to serve reduces.

2. Driving UK growth

Increasing customer numbers and value
- Data science and pricing
- Customer marketing
- Digital marketing
- New products
- Clients and prospects

The second is 'Driving UK growth' and features a range of activities designed to increase our UK subscription customer base volume and value.

3. International expansion

Internationalising D&G
- Europe subscription roll-out
- US launch
- M&A

The final strand is 'International expansion'. Our European business continues to emulate the success of the UK in driving subscription growth, we will continue to drive this to unlock embedded value. We are also now entering the US where we will deploy the same model as the UK and Europe, and we expect to generate significant incremental future value for the business.

Our 2 year vision

We have a very clear vision of where we would like the business to be in two years time which will be a material step towards our overall 5-year business plan vision. This has been shared with our colleagues and clients to align and engage those that will help us bring it to life.

Customers have greater choice and better experiences with the majority self-serving online

We will increase our ability to sell online

Our Contact Centres will be modern, providing even better service when our customers need us most

Customers will enjoy personalised, tailored experiences including marketing, service and pricing

A genuine international business in the US market and a growing European business

Our Strategy in Action continued

Our digital transformation

The first pillar of our 5-year business plan is Digital transformation 'DGX' which involves harnessing the best of voice and digital to deliver a digitally enabled customer experience transformation.

DGX has been running for 12 months now and we have made significant progress in standing up a range of new capabilities, seeing increased consumer adoption and satisfaction with our digital service offerings. D&G is predominantly still an analogue business by volume today, but the next 18 months will see this change.

1. Digital transformation 'DGX'
2. Driving UK growth
3. International expansion

We have a clear strategy for DGX to ensure we meet our customers' evolving needs, by delivering the best of voice and digital for our current and future customers.

DGX continues to be on track to meet its objectives of reducing our operating costs whilst increasing online sales and customer satisfaction. We have seen significant increases in the numbers of customers transacting online and getting even more value from their policies by using new capabilities such as self-help maintenance and hints and tips. A few highlights from last year:

3.8m

digital sessions last year across our web estate

x2 Y-O-Y

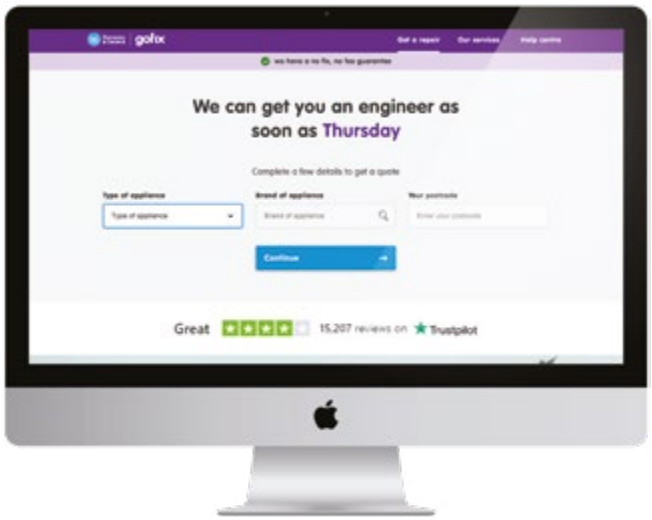
self-service activity doubled year-on-year for repairs, replacements and my account usage

90%

of our repairs are now enabled online, giving access to over 9,000 engineers

100%

of our customers who may require a replacement can now do this fully digitally via a 'retail shop'



This online success has been supported by the voice element of the transformation programme, our Contact Centre Target Operating Model ('TOM'). We have been able to simplify our processes, optimise structures and boost our employee engagement as many low-value, low sales opportunity calls have been removed from the estate. The next phase is an investment in technology to upgrade systems and further boost efficiency as we look to have a modern, right-sized Contact Centre estate fit for the future.

These collective successes of DGX have enabled us to increase the ambition of the programme under our recent 5-year business plan exercise to include a significant further investment in our digital resource and technologies. This will allow us to bring the next generation of developments to our customers, such as better online purchase experiences, greater self-serve functionality, new routes to market and a flagship loyalty programme.

For **D&G**

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

For **our people**

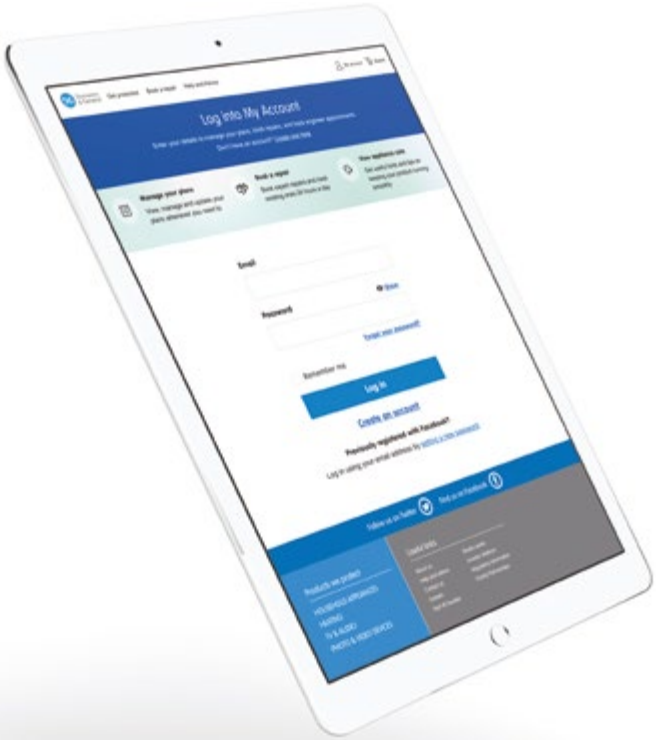
- **More flexibility**
- **A career not a job**
- **Greater opportunities to learn**
- **A better place to work**

For **our customers**

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

For **our clients**

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



Our Strategy in Action continued

Driving UK growth

Our growth plan aims to attract new customers as well as increase the tenure and product holding of our existing customers. We will do this through best-in-class products, data driven marketing, new partnerships and the transformation of our customer experience.

Our 5 year growth plan is well informed by customer feedback through our Voice of the Customer programme, and a deep understanding of the external marketplace and emerging customer trends. Over the last 12 months we have made some great progress in these areas.

1. Digital transformation 'DGX'
2. Driving UK growth
3. International expansion

	What?
Customer loyalty	Transform our customer experience and reward customer loyalty delivering increased customer tenure
Product and marketing: New product development	Develop our products to drive growth, customer value and digital utility
Product and marketing: Data driven marketing	Delivering sustained growth through data driven customer-level marketing based on effective data science methodologies, high-performance propositions and effective routes to market
Product and marketing: Digital marketing	Leverage new campaign and channel opportunities enabled by our digital transformation and data science expertise
Partnerships	Winning new partnerships, opening additional routes to market and launching new products

Why?	FY20 progress	Future focus
• Keep customers longer • Increase customer product holding	• Customer renewal and repair communications improved • Loyalty rewards tested	• Loyalty platform build commences • First tranche of customers are able to use the platform and their new benefits
• Keep customers longer • Increase customer product holding	• Customer research, and test and learn complete	• Product enhancements to existing portfolio • New digital products
• Keep customers longer • Increase customer product holding • Attract new customers	• Experienced data science team recruited and embedded • Customer level targeting commenced in priority channels	• Building a fully integrated data driven marketing tool • Launch personalised and targeted marketing in priority channels
• Increase customer product holding • Attract new customers	• Several new digital channels and campaigns tested across the year • New channels live with our partner ScottishPower	• Launching new digital channels increasing the proportion of new customers acquired digitally
• Increase customer product holding • Attract new customers	• Delivered new partnerships with John Lewis & Partners, launching new product Protect Plus in stores and online • Entered new partnerships with Panasonic and Pacifica	• Healthy prospect pipeline • Expanding and developing new product lines with existing clients

Our Strategy in Action continued

International strategic delivery

The International division made a strategic decision to sharpen our strategy to focus upon subscriptions through our OEM and retail partnerships three years ago, with the potential of expansion through the US if a suitable opportunity presented itself.

The strategy dovetails with the UK strategy in delivering growth through renewal revenues and long-term customer lifetime value.

1. Digital transformation 'DGX'
2. Driving UK growth
3. International expansion

The Group is delighted with the progress that the International division has made over the last three years and particularly with the latest set of results.

We are clear on our strategy and the team is executing the plan.

Subscription sales:
+11%

£72m

Subscription % of business:
+11%

48%

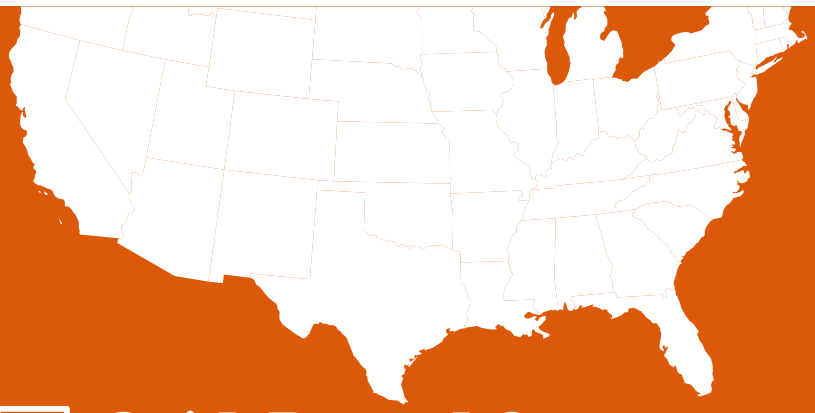
Europe

Replicate the successful UK subscription model across international markets to drive growth in renewal revenues and customer lifetime values.

Subscription growth	Progress in FY20	Future focus
OEM	• Increased registration growth and conversion	• Further registration growth through improved technology and channel development
Retail	• Extended care large scale retail partner contracts	• Drive subscription penetration in all territories
Win new partners	• Agreed terms with two high profile retail partners across Europe	• Prospect targets across OEMs, retail and e-tail
Digitise our business	• Implemented online repair management pilots	• Online sales at registration and PoS • Scale online repair management

Whirlpool

Delighted to announce the signing of a long-term deal with Whirlpool in the US.



Research undertaken to understand US consumers' inclination towards subscription plans.

£615

The average sales price of £615 per appliance in the US versus UK average of £330, coupled with the volume provides a unique opportunity.

19m

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

US

Establish our US footprint by launching and scaling subscription warranty programme with Whirlpool, before expanding with additional partners.

1

- Signed contract with largest US manufacturer to run registration and PoN warranty programmes
- We are on track to launch in all states in the US
- Supported by new Salesforce systems

2

- Drive key registration and PoN channels to scale with our key partner Whirlpool

3

- Scale registrations and PoN solutions to replicate UK KPIs
- Further growth by implementing cross-sales and retention programmes
- Development of connected appliance integrations
- Expand market reach through prospects and acquisitions

Customers

Providing a high quality service

We provide a high quality, expert service for customers.

We have high levels of customer satisfaction, loyalty and revenue recurrence.

Over the last two years we have significantly developed our products and customer experience to ensure our products are delivering value for our customers and meeting their needs. We have a strong customer centric culture, where we always strive to put Customers First, one of our key business values. Our operating model and partnerships enable us to deliver a unique customer experience, resolving appliance breakdowns quickly and to a quality that isn't easily replicated by others. We listen to our customers and use their feedback to enhance our products and service.

There is a strong customer need for the products and service we offer
D&G products and experience are built to meet customers' needs. Peace of mind is the main reason for customers purchasing our products.

Customers want to:
- Avoid financial uncertainty: we provide the ability to budget and safeguard against financial uncertainty.
- Avoid inconvenience: we provide resolution certainty and convenience by ensuring items are repaired quickly and by expert engineers when they breakdown.

1.8 million people chose to buy a new D&G protection plan this year, equally spread across the demographic spectrum, demonstrating universal appeal for our products.

Ensuring we meet the specific needs of our vulnerable customers is paramount
Over the last year, D&G have taken huge steps to improve the service provided to vulnerable customers.

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

Our customer value proposition provides high levels of satisfaction and loyalty
90% of customers choose to pay by monthly subscription for our products which provide:
- simple no quibble claims experience, one number to call or online repair booking;
- unlimited repairs by manufacturer engineers;
- a replacement if the appliance can't be fixed; and
- maintenance support and troubleshooting to keep appliances working well.

We listen to our customers' feedback to continually improve their experience
To continue to deliver the best-in-class customer experience, last year we implemented a state-of-the-art, dynamic customer feedback solution. This has enabled us to measure customer experience in real time, across all journeys and touchpoints. In turn, allowing us to prioritise quick and targeted actions. In addition to real-time NPS, we are able to understand sentiment through customer verbatims which enhances the action we take.

D&G offer a simple set of products which provide flexibility and certainty:

Our Customer First products are designed to meet customer needs

Core product principles make our proposition attractive and competitive in the market place:

Customer need	Product principles	Benefit
Financial certainty and ability to budget	Flexibility	No long-term commitments
	Comprehensive cover	Few exclusions, no confusing small print
	A solution no matter what	We replace what we can't fix
	Convenience	All appliances and devices covered
		Online or offline booking, with self-serve fix and troubleshooting options available
Convenience and certainty of a solution	Expertise	Parts and repairs from manufacturer
	Ease	An easy-to-use service, online or Contact Centres

We have three core product categories:

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

Replacement Care
Lower value electrical items (instant replacement)

Repair & Care
White goods and heating (initial repair included)

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

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

Subscription customers

5.5m

"Quick and simple. The repair would have been very expensive, but using Domestic and General removed the financial shock."

Repairs completed each year

2.4m

"It was really straightforward – I was kept informed when the repair person was going to arrive and they were very professional."

First time and second time fix rate

81% & 98%

"Took out a protection plan on my cooker, no longer than five minutes spent on website, so easy to use."

Partners

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 FY20 sales have an average tenure of 18 years and an average remaining contract length of four years, showing that they value our partnership, and we are proud not to have lost a significant OEM partner in the last 20 years.

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

Average tenure 18 years

Average remaining contract length four 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
Less than 5 years	ideal, PlayStation, JOHN LEWIS & PARTNERS	SCOTTISHPOWER

Source: D&G management information; Company financials.

SCOTTISHPOWER

We are delighted to share that we have been awarded the 'Delivery of Services Award' by our partner ScottishPower at their supplier awards.

Our business model is grounded in great customer service. We protect and enhance our clients brands with aligned visions which creates strong, long-term partnerships.

ScottishPower recognised the unique efforts from D&G to transition 100,000 customers, achieving stringent SLAs immediately, so that all customers have the best possible levels of care and service.

The relationship with ScottishPower is embedded with service and growth ambitions.

JOHN LEWIS & PARTNERS

PROTECT+ APPLIANCE

D&G have been appointed as the new provider of John Lewis's Extended Warranty programme.

John Lewis is a premium and well-loved high street brand that has been a key prospect for D&G over many years.

The existing relationships built up with John Lewis enabled us to demonstrate our full capabilities with regards to customer service, claims fulfilment and growth objectives.

To be successful D&G had to demonstrate that our customer service was market leading to support the John Lewis brand promise. Our innovation, technical capabilities and creative approach to growth were also core for John Lewis in their final decision.

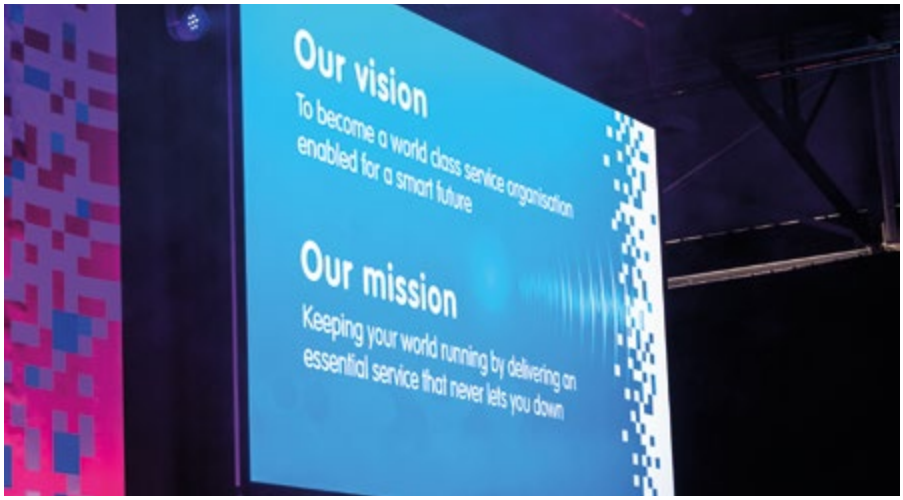
We are able to provide a John Lewis experience to customers – promoting our customer and client focused approach.

We are working with John Lewis to deliver a significant revamp of their current warranty proposition, under a new insurance brand of Protect Plus.

People

Engaging our people

At Domestic & General, our mission is to keep our customers' worlds running by delivering an essential service that never lets them down. Our five-year business plan aims to deliver a digital transformation to improve the way we work with our customers, clients and colleagues. To deliver this plan, we have created a new people strategy with focus on culture, people engagement and a smart future.



D&G's company vision and mission

We know that our c.2,900 colleagues across the UK, Europe and Australia play the biggest role in delivering our mission and business transformation. That's why we have developed a progressive two-year people strategy, designed to equip our teams with the right skills, tools and knowledge they need to support our customers and develop their careers in a modern business.

HRX

D&G needs inspired and engaged people to evolve our business into a world-class service organisation, enabled for a smart future. Our people strategy, HRX, aims to modernise the way we work, develop and engage our people through a number of key people priorities under three areas of focus.

Culture

Our culture programme, Ignite, continues to be an important part of the people strategy. Our values and behaviours help inspire our people to create a successful, diverse business and a great working culture.

People engagement

We want our people to feel great about working at D&G. To make it a brilliant place to work, we need to engage our teams on our journey through enhanced communication and incentives.

Smart future

We will evolve the way we work, by transforming our systems and processes, the development of our people and preparing the future talent of our business.

Employee engagement

An essential theme within HRX is our Company culture, with a key focus on driving Company purpose and employee engagement. Culture and engagement continue to be led by top-down driven messages, developed to inspire our people to act and behave aligned to our corporate values, which ultimately leads to the right outcomes for customers. We have seen significant progress in employee engagement through the annual survey, evidenced by an increase from 3.5 out of 5 in 2018 to 3.74 in 2019. We have also seen an increase in our Glassdoor score, from 2.3 out of 5 in 2017 to the present score of 3.4 (as of June 2020).

Employee benefits

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

Consistent communication

Communication is an essential part of HRX. D&G has committed to the investment of digital channels and face-to-face events over the past 12 months to ensure key business messages are delivered to all colleagues in an engaging way. Our biggest communication event is the People Manager Town Hall, which takes place every year for all leaders and managers from across the Group and hosts milestone updates from the Executive Committee and their leadership teams. 2019's event saw our first Company-wide recognition ceremony, hosted by Claudia Winkleman, who presented awards to dozens of colleagues for exemplary behaviour and performance.

Colonel Dame Kelly Holmes speaking at the 2019 D&G People Manager Town Hall about mental health and wellbeing

Working environment

Our investment in creating a modern working environment continued in 2019, with a £1.4m refurbishment of our Brighton Contact Centre. The office now has a modern look and feel, with new break area facilities, a wellbeing room and upgraded bathroom facilities, including gender-neutral toilets.

Diversity and inclusion

Having a diverse and inclusive culture at D&G is an ongoing business priority. Since 2016, the gender balance of our senior leadership population has moved from 22% females to 30% females in 2019. 45 women appear on succession plans, and in 2020, 20 women will participate in a dedicated women's development programme. There is female representation at every senior leadership committee across the business, which sends an important message across the business that diversity is a strategic priority. We are working harder to ensure colleagues from ethnic minority backgrounds can succeed at D&G, breaking down any barriers which might be inhibitive.

Talent and succession

A comprehensive talent and succession strategy has been built into HRX and has mapped out activity over the next two years. So far, D&G has completed talent identification for 400 employees and built succession plans for senior leader roles and all roles identified as SMCR.

Frontline investment

Frontline colleagues play a pivotal role in the delivery of D&G's five-year business plan. In recognition of this, almost £1m is being invested in the development of the 120-strong Team Leader population over the next two years through our dedicated development programme, RISE. The programme focuses on enhancing people manager capabilities through a robust development centre, digital learning and classroom learning, delivered by an external market-leading provider.

As part of our commitment to enrich careers for frontline agents, 100 new internal roles have been created. The Lead Agent role will support each team within our Contact Centres and support team management. The role has a key accountability to drive sales and performance through coaching and, ultimately enhancing great customer service and team engagement.

Our wellbeing commitment

The wellbeing of employees has become an important focus across the business and D&G remains committed to support the mental, emotional and physical wellbeing of all employees. In 2019, we created a comprehensive wellbeing strategy, launched by Colonel Dame Kelly Holmes at our annual People Manager Town Hall. The wellbeing strategy consists of five pillars that support all aspects of employee wellbeing, with a number of activities taking place across the year, such as yoga, meditation and smoking cessation sessions.

Charitable giving

D&G continue to support local communities in the locations in which it operates. Many employee-led volunteering and fundraising initiatives happen every year in support of national and local charities, with the business donating over £50,000 in the past year.

An annual calendar of events and initiatives actively encourages all employees to take part in charitable giving. D&G continues to support Mind, the mental health charity, and has invested in free access to a mindfulness app, Headspace. As well as this, we have trained a network of 70 mental health advocates who provide peer-to-peer wellbeing support for employees.

COVID-19

Our response to COVID-19

Since March 2020, we have been responding to the COVID-19 pandemic. Our products and service have become even more important for our customers as they spend more time at home using their appliances more regularly than ever.

With more of our customers spending more time in their homes during nationwide lockdowns, they have depended more than ever on functioning home appliances such as fridge-freezers, ovens, washing machines, TVs and hot water boilers during this time. This is more acutely true for our vulnerable customers. We have continued to support all our customers throughout this period, providing a full, efficient and safe service, when our customers have needed it most.

During these months, our top priority has been the safety of our people and our customers, as well as looking after their needs. We have achieved this by quickly adapting new ways of working in order to reassure customers we are still here providing an essential service when they need us. We ensured our engineer networks and partners were able to provide repair services safely and in accordance with government guidelines. Within ten days of lockdown, all our Contact Centre support staff were working at home, ensuring we were able to answer customer calls without any interruption to normal service. We introduced priority services for our vulnerable customers and for key workers, ensuring we could meet their specific needs during the crisis. For our financially vulnerable customers, we have offered payment holidays, in order to support them through these difficult times.

During this period, our customer renewal rates have remained strong and customer satisfaction scores (as measured by Net Promoter Score) have significantly improved, from already high levels, across all customer touchpoints. We have seen our online customer reviews and sentiment improve during lockdown which we believe compares well with the market.

In terms of our trading performance, total Group subscription plan sales including renewals have increased 8% year on year (when comparing April to June last year). New business subscription plan sales have been impacted during March through to June with sales 4% below last year's levels for the Group for the same period. New business subscription plan sales were principally affected by the closure of bricks and mortar retailers over this period, offset by an increase in traffic through our digital channels and e-commerce partners. D&G also benefits from >75% of new business subscription plan sales being generated in post point-of-sale channels, such as when an appliance reaches the end of its manufacturer's warranty or when it breaks down – these channels have been less impacted by high street closures and have continued generating new business volumes during lockdown.

As noted above, our renewals performance, which represent c.80% of Group subscription plan sales, have been strong throughout lockdown, with retention rates increasing over the period versus our pre-COVID expectations. This strong performance and the compounding nature of our business model has led to total Group subscription plan sales including renewals showing growth of 8% for April to June last year. Pleasingly, new business subscription plan sales have shown improvement in June and we are seeing recovery and year-on-year growth in line with our plans.

To protect the business through this period, we have performed a full review of our discretionary expenditure and taken appropriate actions to reduce our costs. Given the way our business operates over 85% of the cost base is variable in nature as it largely comprises claims costs and customer acquisition costs. These automatically respond to lower than expected revenues.

We have also taken a number of actions to protect our liquidity during the COVID-19 pandemic including drawing down on our revolving credit facility, delaying capital expenditure projects, recruitment freezes and, in accordance with wider government schemes, we have delayed certain tax payments and accessed temporary employee furlough schemes. We have modelled various stress scenarios of materially weaker performance than has been observed to date in order to ensure the business retains adequate liquidity, taking into account a potential decline in our trading performance as a result of an extended lockdown period and we are confident the business has sufficient headroom in these 'stressed' scenarios. At the end of May 2020, the business had an unrestricted cash balance of £124m.

D&G has a highly resilient business model, and dedicated teams, which have ensured we will emerge from COVID-19 stronger, with momentum to deliver against our 5-year plan with minimal interruption.

G.H. Amazing service over the past few days. Made every effort to fit us in due to having an NHS worker needing to wash a uniform every night at 60°C and together with Whirlpool my washer is now repaired and working again. Can't fault them both.

1

M.J. I would like to just say a massive thank you to Domestic and General. I've just spoken to the most helpful man. I was calling to cancel the cover for my washer as we are struggling financially with the current situation and he has organised for a three-month payment holiday, still with full cover. I cannot say how much of a help this will be for my family. Thank you.

Operational resilience, governance and prudent risk management

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

Governance
The Board sets and monitors adherence to the risk management framework and approves the Group's risk policies. The governance framework 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 pages 38 and 39 for members of the ARC.

Group Risk Committee ('GRC')
This committee meets monthly and is comprised of the Executive Committee, including the Chief Executive Officer (Chair). 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.

We measure adherence to risk appetite through a comprehensive suite 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

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

3rd line of defence

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

Risk Management continued

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

Risk	Risk management and mitigation
Financial management The risk relating to the failure to maintain appropriate financial controls throughout the business, including around capital management, credit and market risk.	Our experienced finance team regularly review our control environment and stress the balance sheet to ensure sound capital management and financial reporting in accordance with our Solvency II Capital Management Policy. To limit the risk of market volatility, D&G's investment strategy includes investing in low-risk investments such as government bonds and A-rated corporate bonds.
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, retain and develop key talent.	In response to COVID-19, we have successfully deployed full homeworking across all D&G sites, maintaining the safety of all employees and continuity of service. 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; • reward programme, overseen by our Bonus Governance Board; and • regular review of succession planning.
Information security and data protection D&G regularly collects, processes, stores and handles non-public data from customers 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 framework of controls 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.
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; and • robust employee vetting processes. Our second line of defence includes a risk-based compliance monitoring programme, targeting key areas of conduct risk.
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; and • procurement processes.
Liquidity Risks associated with having sufficient liquid assets to execute our strategy and respond to regulatory requirements.	We have taken a number of measures, including fully drawing down our revolving credit facility, to make sure we have adequate liquid resources to execute our strategy and provide us with the flexibility to respond to changes in our business, including: • expansion in the US, related to our relationship with Whirlpool; • any regulatory changes in connection with Brexit; and • opportunistic acquisitions. In addition to the above, we also continue to monitor the external debt markets, and our funding and liquidity requirements to maintain financial flexibility in the current environment and be able to take advantage of attractive investment opportunities to grow the business.

Risk	Risk management and mitigation
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 onboarding. 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 & Pricing 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 allow D&G to retain ownership of the customer-relationship post-termination, 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.
Strategic execution The risk of being unable to deliver large change programmes, e.g. due to management stretch or operational disruption.	We regularly assess the impact of strategic delivery through our programme forums, which report through our governance committee structure, including the Business Planning Committee. Capacity for change is assessed holistically on an ongoing basis. Due to COVID-19, some projects have been intentionally delayed to safeguard the successful execution of core strategic initiatives.
Underwriting and 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, run by experienced specialist teams. • Monitoring performance, including written premium and costs. We have in place a dedicated data science team to price underwriting risks in accordance with customers' risk factors. Our processes are subject to robust governance and control to ensure pricing models are fair and non-discriminatory, whilst generating sustainable profit.
Changes in market dynamics The risk that changes in the political, legal or regulatory environment, or in consumer behaviour, could impact the execution of D&G's business strategy.	We proactively monitor a number of macro-factors, including regulatory/legislative developments, competitor behaviour and changes in consumer demand to ensure that our strategy continues to be aligned with customer needs and the regulatory landscape. Our employees have significant experience in our chosen markets and are well placed to respond to changes in the market. Having successfully executed our Brexit contingency plan through the formation of our new European subsidiary, we are well prepared for the changes arising from the UK's exit from the EU. Nevertheless, following the completion of Brexit, there is a possibility that there may be significant regulatory changes affecting our UK business, including in relation to our capital maintenance requirements.
COVID-19 related risk Risks associated with disruption to our business by the illness of our employees and remedial efforts that would be required upon discovery of exposure to COVID-19, a decrease in demand for new subscriptions given our reliance on brick and mortar sales, liquidity challenges, expenses to provide protective equipment to our employees and potential litigation from exposure of our customers to employees.	We have been able to implement working from home solutions for our customer support staff, implemented recruitment freezes and zero pay increases, deferred certain tax payments and provided our engineers with protective equipment amongst other measures. Please refer to page 26 for more detail.

Financial Review

Joe Fitzgerald, Acting Group Chief Financial Officer

Continuing to deliver growth

Group revenue

£831m

+2.5%

2019: £810m

Group adjusted EBITDA

£107m

+2.2%

2019: £105m[1]

Free cash flow

£91m

+30.7%

2019: £70m

A further year of growth in revenue and profitability, underpinned by the strength of our subscription business model and coverage of the appliance market across all channels.

Summary financial information

	2020 £m	2019[1] £m
Group revenue	**830.8**	810.3
UK	**684.3**	663.3
International	**146.5**	147.0
Group operating profit	**56.1**	44.3
Adjusted EBITDA	**106.9**	104.6
Significant items	**(7.9)**	(15.2)
Depreciation and amortisation	**(19.6)**	(14.6)
Amortisation of acquisition intangible assets	**(23.2)**	(28.7)
Finance costs	**(53.9)**	(51.9)
Profit/(loss) before taxation	**2.3**	(5.8)

Overview

2020 trading performance continues to demonstrate the strength of our subscription business model with another year of revenue and EBITDA growth.

Group revenue increased by 2.5% to £830.8m (2019: £810.3m), driven principally by our established UK business. Investment in our customer proposition and service model are reflected in our high subscription customer retention rate that is the key driver of our organic growth.

Group adjusted EBITDA of £106.9m has increased 2.2% (2019: £104.6m). A disciplined approach to underwriting and cost control has offset a decline in investment income arising from a combination of a smaller investment portfolio, low interest rate environment, and desire to maintain liquidity in the light of Brexit and COVID-19.

The timing of our financial year has meant that the impact of COVID-19 has had a muted impact on our trading performance for FY20. The uncertainty of the impact on cash flows and liquidity has been factored into our going concern assessment and the carrying values in our balance sheet.

We recognise the volatility of the current environment and have taken a number of actions to protect our customers, colleagues, partners and continuing financial health of the Group.

Revenue

Group revenue increased by 2.5% to £830.8m (2019: £810.3m), with continuing growth in subscription revenues of 4.4% driven by renewals and new business.

UK revenue increased by 3.2% to £684.3m (2019: £663.3m), a result of the embedded organic growth in our renewals book which is driven by our subscription model, retention and pricing initiatives.

International revenue decreased 0.3% to £146.5m (2019: £147.0m). Excluding the impact of the run-off of certain discontinued business previously generated in Germany and Spain, revenue grew by 7.2%. Pleasingly, this growth is attributable to subscription business as we replicate the successful recurring revenue model established in the UK.

1 Comparative figures for the 2019 financial year have been restated to reflect the adoption of IFRS 16 for the year beginning 1 April 2019 using the fully retrospective approach.

Operating profit

Operating profit increased by £11.8m to £56.1m (2019: £44.3m). This is attributable to continued growth in underlying trading and reductions in significant items of £7.3m and amortisation of acquisition intangibles of £5.5m. Significant items incurred in the prior year included advisory and corporate costs as part of a review of strategic options for the Group which completed in FY19. Amortisation of acquisition intangibles has decreased as certain of the assets are now fully amortised in accordance with their assigned useful lives.

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

Significant items

A significant item charge of £7.9m (2019: £15.2m) has been recognised.

	2020 £m	2019 £m
Brexit costs	**(5.9)**	(4.4)
Costs related to US launch	**(2.0)**	–
Product transition costs	**(0.3)**	(2.3)
Restructuring costs	**–**	0.2
Strategic Review project and Value Creation Plan	**0.3**	(8.7)
Significant items	**(7.9)**	(15.2)

The Group incurred material and non-recurring costs in respect of ongoing Brexit preparations of £5.9m (2019: £4.4)m, and business development costs in exploring the potential to launch in the US of £2.0m.

Following the decision by the Group's shareholders to settle certain advisory and corporate costs relating to the Strategic Review project by holding companies outside of the Group, some cost accruals recognised in 2019 have been reversed in the current year. Also a new Value Creation Plan ('VCP') was created following the completion of the minority investment in the Group in November by ADIA.

Depreciation and amortisation

Depreciation and amortisation charges increased by £5.0m to £19.6m (2019: £14.6m). This has been driven by capital investment in our IT infrastructure as we build our digital capability and also depreciation of the right-of-use assets for our offices as we near the end of our contractual terms.

Finance costs

Total finance costs increased by 3.9% to £53.9m (2019: £51.9m) reflecting the increased leverage of the Group following completion of the refinancing of loans and borrowings in July 2019 and the write-off of unamortised financing costs relating to the old debt structure. Included in finance costs are interest costs on the shareholder debt of £6.4m (2019: £17.5m), which was fully redeemed as part of the refinancing exercise in July 2019.

Profit before tax

Reflecting the growth in underlying trading and a reduction in significant items and amortisation of acquisition intangibles, the Group's profit before tax increased to £2.3m (2019: loss before tax £5.8m).

Taxation

The income tax charge decreased by £3.7m to £3.6m (2019: £7.3m). The Group's effective tax rate on profits before significant items and amortisation has decreased to 13.8% (2019: 31.2%) due to certain significant costs associated with the Strategic Review project in 2019 being disallowable for tax purposes.

Group cash flow, net debt and balance sheet

	2020 £m	2019 £m
Third-party debt*	**723.7**	484.6
Unrestricted cash reserves	**(99.1)**	(113.9)
Net debt	**624.6**	370.7

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

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

Net debt increased by £253.9m to £624.6m (2019: £370.7m) with unrestricted cash reserves decreasing by £14.8m to £99.1m due to the refinancing transaction completed during the year. Gross third-party debt increased by £239.1m to £723.7m (2019: £484.6m) as a result of refinancing of the loan notes and utilisation of the revolving credit facility to maintain liquidity in response to the uncertainty posed by COVID-19.

The Group continues to monitor the external debt markets and its funding requirements to maintain financial flexibility in the current environment and be able to take advantage of attractive investment opportunities to grow the business.

	2020 £m	2019[1] £m
Cash and cash equivalents at the beginning of the year	**47.3**	40.9
Net cash (used in)/from operating activities	**(77.7)**	3.3
Net cash from investing activities	**86.0**	7.8
Net cash from/(used in) financing activities	**25.5**	(4.7)
Effects of foreign exchange	**(0.1)**	–
Cash and cash equivalents at the end of the year	**81.0**	47.3
Investments	**75.9**	126.4
Cash and cash equivalents and investments at the end of the year	**156.9**	173.7

1 Comparative figures for FY19 have been restated to reflect the adoption of IFRS 16 for the year beginning 1 April 2019 using the fully retrospective approach

Alternative performance measures ('APMs')

In reporting financial information, the Group presents Alternative Performance Measures ('APMs') such as underlying revenue, adjusted EBITDA and free cash flow 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 and adjusted measures exclude certain fair value adjustments 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 32.

Financial Review continued

Net cash from operating activities

Net cash used in operating activities of £(77.7)m (2019: net cash from operating activities £3.3m) represents a reduction of £81.0m on FY19, driven by dividends paid of £47.2m, an increase in interest paid of £14.6m, and working capital movements.

Net cash from investing activities increased £78.2m to £86.0m (2019: £7.8m) driven by withdrawals from money market funds and disposal of investments in financial instruments as part of our investment and cash flow management strategy and to increase liquidity during the current uncertain environment.

There was a net cash inflow from financing activities of £25.5m in FY20 reflecting the completion of a refinancing in July 2019, issuing new notes due 2026/27 and using the proceeds to redeem existing notes due 2020/21, a Parent Company loan, and to pay the dividend above of £47.2m to the Parent. The outflow of £4.7m in 2019 related to the repayment of capitalised leased asset liabilities, as well as costs from the refinancing of the Senior Secured Floating Rates Notes due in 2019, at the end of 2018. As a result, the Group's cash and cash equivalents, and investments decreased by £16.8m to £156.9m (2019: £173.7m).

The Group's ability to service debt depends primarily on two separate streams of cash flow:

(a) free cash flow from the unregulated business; and
(b) distributable earnings of the regulated business.

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

Free cash flow

Free cash flow is presented below:

	2020 £m	2019[1] £m
Adjusted EBITDA	**106.9**	104.6
Less: Regulated business EBITDA	**(42.5)**	(39.1)
Unregulated business EBITDA	**64.4**	65.5
Working capital movements	**(28.6)**	(19.3)
Capital expenditure	**(19.8)**	(19.9)
Free cash flow from unregulated business	**16.0**	26.3
Regulated profit after tax	**33.2**	31.5
Change in capital requirements	**(19.1)**	16.9
Change in capital resources	**61.1**	(4.9)
Increase in distributable earnings from regulated business	**75.2**	43.5
Free cash flow	**91.2**	69.8

Free cash flow increased by £21.4m to £91.2m (2019: £69.8m), reflecting an underlying cash conversion rate of 85.3% (2019: 66.7%) (being free cash flow divided by adjusted EBITDA).

The increase in free cash flow of the regulated business from £43.5m to £75.2m has been driven by the approval of an Ancillary Own Funds application of £30.0m during the year. This has offset the increased investment in the working capital of the unregulated business of £(28.6)m (2019: £(19.3)m) associated with plans transferred to the regulated business as part of the improvements to our customer proposition.

Capital structure and solvency

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

	2020* £m	2019 £m
Solvency II capital resources	**151.2**	137.8
Solvency II capital requirements	**68.3**	53.6
Solvency ratio	**221.3%**	257.0%

* Estimated and unaudited.

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

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

The Group's insurance companies, Domestic & General Insurance PLC ('DGI') and Domestic & General Insurance Europe AG ('DGI EU'), are regulated by the UK Prudential Regulation Authority ('PRA') and the German Federal Financial Supervisory Authority ('BaFin'). The Board regularly reviews the capital position of the Group and the regulated entities under the European Solvency II directive.

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

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

The qualifying capital resources of £151.2m (2019: £137.8m) held by the regulated Group at the year-end comfortably exceeded its capital requirements of £68.3m (2019: £53.6m), a capital surplus of £82.9m (2019: £84.2m) and a regulatory solvency ratio of 221.3% (2019: 257.0%).

Management adheres to a voluntary policy of paying dividends out of the regulated Group's distributable reserves only to the extent that a prudential buffer of approximately 30.0% 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 performance measures

Year ended 31 March	2020 £m	2019 £m
Revenue	**830.8**	810.3
Add back: Fair value adjustment arising from acquisition	**–**	1.0
Underlying revenue	**830.8**	811.3

Year ended 31 March	2020 £m	2019[1] £m
Profit/(loss) before taxation	**2.3**	(5.8)
Finance costs	**53.9**	51.9
Depreciation and amortisation	**42.8**	43.3
EBITDA	**99.0**	89.4
Significant items	**7.9**	15.2
Adjusted EBITDA	**106.9**	104.6

Joe Fitzgerald
Acting Group Chief Financial Officer
15 July 2020

1 Comparative figures for FY19 have been restated to reflect the adoption of IFRS 16 for the year beginning 1 April 2019 using the fully retrospective approach.

Environmental, Social and Governance

Domestic & General carry out over 2.4 million repairs a year, averaging 6,660 repairs a day. Our network of 9,000 approved engineers resolve 98% of breakdowns on the first or second visit.

Repairs carried out a year

2.4m

6,660

repairs a day average

Around 500,000 appliances a year, an average of 1,370 a day, are replaced. D&G is committed to providing products and services that help to reduce the use of energy and natural resources. The products and services contribute towards longer product life and reduced waste through effective repairs.

The use of long-established local and national manufacturer repair networks helps to minimise the environmental consequences of transportation. When products are replaced, only A or B grade energy efficiency rated appliances are offered to customers. D&G work closely with service networks, white good manufacturers and clients to ensure end-of-life products are disposed of in an environmentally conscious manner. Customer care plans are an important part of careful household budgeting. 37% of people say an unexpected one-off cost of £350 would put a big dent in their monthly household budget or cause them significant financial problems which rises to 54% among lower income households. A key achievement of the recent Customer First transformation and a major focus has been to improve the customer proposition and ensure that products are provided which align with current and future regulation.

D&G has launched a range of new eco-initiatives that help both our customers and employees make environmentally friendly choices. We have introduced a new scheme to give back to the local community and cut down on e-waste through a new partnership with local schools and charities – rather than disposing of old IT equipment, computers and laptops are fully wiped and donated to deserving local institutions. The move has so far seen Patcham High School in Brighton benefit from an IT donation. The programme is expected to see 300 pieces of IT equipment donated annually to help local institutions.

Each person in the UK consumes the equivalent of 4.48 trees per year. The paper waste issue is one that is not slowing down and has seen the global consumption of paper increase by almost 50% since 1980. Consumers are more conscious of their environmental footprint than ever, and are keen to engage in activities and habits that benefit and protect the environment. D&G is looking to make a tangible and long-lasting difference with our new e-docs initiative. The scheme is in partnership with Trees for Life and allows D&G customers to make informed decisions about how they receive their plan documents to help benefit the environment.

D&G is encouraging customers to switch to paperless e-docs, and for every 5,000 documents that move online, we will plant one tree in the D&G grove – an area in the Scottish Highlands that has suffered from deforestation and supports a wide range of endangered species, including the red squirrel.

D&G continues to support local communities in the locations in which it operates. Many employee-driven volunteering and fundraising initiatives happen every year in support of national and local charities chosen by its employees, including Mind, Sport Relief, Comic Relief, Nottingham Half Marathon and Brighton Pride, with the business donating over £50,000 in the past year.

D&G mobilised homeworking for all employees at the start of the COVID-19 pandemic in March 2020. As a responsible business in operation, D&G looked at how it could share support to those fighting the virus, and partnered with SalutetheNHS.org to help provide 1 million meals to NHS doctors, nurses and hospitals over three months.

The national campaign brought together UK companies, with approval of the government, to provide the catering, logistics and donation operations to make the goal a reality. D&G played a vital role in offering its remote Contact Centre operations to process charitable donations for the cause. As of June 2020, over 750,000 meals have been delivered to frontline NHS workers in hospitals all over the UK and the campaign is on track to reach its goal.

SALUTE THE NHS.ORG

Stakeholder Engagement

The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Group for the benefit of its members as a whole, whilst having due regard to their duties as set out in the Companies (Jersey) Law 1991 as well as matters set out in section 172(1)(a) to (f) of the Companies Act 2006 as applicable to the UK entities within the Group.

During the course of the year, the Board undertook an externally facilitated review of all Group key stakeholder groups, looking at material issues of interest to them and assessing how as an organisation the Company engages with those stakeholders. The Directors recognise that the success of the Group depends on its ability to engage effectively with all stakeholders and by taking their views into account.

The following table offers some insight into how the Board discharges its duties under section 172 Companies Act 2006. Where it is not possible for the Board to engage directly with the stakeholder group, the Executive Committee will feed directly to the Board in the decision-making process.

Stakeholder	Their interests	How we engage	How the Board engage
Our People	• Health and safety • Development and training • Diversity and inclusion • Communication and engagement	• Staff intranet – DiGi space • Training • Internal communications • Wellbeing initiatives • Town halls and away-days • Pulse surveys • Ignite awards	• Group communications from the CEO • Weekly, monthly and quarterly business updates delivered by the CEO which include topics discussed by the Board • Regular HR updates at Board meetings • Lunches with the Board • The Statement of Engagement with employees can be found on page 24
Customers	• Fair treatment including fair pricing • High performance and quality of product • Resolution of complaints • Confidentiality of data • Customer engagement	• Customer surveys • Contact Centre • Direct marketing • Customer complaints • Social media and other web services	• Ongoing assessment of customer requirements • Engagement in projects that focus on safeguarding the interests of customers • Board updates from Governance Committees • Press releases • Annual Report
Partners	• Keeping critical business systems running • Collaboration • Fair terms • Service • Technology	• Dedicated partner relationship executives • Meetings • Training	• Engagement with the Executive team • Board oversight and approval of key negotiations • Focused discussion on promoting and protecting the interests of partners
Suppliers	• Fair trading • Payment terms • Terms and conditions • Human rights and modern slavery	• Engagement with senior management • Environmental, Social and Governance reporting	• Engagement with the Executive team • Modern slavery statement • Annual Report • The Statement of Engagement with suppliers can be found on page 46
Investors	• Performance of the business • Customer and client experience • Return on investment	• Meetings • Investor relations website • Stock Exchange announcements • Bondholder telephone calls • Press releases	• Investor Directors form part of the Group Board and regularly engage with Executives • Financial result calls • Annual Report
Regulatory bodies	• Consumer protection • Compliance • Data privacy • Regulatory capital • Risk management	• Regular engagement by telephone and email • Returns of information • Stock Exchange announcements • Joint initiatives such as on fighting Financial Crime	• Regular Board updates via the Audit Committee • PRA interviews with Board members • Regular reports from across the business on regulatory matters
Community, environment, central and local government	• Openness and transparency • Compliant with legislation • Sustainability • Environment • Energy use • Community	• Company website • Philanthropic initiatives (Charity Committee, Charity Champions, Give As You Earn) • Energy Savings Opportunity Scheme ('ESOS') compliance • Transformation to e-docs	• Annual Report • Annual Tax Strategy Statement • Gender pay gap reporting • Modern slavery statement • Charitable initiatives discussed and reported at Board meetings

Streamlined Energy and Carbon Reporting ('SECR')

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

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

Energy efficiency action taken

This is the first year of SECR, so no comparison in emissions has been established. Comparisons will be made available for the reporting year 2020–21.

In the period covered by the report, being the year to 31 March 2020, DGS has installed; LEDs, LED sensors, replaced Uninterrupted Power Supply ('UPS') assets, upgraded and optimised a Building Management System ('BMS'). The energy savings across all energy efficiency actions taken in the reference period are not quantifiable at this stage, but it is noted that across four of the LED lighting upgrades 8,271kWh has been saved. Energy efficiency actions have been generated through either ESOS audits or internal recommendations.

Methodology

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

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

Intensity measurement

DGS have chosen tonnes of gross CO_2e per total £m sales revenue as the reported SECR intensity metric. This is a relevant and common business metric and will serve as a consistent comparative for reporting purposes going forwards.

GHG Emissions and Energy Use Data	UK FY20
Energy consumption used to calculate emissions: /kWh	5,065,874
Emissions from combustion of gas tCO_2e (Scope 1)	230
Emissions from combustion of fuel for transport purposes (Scope 1)	0
Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel tCO_2e (Scope 3)	97
Emissions from purchased electricity tCO_2e (Scope 2, location-based)	879
Total gross tCO_2e based on above	1,205
Intensity ratio: gross tCO_2e per £1,000,000 revenue	3.34

Chairman's Welcome

David Tyler, Non-Executive Chairman

"The Board and senior management have risen to some significant challenges throughout 2019–20."

Embedding a culture of excellence

The Board knows that an excellent up-to-date governance framework designed to support proper oversight and decision-making lies at the heart of a successful business.

For this reason, we keep our governance framework under constant review, ensuring that our business activities are subject to regular scrutiny, that true value, derived from the pursuit of D&G's key purpose, is delivered to our stakeholders and that our business can keep running in an ethical and responsible way, even in the most challenging of times. For more information on how our governance framework is helping us deal with the current COVID-19 crisis, for example, I refer you to page 26.

Governance Code

D&G is not a listed company. However, the items highlighted in the FRC's Corporate Governance Code 2018 ('the Code'), amongst them: company culture, workforce engagement, diversity and remuneration, are all matters that inform decision-making. This report will highlight the measures that are in place to ensure that we comply with the spirit of the Code on such items and with guidance helpfully introduced by the Wates Corporate Governance Principles in 2018 ('the Wates Principles'). These provide further clarity on the standard of expected behaviour and transparency to which the UK's largest private companies should aspire. Details of how D&G apply the Wates Principles can be found in the Corporate Governance Statement on page 45.

Leadership and effectiveness

To the Board, the definition of 'effective leadership' is the culmination of sound and reasoned setting of corporate strategy, based on the entrepreneurial and diverse leadership experience of each Board member. Decisions are greatly influenced by interactions with D&G's management team and other colleagues, and by its financial risk appetite. Its leadership is given within a fully articulated regulatory and prudential control framework and which puts each of its stakeholders at its heart. Details of how we consider our stakeholders in key decision making can be found in the Stakeholder Engagement within our Strategic Report on page 34.

Board highlights

- Appointment of Nina Bhatia
- Appointment of Robin Ashton
- Appointment of Jérôme Mourgue d'Algue
- Resignation of Debbie Hewitt MBE
- Resignation of Tom Hinton
- Appointment of James Davies (effective August 2020)

Key Board and committee activities

- Acquisition of a 30% stake in the Group by ADIA
- Refinancing of the Group's debt facilities in July 2019
- Launch of Domestic & General Insurance Europe AG, our German insurance business, as part of our Brexit readiness strategy
- Expansion into the United States
- Reviewing and approving our Value Creation Plan

Corporate framework

Domestic & General Limited[1] ('D&G') is the statutory entity at which the operational board sits ('Board'). The Board is supported by an Audit & Risk Committee and a Remuneration Committee.

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

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

Details of the membership and terms of reference of each of these committees are provided in more detail on pages 38 and 39.

David Tyler
Non-Executive Chairman
15 July 2020

1 Change of name from Galaxy Midco 1 Limited passed by Special Resolution on 31 May 2019.

Governance Framework

The Role of the Board

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

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

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

During the year, the Board engaged with employees in a variety of ways, including holding regular Business Updates led by the CEO, inviting employees to lunch sessions, and attending D&G's first Ignite awards ceremony which recognised individual and team successes across seven award categories.

Board of Directors

Strong leadership

The directors set out here are directors of Domestic & General Limited. Domestic & General Limited is the statutory entity at which the Group's operational board sits. Barbara Merry is a director of Domestic & General Insurance PLC and regularly attends Group board meetings in such capacity. Together they make up the Board.

The Directors of Galaxy Finco Limited are set out in the Directors' Report on page 46.

David Tyler
Group Chairman

Ian Mason
Chief Executive Officer

Robin Ashton
Independent Non-Executive Director

Nina Bhatia
Independent Non-Executive Director

	David Tyler	Ian Mason	Robin Ashton	Nina Bhatia
Appointed	September 2015	July 2016	July 2019	April 2019
Committee membership	Audit & Risk (D&G, DGI) Remuneration	Remuneration	Audit & Risk (Chair – D&G)	Remuneration
Biography	David became Chairman of the Group on 24 September 2015. David has over 45 years' experience spanning the consumer, retail, business services and financial services sectors. David is an experienced chairman having served in this role at major UK public companies including J Sainsbury plc, Hammerson plc, and Logica plc. As a Fellow of the Chartered Institute of Management Accountants and a member of the Association of Corporate Treasurers, David brings extensive financial knowledge to the Board.	Ian was appointed Chief Executive Officer on 4 July 2016. Ian has significant non-executive experience and was previously 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.	Robin became a Director of the Group on 8 July 2019. Robin is a Chartered Accountant with extensive experience in retail financial services, both in the UK and internationally, with skills and experience across a broad range of areas, in particular, credit, treasury, audit and accounting. Robin served as Chair of Leeds Building Society until April 2020.	Nina became a Director on 1 April 2019. Between 2010 to 2018, Nina was part of the Centrica leadership team: and she led the creation of Hive, and also ran a home services business at British Gas. Prior to that, Nina spent 23 years at McKinsey & Co. was elected a Partner in 1999 and served clients in multiple sectors including energy, media, healthcare and government. Nina is a 2017 Digital Masters Award Winner for transformational leadership and in 2016 was ranked among Upworthy's Top 100 ethnic minority executives.
External appointments	David is the Chairman of Hammerson PLC, The White Company Holding Co. Limited and of Hampstead Theatre.	Ian is a non-executive director of Qinetiq Group plc.	Robin is the Senior Independent Director of Shawbrook Group plc and its subsidiary Shawbrook Bank Limited.	Nina is Executive Director, Strategy & Commercial Development at the John Lewis Partnership and sits on the Advisory Board of the Cambridge Judge Business School.

				
Jérôme Mourgue d'Algue Non-Executive Director	**Robin (Pev) Hooper** Non-Executive Director	**Peter Rutland** Non-Executive Director	**David Wells** Non-Executive Director	**Barbara Merry** Non-Executive Director of DGI – The Group's regulated operating entity
November 2019	August 2013	August 2013	September 2015	September 2014
None	Remuneration (Chair)	Audit & Risk (D&G) Remuneration	Audit & Risk (D&G) Remuneration	Audit & Risk (Chair – DGI)
Jérôme became a Director on 29 November 2019, following the acquisition of a 30% stake in the D&G Group by the Abu Dhabi Investment Authority ('ADIA'). Jérôme joined ADIA in 2012 and is Head of EMEA in the Private Equities Department. Prior to joining ADIA, Jérôme was a partner at Englefield Capital, a London-based private equity firm. He was a vice president at Morgan Stanley Capital Partners, and worked in the Financial Services Practice at McKinsey & Co. and in the insurance business of AXA Group.	Pev became a Director of the Group on 12 August 2013. Pev is a Managing Partner of CVC and joined in 2004. He was responsible for CVC Fund's prior investments in Sky Bet, Merlin Entertainments and Virgin Active, and has sat on the boards of these and other CVC Funds portfolio companies. Prior to joining CVC, Pev worked for Citigroup and Schroders in their M&A departments.	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 Funds. Peter is a Managing Partner and Head of Financial Services of CVC Advisers. He joined them in 2007. Prior to joining CVC, he worked for Advent International and Goldman Sachs International in their Investment Banking Division.	David became a Director of the Group on 24 September 2015. David is Managing Director at CVC and joined in 2009. Prior to joining CVC, David worked for OC&C Strategy Consultants.	Barbara is a Chartered Accountant with a wealth of experience in the insurance industry and underwriting sector, serving for 12 years as CEO of Hardy Underwriting Group, and prior to that, as Managing Director of the Omega Group. She was also a general manager with the Corporation of Lloyds for some 14 years. Barbara has a number of charitable interests and is an active business angel investor.
Jérôme serves on the company board of Pension Insurance Company ('PIC'), Athora Holding Limited and Altamira Asset Management Holding.	Pev currently sits on the boards of the RAC, NewDay and Premiership Rugby.	Peter serves on the boards of NewDay, Pension Insurance Corporation, Paysafe Group and TMF.	David currently also serves on the board of Pro14 Rugby, and was previously involved with CVC Fund's prior investments in SkyBet, Formula 1 and Samsonite.	Barbara is a non-executive director with Pool Reinsurance Company Limited, Argus Group Holdings and is Chair of Ed Broking LLP and Globe Underwriting Limited.

Debbie Hewitt MBE resigned effective 31 July 2019 and Tom Hinton resigned effective 4 December 2019.

Executive Committee

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

Mark Bridges
International Director

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

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

Joe Fitzgerald
Managing Director and Acting CFO

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, has led our Marketing, Customer Experience and Digital functions and is currently responsible for Underwriting, Data Science & Analytics, Commercial and Group Strategy. Joe is currently acting Chief Financial Officer.

Joe is an associate of the Chartered Institute of Management Accountants and the Society of Actuaries.

Phil Leitch
Chief Information Officer

Phil joined D&G in July 2020 to lead the Technology and Change function. He was previously the Group CIO at Virgin Active, a global health club business.

Phil's experience covers all aspects of building and running large-scale technology platforms and teams. His previous roles include senior leadership positions at both Sainsbury's and Royal Mail. Prior to that Phil spent the early part of his career working in the digital agency world, building the first generation of digital services for clients in London and San Francisco.

James Peddar
Chief Digital Officer

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

James has worked in the industry for over 15 years and previously held roles at HomeServe and The Automobile Association.

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.

Gayle Terry
Chief Marketing Officer

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

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

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.

Note: Mark Jenkins, General Counsel and Company Secretary; Tom Hinton, Chief Financial Officer; and Mike Sturrock, Chief Information Officer, served as Executive Committee members during the year in review to 20 November 2019, 4 December 2019, and 1 July 2020 respectively.

Board responsibilities

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

Name of Director	Maximum no. of scheduled Board meetings Director could attend	No. of scheduled Board meetings Director attended
Chairman		
David Tyler	7	7
Executives		
Ian Mason	7	7
Tom Hinton – resigned on 4 December 2019	5	5
Non-Executives – Independent		
Robin Ashton – appointed on 8 July 2019	5	4
Nina Bhatia – appointed on 1 April 2019	7	7
Debbie Hewett MBE – resigned on 31 July 2019	3	3
Barbara Merry (DGI)	7	7
Non-Executives – Investor		
Jérôme Mourgue d'Algue – appointed on 29 November 2019	2	2
Robin (Pev) Hooper	7	6
Peter Rutland	7	7
David Wells	7	6

In addition to the meetings outlined in the table, a further 12 meetings were called at short notice throughout the period in order to consider specific, event driven, matters. Board dinners were also held regularly throughout the year.

Key activities of the Board

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

Strategy and Finance

- Approved the FY20 budget
- Considered and approved succession plans and talent strategy
- Discussed, considered and approved key projects:
  - Brexit/Part VII Insurance Policy Transfer
  - Refinancing of the Group's debt facilities in July 2019
  - The acquisition of a 30% stake in D&G by the Abu Dhabi Investment Authority ('ADIA')
  - Expansion into the US
  - Steps to prevent rogue trader activity

Governance

- Approved the Modern Slavery Statement
- Approved the Tax Strategy Statement
- Review of Group insurance policies
- Approved the Management Responsibilities Map for the Senior Managers and Certification Regime ('SMCR')
- Approved new and refreshed key policies

Risk Management

- Received updates from the Audit & Risk Committee
- Regularly reviewed the Group's principal risks and considered emerging risks
- Approved the appointment of Deloitte as the Group's auditor from FY21
- Held weekly update meetings with the Executive Committee throughout the COVID–19 global pandemic crisis

Group Performance

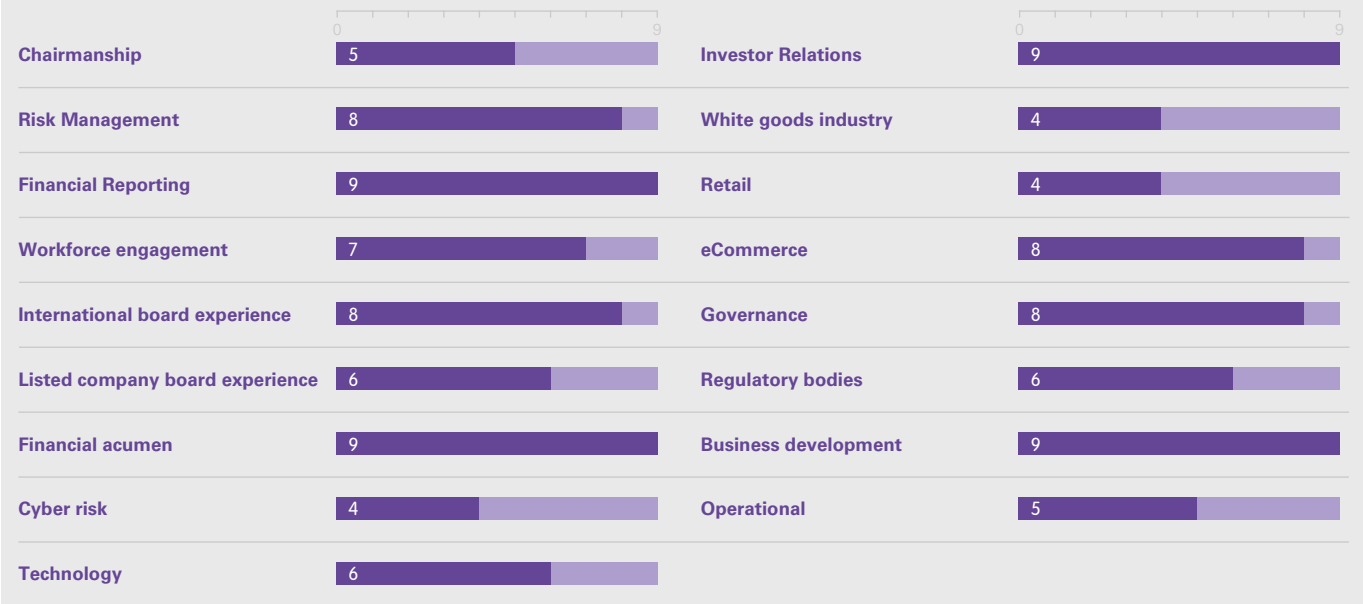
- Reviewed monthly Finance and Trading Performance Reports and KPIs
- Received regular updates on customer metrics from the Executive Committee
- Approved year end and interim results

Board Composition

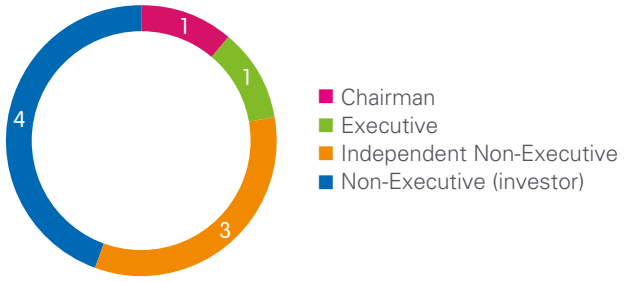
Directors' skills and experience

At D&G, we recognise that a balanced board promotes effective decision-making and supports different perspectives being brought to discussion on business operations and risk strategy.

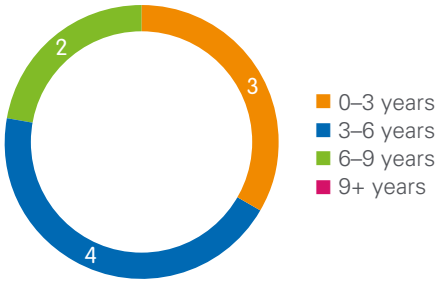
The table below provides an overview of the skills and experience of our Directors as at 31 March 2020:



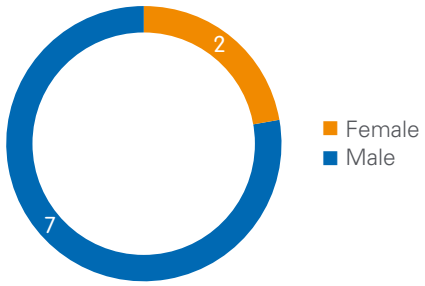
Independence



Board tenure



Gender balance



Independence

The Wates Corporate Governance Principles for Large Private Companies recommends that companies should consider the value of appointing independent non-executive directors to offer constructive challenge. At D&G, our Board comprises three Independent Non-Executive Directors (excluding the Chairman) representing 33.33%.

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

Conflict of interest

During the year, the Company refined its policy relating to conflicts of interests, and procedures are in place to review and manage actual and potential conflicts.

Each year, the Company Secretary undertakes an exercise whereby each Director is asked to review and update the conflict data held. In addition to this, each Director is aware of their duty to notify the Board should there be any material change to their positions or interests during the year.

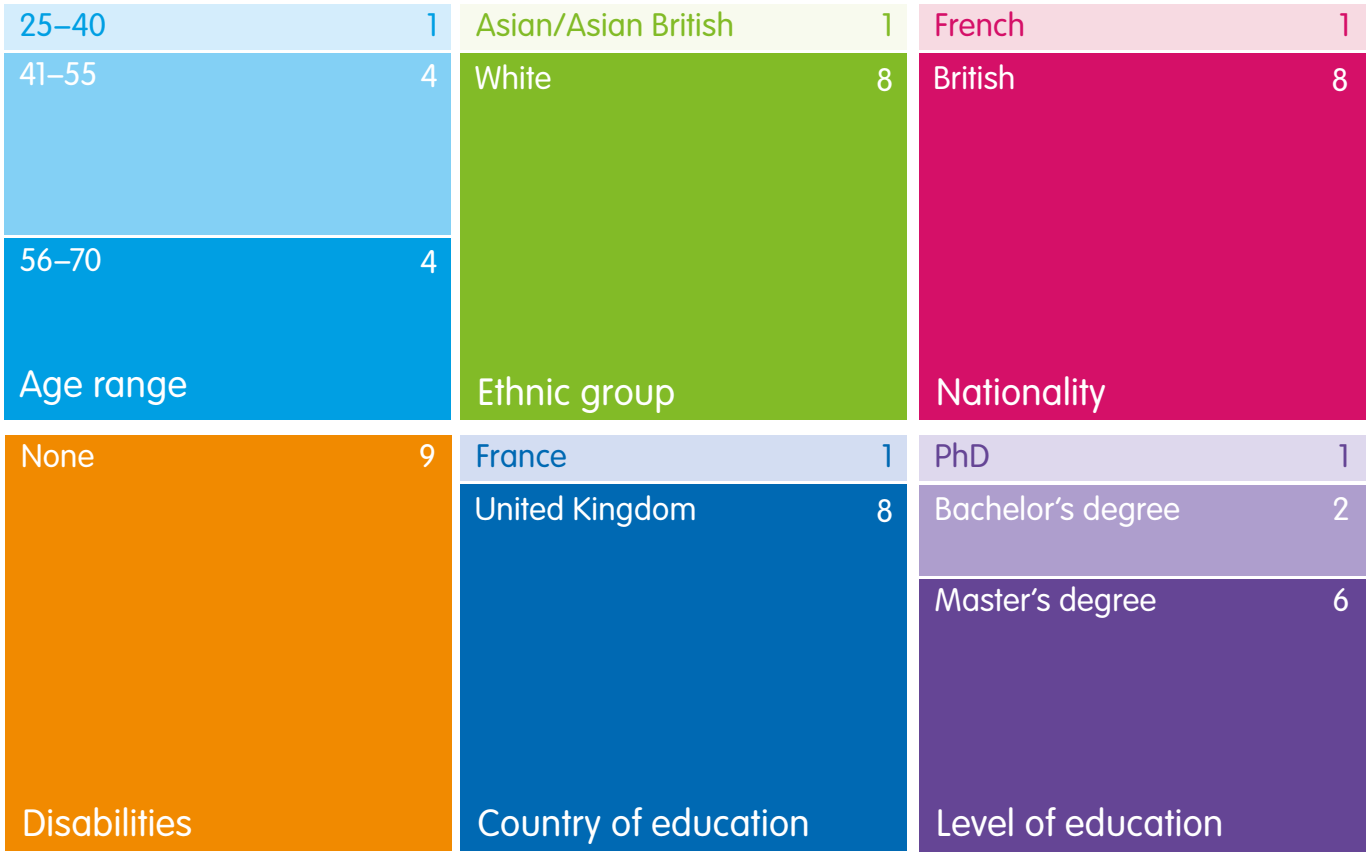
In accordance with internal policy, as well as the Company's Articles of Association, the Board may elect to authorise conflicts, but do not participate in Board discussions or decisions which relate to any matter in which he or she has, or may have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company.

Evaluation

In 2018, an evaluation process was undertaken to consider the effectiveness of the Board and Board committees. This was conducted by way of a questionnaire which evaluated 7 key areas including Board objectives and Group strategy, performance management, and risk management.

The next evaluation will be undertaken in the second half of 2020.

Board diversity characteristics



Board induction and training

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

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

Corporate Governance Framework

Domestic & General Limited

Audit & Risk Committee

Members:
Robin Ashton (Chair)
Peter Rutland
David Tyler
David Wells

Terms of Reference:
To meet at least three times a year and in the current year met five times.

Responsibilities include:
- 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 their implementation;
- review of the effectiveness of the audit process and the relationship of the Group with its external auditor 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:
Robin (Pev) Hooper (Chair)
Nina Bhatia
Ian Mason
Peter Rutland
David Tyler
David Wells

Terms of Reference:
To meet at least once a year and in the current year met six times.

Responsibilities include:
- determining the overall framework and policy for remuneration of the Chairman, the Executive Directors and senior executives of the Group; and
- 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
Regulated operating entity

Audit & Risk Committee

Members:
Barbara Merry (Chair)
David Tyler

Terms of Reference:
To meet at least three times a year and in the current year met five 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 their implementation;
- review of the effectiveness of the audit process and the relationship with its external auditor 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.

Executive Committee

- Group Risk Committee
  - Conduct Standards Committee
  - Product & Pricing Governance Committee
- Finance & Trading Committee
  - Investment Capital Committee
- Customer Service and Operations Committee
- Change & IT Oversight Committee
  - Business Planning Committee

Corporate Governance Statement FY20

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

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

Principle	Description	Page number
Purpose and leadership	An effective board which develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	For details of our strategy in action see pages 12–19
Board composition	A biography for each Board member can be found on pages 38 and 39. Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	For more on our Board composition see pages 42 and 43
Board responsibilities	The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.	For more on the role of the Board see page 41
Opportunity and risk	A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	For more on Risk Management see pages 27–29
Remuneration	A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	For more on the Remuneration Committee see page 44
Stakeholder relationships and engagement	Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	Stakeholder relationships and engagement – for more on stakeholder engagement see page 34

By order of the Board

David Tyler
15 July 2020

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 2020. This should be read in conjunction with the Strategic Report on page 12, the Chairman's Statement on page 1 and the Chief Executive Officer's Statement on page 10.

Registered office address
27 Esplanade
St Helier
Jersey
JE1 1SG

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

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

Board of Directors
The names of the Directors who served during the financial year are set out below:

Joseph Fitzgerald (appointed 4 December 2019)
Robin (Pev) Hooper
Peter William James Rutland
David William Wells
Thomas Edward Hinton (resigned 4 December 2019)

For more information on the Board see pages 37–39.

Share capital
Details of share capital are to be found in note 28 to the financial statements.

Dividends
The Group declared and paid two dividends during the year totalling £47.2m (2019: £nil) to its immediate Parent Company Galaxy Midco 2 Limited. These dividends were associated with completion of the refinancing of the Group's debt facilities in July 2019 (£22.2m), and a pre-completion dividend as part of closing the M&A transaction with ADIA in November 2020 (£25.0m).

Charitable donations
For more information on charitable donations, please see page 25 of the Strategic Report.

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

Statement of Engagement with Employees
For more information as to how the UK Registered entities within the Group comply with Sch 7.11(1)(b) The Companies (Miscellaneous Reporting) Regulations 2018, see the Strategic Report, specifically Stakeholder Engagement on page 34, the Role of the Board on page 37 and the People section on page 24.

Company's policy concerning employment of disabled persons
D&G is committed to providing equal opportunities to all employees and to avoiding unlawful discrimination in employment. This applies equally to disability discrimination as it does to other forms of discrimination.

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

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

Streamlined Energy and Carbon Reporting ('SECR')
For information on Streamlined Energy and Carbon Reporting, please see page 35 of the Strategic Report.

Supplier payment policy
The Company's policy is to settle terms of payment with suppliers by agreeing the terms of each transaction, ensuring the suppliers are made aware of the terms of payment and abiding by the terms of the payment. Trade payables of the Group at 31 March 2020 were equivalent to 25 days' purchases (2019: 25), 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 12 to 19. The Financial Review on pages 30 to 32 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 34 to the financial statements.

Details of the Group's loans and borrowings are given in note 26 to the financial statements. The regulated business also continues to meet its capital requirements and has a capital management process in place as discussed in note 35 to the financial statements.

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

The Directors have prepared base case cash flow forecasts (that reflect the impact of COVID-19) for a period of at least 12 months from the date of approval of these financial statements which indicate that the Group and the Company will be able to operate with adequate levels of both liquidity and capital over that period.

The Directors have considered a severe but plausible downside scenario which incorporates the increased potential for reductions in sales and increases in cancellation rates which may arise if a second lock down was to occur toward the end of the 2021 financial year. The scenario assumes a gradual recovery following a second lock down, higher levels of churn driven by increased cancellations (ranging from -5% to -9%), and reductions in new business subscription (ranging from -22% to -28%) and cash sales (-46%). These assumptions have been tailored for the individual segments (UK and International) to reflect the different market dynamics. This scenario, which makes assumptions that are more severe than the outcomes experienced under the first lock down, also indicates that the Group and the Company will be able to operate with adequate levels of both liquidity and capital for a period of at least 12 months from the date of approval of these financial statements.

The evolving COVID-19 pandemic has caused significant disruption to the economy and financial markets globally, and the full extent of the potential impacts of COVID-19 are not yet known. Whilst there are many unknowns and the future impact of the pandemic is difficult to predict, the Group and the Company are taking proactive action and have successfully implemented its Business Continuity Plan with all staff working from home with minimal disruption to its day-to-day operations.

After performing this assessment, the Directors have a reasonable expectation that the Group and the Company have adequate resources to meet their debt obligations and continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. The Group and the Company, therefore, continue to adopt the going concern basis in preparing its financial statements.

Disclosure of information to the auditor

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

Certain risk information about the use of financial instruments

Details have been provided in notes 19 and 34 to the financial statements.

Auditor

The EU Statutory Audit Regulation and Directive requires all Public Interest Entities to conduct an audit tender at least every ten years and rotate auditor after at least 20 years. DGI, a subsidiary of the D&G Group, is classified as a Public Interest Entity as a result of it acting as an insurance entity. As such, D&G intends to rotate its incumbent auditor, KPMG, following the conclusion of the audit for the financial year ended 31 March 2020.

In May 2019, D&G, led by its Audit & Risk Committee and supported by a decision-making panel, commenced an audit tender process. The process involved inviting proposals, attending workshops, and conducting evaluations. The shortlist included proposals from three firms; including one outside of the 'Top 4'. The tender process concluded in November 2019. The Audit & Risk Committee felt that whilst all firms demonstrated strengths, they agreed that Deloitte would provide the highest quality audit and they were recommended to the Board as incoming auditor. The resolution to approve Deloitte as auditor for the Company for the financial year ending 31 March 2021 will be put to the shareholders at the 2020 AGM.

Statement of engagement with suppliers

For more information as to how the UK Registered entities within the Group comply with Sch 7.11(1)(b) the Companies (Miscellaneous Reporting) Regulations 2018, see the Strategic Report, specifically Stakeholder Engagement on page 34, Partners on pages 22 and 23, and our supplier payment policy on page 46.

The following non-financial information can be found in the pages as indicated in the following table giving details of policies and procedures where relevant.

Reporting requirement	Relevant policies/procedures	Where in report
Business model		Pages 6–9
Risk Management	Risk Management Framework, Financial Crime Framework, Data Privacy Policy, Whistleblowing Policy, Operational Risk, Conduct Risk, Anti-Bribery & Prevention, Fraud	Pages 27–29
Non-financial KPIs		Pages 5–7
Employee engagement	Employee Handbook	Pages 24, 25 and 34
Human rights	Modern Slavery Statement, Diversity & Inclusion Policy, Business Ethics and Standards Policy	Page 34
Social and Environmental Matters	Business Ethics and Standards Policy, Tax Strategy Statement	Pages 33 and 35

By order of the Board

SJ Secretaries Limited
Company Secretary
15 July 2020

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

1. Our opinion is unmodified

We have audited the consolidated financial statements of Galaxy Finco Limited ('the Company') and its subsidiaries (together, 'the Group'), which comprise the Consolidated Balance Sheet as at 31 March 2020, the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the financial position of the Group as at 31 March 2020, and of the Group's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards as adopted by the EU; 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 and Group in accordance with, UK ethical requirements including FRC Ethical Standards, as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters were as follows:

Independent Auditor's Report continued

to the members of Galaxy Finco Limited

Going concern

Refer to pages 10 and 26 (Strategic Report), page 59 (Basis of preparation)

The risk

Disclosure quality

The financial statements explain how the Directors have formed their judgement that it is appropriate to adopt the going concern basis of preparation for the Group.

The judgement is based on an evaluation of the inherent risks to the Group's business model and how those risks might affect the Group's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.

The impact of COVID-19 is subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown given the rapidly evolving nature of the situation on financial and operational performance.

Risk

The risks that we considered most likely to adversely affect the Group's available financial resources over this period were:

- a decline in sales from the new business and increase in cancellation rates; and
- the length of time that the impact of COVID-19 will cause disruption to economic conditions and constrain the Group's ability to operate.

There are also less predictable but realistic second order impacts, such as the failure of counterparties who have transactions with the Group (such as banks and customers) to meet commitments that could give rise to a negative impact on the Group's financial position and the impact of COVID-19 on the economic environment and the resulting impact on the Group's capital resources.

The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.

Disclosure quality

Clear and full disclosure of the assessment undertaken by the Directors and the rationale for the use of the going concern assumption, represents a key financial statement disclosure requirement.

There is a risk that insufficient details are disclosed to allow a full understanding of the assessment undertaken by the Directors.

Our response

We considered the Directors' assessment of the risks and impact of COVID-19 and compared these to our own understanding of the risks.

Sensitivity analysis

We evaluated the Group's financial forecasts and considered sensitivities over the level of available financial resources taking account of reasonably possible (but not unrealistic) adverse effects of COVID-19 that could arise over the period, individually and collectively.

We considered the Directors' stress testing of critical factors such as the decline in sales from new business and increase in cancellation rates. We also assessed management's plans and progress to ensure the continued operation of the business in the face of the disruption caused by COVID-19.

Further, we evaluated the degree to which reasonably foreseeable downside scenarios that would impact the Group's business would be covered by the stress tests that the directors had used in its COVID-19 assessment.

Evaluating Directors' actions

Through enquiry we evaluated the extent to which actions taken by Directors would improve the position as risks materialise.

Assessing transparency

We critically assessed the completeness and accuracy of the matters covered in the going concern disclosure by agreeing to supporting evidence and performing inquiries of the Directors, which included challenging the transparency of assumptions in the severe but plausible downside scenarios performed in making this assessment.

Goodwill Impairment

Goodwill: £278.5m (2019: 278.5m)

Refer to note M. vi) on pages 64 and 65 (accounting policy), note 15 on pages 70 to 72

The risk	Our response
Forecast-based valuation Goodwill is significant and at risk of irrecoverability if business performance of the Group's UK and International business were to fall significantly short of business plans and/or if discount rates increase. Testing goodwill impairment is inherently subjective due to the uncertainty involved in forecasting and discounting future cash flows. **Estimation uncertainty** The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the recoverable amount of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements, as a whole, and possibly many times that amount. The financial statements (note 15) disclose the sensitivity estimated by the Group.	Our audit procedures included: **Control design** Evaluated the design and implementation of the Group's impairment assessment procedures, including those controls over the approvals of business plans. **Historical comparisons** Assessed the reasonableness of base line cash flow forecasts against historical performance. **Benchmarking assumptions** Compared the Group's assumptions to externally derived data in relation to key inputs such as projected economic growth and discount rates, using our independent valuation tools in respect of the latter. **Sensitivity analysis** Used our analytical tools and professional judgement to assess the sensitivity of the goodwill headroom. This was performed through considering reasonably possible changes in key assumptions including making allowance for the near-term weaker trading from the impact of COVID-19, both individually and collectively; in order to assess and conclude on the goodwill valuation. **Assessing transparency** Assessed whether the Group disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of goodwill.

Provision for deferred income

(2020: £776.1m, 2019: £716.5m)

Refer to note 4(B) on page 60

The risk	Our response
Subjective valuation We considered revenue recognition risk manifests in the selection of earnings profiles used to determine the level of earnings for the period. Earning patterns are applied in order to recognise revenue in line with the risk profile of the policies. The selection of these earning profiles is judgemental as it represents management's assessment of the pattern of likely risk reduction reflected in claims development. Therefore the selection of these earnings profiles is complex and carries higher level of estimation uncertainty. The effect of these matters is that, as part of our risk assessment, we determined that valuation of deferred income has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our audit procedures included: **Independent re-performance** Assisted by our own actuarial specialists, we carried out independent projections of likely future claims development for a sample of contracts to derive an alternative estimate of the deferred income. We used our independent estimate to challenge management's selection of the appropriate earnings profiles for the purposes of determining the deferred income. **Tests of detail** We performed recalculations of the deferred income to verify the accuracy of the calculations performed by the Group.

Independent Auditor's Report continued
to the members of Galaxy Finco Limited

3. Our application of materiality and an overview of the scope of our audit

Materiality for the consolidated financial statements as a whole was set at £6.6m (2019: £6.5m) determined with reference to a benchmark of revenue of £823m (2019: £808m) of which it represents approximately 0.8% (2019: 0.8%). Revenue has been selected as the benchmark due to its relative stability and correlation with business performance and size, and because profit before tax is depressed by the amortisation of historically acquired intangibles which means profit before tax is not a reliable indicator of performance and size.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.3m (2019: £0.3m) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 11 (2019: 10) reporting components, we subjected 2 (2019: 2) to full scope audits for Group purposes, 2 (2019: 1) to specified risk-focused audit procedures and 1 (2019: 1) to an audit of account balances. The components for which we performed work other than full scope audits for Group reporting purposes were not individually significant but were included in the scope of our Group reporting work as they did present specific individual audit risks that needed to be addressed or in order to provide further coverage over the Group's results.

The components subjected to full scope audits included the insurance and non-insurance trading operations in the UK. The component subjected to an audit of account balances was the intermediate holding company within the Group. The account balances subjected to audit were the carrying value of the Group's listed debt and the associated interest expense. Additionally we subjected the insurance operations in Germany and the non-insurance trading operations in Australia to specified risk focused audit procedures over gross premiums written, revenue, deferred income, debtors, claims incurred, operating expenses, DAC, cash and deposits, other assets, prepayments and accrued income, creditors and accruals and commissions.

For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

These components accounted for the following percentages of the Group's results:

	Number of components	Group revenue	Group profit before tax	Group total assets
Audits for group reporting purposes	2	97%	57%	63%
Audits of one or more account balances	1	0%	20%	0%
Specified risk-focused audit procedures	2	2%	15%	5%
Total (2020)	5	99%	92%	68%
Total (2019)	4	99%	87%	69%

In addition to the above, in respect of total assets, goodwill and intangible assets that arise on consolidation were audited centrally by the Group audit team and so was the investment in unlisted securities relating to an investment in preference shares in a related company. Taking these into account the coverage of total assets was 98% (2019: 98%).

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £1.39m to £5.10m (2019: £2.6m to £5.2m), having regard to the size and risk profile of the components across the Group. The work on 2 of the 11 (2019: 1 of the 10) components was performed by component auditors and the rest was performed by the Group team.

The Group audit team held meetings with the component auditors during the year to assess the audit risks and strategy and to complete a file review. Telephone conference meetings were also held regularly through the year. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4. We have nothing to report on going concern

The Directors have prepared the consolidated 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').

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. 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.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have anything material to add or draw attention to in relation to the Directors' statement in note 3 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

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

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 48, the Directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company 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 consolidated 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 consolidated financial statements. A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members, as a body

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

15 July 2020

Consolidated Income Statement

For the year ended 31 March 2020

	Note	Year ended 31 March 2020			Year ended 31 March 2019 (Restated*)		
		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	6	**830.8**	**–**	**830.8**	810.3	–	810.3
Operating costs							
– Amortisation	7	**–**	**(23.2)**	**(23.2)**	–	(28.7)	(28.7)
– Other operating costs	7	**(740.8)**	**(7.9)**	**(748.7)**	(721.7)	(15.2)	(736.9)
– Impairment loss on financial assets	10	**(2.8)**	**–**	**(2.8)**	(0.4)	–	(0.4)
Operating profit		**87.2**	**(31.1)**	**56.1**	88.2	(43.9)	44.3
Investment income	8	**0.1**	**–**	**0.1**	1.8	–	1.8
Finance costs	9	**(53.9)**	**–**	**(53.9)**	(51.9)	–	(51.9)
Profit/(loss) before taxation	10	**33.4**	**(31.1)**	**2.3**	38.1	(43.9)	(5.8)
Income tax (charge)/credit	13	**(4.6)**	**1.0**	**(3.6)**	(11.9)	4.6	(7.3)
Loss for the year				**(1.3)**			(13.1)

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.

* *Comparative figures for the 2019 financial year have 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 year ended 31 March 2020

	Note	**Year ended 31 March 2020 £m**	Year ended 31 March 2019 (Restated*) £m
Loss for the year		**(1.3)**	(13.1)
Currency translation differences		**(0.7)**	0.1
Changes in fair value of investments through OCI		**(0.2)**	(0.1)
Effective portion of changes in fair value of cash flow hedges – hedging reserve		**(0.4)**	–
Total comprehensive loss for the year	28	**(2.6)**	(13.1)

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

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

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

* *Comparative figures for the 2019 financial year have 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 March 2020

	Note	31 March 2020 £m	31 March 2019 (Restated*) £m
Assets			
Goodwill and intangible assets	15	**482.9**	499.0
Property, plant and equipment	14	**21.7**	20.6
Deferred acquisition costs	16	**250.9**	243.1
Financial investments	18	**75.9**	126.4
– at amortised cost		**0.2**	2.0
– at fair value through other comprehensive income		**12.5**	97.3
– at fair value through profit and loss		**63.2**	27.1
Trade and other receivables	22	**699.9**	592.5
Current tax asset		**7.8**	–
Cash and cash equivalents	23	**81.0**	47.3
Total assets		**1,620.1**	1,528.9
Liabilities			
Loans and borrowings	26	**767.8**	668.3
Deferred tax liabilities	17	**29.2**	30.3
Deferred income	24	**776.1**	716.5
Claims and repair costs provision	25	**28.9**	26.3
Current tax liability		**–**	1.5
Derivative financial instruments	19	**5.6**	–
Trade and other payables	27	**176.8**	200.5
Total liabilities		**1,784.4**	1,643.4
Equity			
Share capital		**89.9**	89.9
Other reserves		**(1.1)**	0.2
Accumulated loss		**(253.1)**	(204.6)
Total equity	28	**(164.3)**	(114.5)
Total equity and liabilities		**1,620.1**	1,528.9

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

* *Comparative figures for the 2019 financial year have been restated to reflect the adoption of IFRS 16 for the year beginning 1 April 2019 using the fully retrospective approach.*

These financial statements were approved by the Board of Directors on 15 July 2020 and were signed on its behalf by:

J Fitzgerald
Acting Group Chief Financial Officer

Consolidated Statement of Changes in Equity

At 31 March 2020

	Ordinary share capital £m	Share premium £m	Hedging reserves £m	Other reserves £m	Accumulated loss £m	Total equity £m
At 1 April 2019	**0.9**	**89.0**	**–**	**0.2**	**(204.6)**	**(114.5)**
Loss for the year	**–**	**–**	**–**	**–**	**(1.3)**	**(1.3)**
Dividends paid	**–**	**–**	**–**	**–**	**(47.2)**	**(47.2)**
Other comprehensive loss for the year	**–**	**–**	**(0.4)**	**(0.9)**	**–**	**(1.3)**
Balance as at 31 March 2020	**0.9**	**89.0**	**(0.4)**	**(0.7)**	**(253.1)**	**(164.3)**

	Ordinary share capital £m	Share premium £m	Hedging reserves £m	Other reserves £m	Accumulated loss (Restated*) £m	Total equity (Restated*) £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 and 16	–	–	–	–	1.2	1.2
Restated balance at 1 April 2018	0.9	89.0	–	0.2	(191.5)	(101.4)
Loss for the year	–	–	–	–	(13.1)	(13.1)
Other comprehensive income for the year	–	–	–	–	–	–
Balance as at 31 March 2019	0.9	89.0	–	0.2	(204.6)	(114.5)

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

* *Comparative figures for the 2019 financial year have 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 year ended 31 March 2020

	Note	Year ended 31 March 2020 £m	Year ended 31 March 2019 (Restated*) £m
Profit/(loss) before tax		**2.3**	(5.8)
Adjustments for:			
Depreciation of owned property, plant and equipment	14	**3.1**	3.3
Depreciation of leased property, plant and equipment	21	**5.4**	2.9
Amortisation of software	15	**11.1**	8.4
Amortisation of acquired intangible assets	7	**23.2**	28.7
Revaluation of land and buildings	14	**–**	(0.9)
Interest expense	9	**53.9**	51.9
Interest income	8	**(0.1)**	(1.8)
Significant items – other operating costs	7	**7.9**	15.2
Impairment loss on financial assets	10	**2.8**	0.4
		109.6	102.3
Changes in working capital			
Increase in deferred acquisition costs		**(5.3)**	(2.2)
Increase in trade and other receivables		**(106.1)**	(94.0)
Increase in deferred income		**57.7**	57.9
Increase in claims and repair costs provision		**2.4**	2.2
(Decrease)/increase in trade and other payables		**(8.2)**	3.9
Cash flows from operating activities		**50.1**	70.1
Significant items		**(19.2)**	(23.9)
Interest received from cash and cash equivalents		**0.1**	0.7
Interest paid		**(47.0)**	(32.4)
Income taxes paid		**(14.5)**	(11.2)
Dividends paid	32	**(47.2)**	–
Net cash (used in)/from operating activities		**(77.7)**	3.3
Cash flows from investing activities			
Interest received on investments		**–**	1.2
Acquisition of property, plant and equipment		**(5.0)**	(2.3)
Acquisition of software		**(18.2)**	(18.2)
Withdrawal from credit institutions		**1.8**	33.6
Withdrawal from/(deposit with) money market funds		**19.7**	(8.3)
Disposal of financial instrument investments		**87.7**	1.8
Net cash from investing activities		**86.0**	7.8
Cash flows from financing activities			
Redemption of Loan Notes	26	**(475.1)**	–
Proceeds from debt issuances and facilities	26	**690.9**	–
Repayment of lease liability	21	**(3.5)**	(3.3)
Amounts paid to Group undertakings	26	**(186.8)**	(1.0)
Repayment of bank loan		**–**	(0.4)
Net cash from/(used in) financing activities		**25.5**	(4.7)
Net increase in cash and cash equivalents		**33.8**	6.4
Effects of exchange rates		**(0.1)**	–
Cash and cash equivalents at beginning of the year		**47.3**	40.9
Cash and cash equivalents at the end of the year	23	**81.0**	47.3

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

* *Comparative figures for the 2019 financial year have 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 is a private Company incorporated in Jersey and the Company's registered office address is 27 Esplanade, St Helier, Jersey JE1 1SG. These consolidated financial statements for the year ended 31 March 2020 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).

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

The Directors have prepared base case cash flow forecasts (that reflect the impact of COVID-19) for a period of at least 12 months from the date of approval of these financial statements which indicate that, the Group and the Company will be able to operate with adequate levels of both liquidity and capital over that period.

The Directors have considered a severe but plausible downside scenario which incorporates the increased potential for reductions in sales and increases in cancellation rates which may arise if a second lock down was to occur toward the end of the 2021 financial year. The scenario assumes a gradual recovery following a second lock down, higher levels of churn driven by increased cancellations (ranging from -5% to -9%), and reductions in new business subscription (ranging from -22% to -28%) and cash sales (-46%). These assumptions have been tailored for the individual segments (UK and International) to reflect the different market dynamics. This scenario, which makes assumptions that are more severe than the outcomes experienced under the first lock down, also indicates that the Group and the Company will be able to operate with adequate levels of both liquidity and capital for a period of at least 12 months from the date of approval of these financial statements.

The evolving COVID-19 pandemic has caused significant disruption to the economy and financial markets globally, and the full extent of the potential impacts of COVID-19 are not yet known. Whilst there are many unknowns and the future impact of the pandemic is difficult to predict, the Group and the Company are taking proactive action and have successfully implemented its Business Continuity Plan with all staff working from home with minimal disruption to its day-to-day operations.

After performing this assessment, the Directors have a reasonable expectation that the Group and the Company have adequate resources to meet their debt obligations and continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. The Group and the Company, therefore, continue to adopt the going concern basis in preparing its 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.

Standards adopted during the year ended 31 March 2020

IFRS 16 'Leases'

On 1 April 2019, the Group adopted the requirements of IFRS 16 retrospectively. The cumulative effect of initially applying the standard was recognised as an adjustment to the opening balance of retained earnings at 1 April 2018 and the comparatives have been restated. The impacts on adoption of the standard are detailed in note 21 a) to the financial statements.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases that had previously been classified as 'operating leases' in accordance with IAS 17 'Leases'. These liabilities were recognised in 'other liabilities' and measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate at 1 April 2018. The associated right-of-use ('ROU') assets were recognised in 'other leased property, plant and equipment' and measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments or provisions for onerous leases recognised on the balance sheet at 31 March 2018. In addition, the following practical expedients permitted by the standard were applied:

- reliance was placed on previous assessments on whether leases were onerous;
- operating leases with a remaining lease term of less than 12 months at 1 January 2018 were treated as short-term leases; and
- initial direct costs were not included in the measurement of ROU assets for leases previously accounted for as operating leases.

Notes to the Financial Statements continued

3. Basis for preparation continued

Interest rate benchmark reform: amendments to IFRS 9 and IAS 39 'Financial Instruments'
Amendments to IFRS 9 and IAS 39 issued in September 2019 modify specific hedge accounting requirements so that entities apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of interest rate benchmark reform. These amendments replace the need for specific judgements to determine whether certain hedge accounting relationships that hedge the variability of cash flows or interest rate risk exposures for periods after the interest rate benchmarks are expected to be reformed or replaced continue to qualify for hedge accounting as at 31 March 2020. For example, in the context of cash flow hedging, the amendments require the interest rate benchmark on which the hedged cash flows are based, or on which the cash flows of the hedging instrument are based, to be assumed to be unaltered over the period of the documented hedge relationship, while uncertainty over the interest rate benchmark reform exists.

The IASB is expected to provide further guidance on the implication for hedge accounting during the reform process.

Amendment to IAS 12 'Income Taxes' and other changes
An amendment to IAS 12 was issued in December 2017 as part of the annual improvement cycle. The amendment clarifies that an entity should recognise the tax consequences of dividends where the transactions or events that generated the distributable profits are recognised. This amendment was applied on 1 April 2019 and had no material impact. Comparatives have not been restated.

New, amended and revised statements, and interpretations

Minor amendments to IFRSs
The IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2020, some of which have been endorsed for use in the EU. We expect they will have an insignificant effect, when adopted, on the consolidated financial statements of Galaxy Finco Limited.

IFRS 17 'Insurance Contracts' effective for periods beginning on or after 1 January 2023
IFRS 17 was issued in May 2017 and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. IFRS 17 is currently effective from 1 January 2023 after the IASB delayed the mandatory implementation date by a further year in March 2020.

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 an impact on the financial statements of the Group in future periods, although this impact has yet to be quantified. Industry practice and interpretation of the standard are still developing and there may be changes to it. Therefore, the likely impact of its implementation remains uncertain.

The initial 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 insurance premium tax ('IPT') 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.

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.

Notes to the Financial Statements continued

4. Summary of significant accounting policies continued

I. Investments and other financial assets

i) Classification

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

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

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

ii) Recognition and derecognition

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

iii) Measurement

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

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

Debt instruments

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

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

Equity instruments

The Group 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.

iv) Impairment

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

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

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

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

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

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

Measurement of ECL
ECL 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.

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 customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

J. Financial liabilities

i) Classification
The Group classifies its financial liabilities, into one of the following categories:
- financial liabilities at FVTPL, and within this category as:
  - held-for-trading;
  - derivative hedging instruments; or
  - designated as at FVTPL; and
- financial liabilities at amortised cost.

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

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

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

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

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

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

Notes to the Financial Statements continued

4. Summary of significant accounting policies continued

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 fair value differs materially from its carrying amount.

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

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

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

M. Intangible assets

i) Goodwill

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

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

ii) Intangible assets acquired in a business combination

Business combinations are reviewed to identify any additional assets that meet the definition prescribed by IAS 38 'Intangible Assets'. Specifically, any value identified in customer and client relationships is capitalised as an intangible asset. The fair value of customer and client relationships is determined on the basis of the present value of expected future cash flows. Intangible assets acquired in a business combination are subsequently stated at cost less accumulated amortisation and impairment losses.

iii) Other intangible assets

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

iv) Subsequent expenditure

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

v) Amortisation

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

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

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

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

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

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
i) Foreign operations
The results of overseas branches and subsidiaries are translated into pound 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.

ii) 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
The Group has changed its accounting policy for leases on adoption of IFRS 16.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration, i.e. the customer has the rights to:
- obtain substantially all the economic benefits from using the asset; and
- direct use of the asset.

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

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment (see L above). 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 equipment – other leased' and lease liabilities in 'Loans and borrowings' in the statement of financial position.

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.

Notes to the Financial Statements continued

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 below:

i. Estimate: Measurement of recoverable amount of goodwill contained in 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. Updated cash flow forecasts incorporating management's estimate of the COVID-19 impact and a premium factored into the discount rate to reflect the uncertainty of the timing and amount of the cash flows have been reflected in the assessment of the recoverability of goodwill and intangible assets.

The main assumptions upon which the cash flow projections are based include service plan and insurance policy sales volumes and prices, claims costs, revenue growth, operating margins, retention rates and cancellation rates.

ii. Judgement: Prepayments and receivables

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

iii. Judgement: Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in determining these assumptions and selecting the inputs to the impairment calculation, based on the Group's 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 34 (b).

iv. Judgement relating to earning patterns

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

v. Claims and repair cost provision

Details for the process to determine the assumption and changes in assumptions for measuring claims and repair cost provisions are disclosed in note 25.

6. Revenue

	Year ended 31 March 2020		
	Maintenance plans £m	**Insurance £m**	**Total £m**
Sales	**382.4**	**506.0**	**888.4**
Deferred income movement	**51.0**	**(108.6)**	**(57.6)**
	433.4	**397.4**	**830.8**
Fair value adjustment			**–**
Revenue			**830.8**

	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

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 March 2019: £1.0m).

7. Significant items and amortisation of intangible assets

	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m
Amortisation of intangible assets acquired in a business combination	**(23.2)**	(28.7)
Brexit costs	**(5.9)**	(4.4)
Costs related to US launch	**(2.0)**	–
Product transition costs	**(0.3)**	(2.3)
Restructuring costs	**–**	0.2
Strategic Review project and Value Creation Plan	**0.3**	(8.7)
	(31.1)	(43.9)

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.

As a result of the UK leaving the EU on 31 January 2020, 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 licensed 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. 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.

The Strategic Review project was a formal project following the decision by the Group's shareholders to review their ownership options. The Group had incurred advisory and corporate costs to review the strategic options for the Group and some costs recognised in 2019 have been reversed in the current year as these costs have subsequently been borne by parent entities outside of the Galaxy Finco Group out of disposal proceeds.

The Group also incurred material and non-recurring costs of £2.9m (2019: £nil) in formulating a Value Creation Plan for the next investment cycle following the completion of the minority investment in the Group in November by Luxinva S.A., an entity ultimately wholly-owned by the Abu Dhabi Investment Authority ('ADIA'), and business development costs in exploring the potential to launch in the US of £2.0m (2019: £nil).

8. Investment income

	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m
Interest income on loans and receivables	**0.1**	1.8

9. Finance costs

	Year ended 31 March 2020 £m	Year ended 31 March 2019 (Restated) £m
Interest payable on external loans and borrowings	**38.5**	29.7
Interest payable on shareholder loans and borrowings	**6.4**	17.5
Interest expense on lease liabilities	**0.5**	0.5
Finance charges – amortisation of deferred financing costs	**8.5**	4.2
	53.9	51.9

Notes to the Financial Statements continued

10. Profit/(loss) before taxation

	Year ended 31 March 2020 £m	Year ended 31 March 2019 (Restated) £m
The following items have been included in arriving at the profit/(loss) before taxation (excluding those already disclosed in note 7):		
Employee costs – excluding those included in acquisition costs (note 12)	**98.6**	96.3
Auditor's remuneration (note 11)	**0.6**	0.5
Depreciation of owned PPE (note 14 b))	**3.1**	3.3
Depreciation of leased PPE (note 21 a) iii))	**5.4**	2.9
Amortisation of software (note 15)	**11.1**	8.4
Sub-lease income (note 21 a) iii))	**(0.3)**	(0.6)
Repairs and maintenance expenditure on property, plant and equipment	**11.9**	10.7
Repairs and claims costs	**368.4**	367.8
Acquisition costs	**208.4**	203.6
Research and development costs	**4.4**	4.2
Impairment loss on financial assets	**2.8**	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 2020 £m	Year ended 31 March 2019 £m
Audit of the Group's financial statements	**0.1**	0.1
Audit of the subsidiary financial statements	**0.4**	0.3
Audit related assurance*	**0.1**	0.3
Total audit and audit related assurance fees	**0.6**	0.7

* *Includes other assurance work performed of £nil (2019: £0.3m) that is included in significant items in note 7 within the Strategic Review project.*

12. Employee costs

	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m
a) Staff costs for the Group during the period		
Wages and salaries	**88.9**	88.5
Social security costs	**10.1**	9.8
Other pension costs	**5.5**	4.6
	104.5	102.9

Included in staff costs is £5.9m (31 March 2019: £6.6m) that is treated as acquisition costs.

	Number	Number
b) Average number of employees during the period		
Directors	**4**	4
Sales and marketing	**236**	226
Commercial finance and claims	**222**	203
Finance and administration	**479**	480
Contact Centres and IT	**1,946**	2,055
	2,887	2,968

13. Taxation

	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m
Current tax expense		
Current tax on profit for the year	**(7.7)**	(11.0)
Adjustment to tax charge in respect of prior years	**3.1**	(0.9)
Total current tax	**(4.6)**	(11.9)
Deferred tax credit		
Origination/(reversal) of temporary differences	**0.5**	(0.6)
Tax effect of amortisation of intangible assets	**4.4**	5.4
Impact of rate change	**(3.9)**	(0.2)
Total deferred tax	**1.0**	4.6
Total income tax charge	**(3.6)**	(7.3)

	Year ended 31 March 2020 £m	Year ended 31 March 2019 (Restated) £m
Profit/(loss) on ordinary activities before tax	**2.3**	(5.8)
Standard rate of corporation tax in the UK	**19%**	19%
	£m	£m
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax	**0.4**	(1.1)
Effects of:		
Change in UK corporation tax rate on timing differences	**3.9**	0.2
Items disallowable for tax purposes	**(0.8)**	6.2
Adjustment to tax charge in respect of prior years	**(3.1)**	0.9
Tax rate differences in branches	**1.4**	0.5
Tax rate differences in non-UK subsidiaries	**1.8**	0.5
Other	**–**	0.1
Total income tax charge	**3.6**	7.3

Factors that may affect future tax charges

The reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) that was enacted on 15 September 2016 has subsequently been reversed in the March 2020 budget.

14. Property, plant and equipment

	Note	2020 £m	2019 (Restated) £m
Owner-occupied property measured at fair value	14 a)	**3.1**	3.1
Other owned PPE	14 b)	**11.1**	10.1
Other leased PPE	21 a)	**7.5**	7.4
		21.7	20.6

a) Owner-occupied property measured at fair value

Reconciliation of carrying amount

	2020 £m	2019 £m
Balance at 1 April	**3.1**	2.2
Net change in fair value	**–**	0.9
	3.1	3.1

Owner-occupied properties are measured at fair value. There was a change in fair value at 31 March 2020 of £nil (31 March 2019: £0.9m). The fair value change at 31 March 2019 was recognised as a gain in profit or loss and partially reversed a prior impairment loss recognised in the income statement.

Notes to the Financial Statements continued

14. Property, plant and equipment continued

Measurement of fair value

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 independent valuer provides an updated fair value of the Group's owner-occupied property portfolio every three years.

The Directors consider the carrying value to be reflective of that valuation as at 31 March 2020.

b) Other property and equipment owned

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

	Computer equipment £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At 1 April 2018	15.8	10.8	26.6
Additions	0.8	2.6	3.4
Disposals	(0.2)	–	(0.2)
At 31 March 2019	16.4	13.4	29.8
Depreciation			
At 1 April 2018	12.1	4.3	16.4
Charge for the year	1.4	1.9	3.3
At 31 March 2019	13.5	6.2	19.7
Carrying amount at 31 March 2019	2.9	7.2	10.1

15. Goodwill and intangible assets

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

	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
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
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

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 CGUs that are expected to benefit from that business combination.

Following the implementation of Customer First throughout the 2018 and 2019 financial years and the replacement of Discretionary Service Plans ('DSP') with Maintenance Service Plans ('MSP') and Insurance ('INS') (which has led to a significant transfer of business between the CGUs), the UK unregulated and UK regulated CGUs previously identified are no longer deemed to generate significantly independent cash inflows. As permitted by IAS 36, the CGUs have been reassessed during 2020, resulting in the UK unregulated and UK regulated CGUs being consolidated into a single UK CGU for the purposes of goodwill impairment testing. The CGUs at which goodwill has been tested for 2020 are now UK and International.

The carrying amount of goodwill had been allocated and restated as follows:

	2020 £m	2019 (Restated) £m
UK	**265.6**	265.6
International	**12.9**	12.9
	278.5	278.5

The recoverable amounts of the CGUs are determined from value in use calculations based on the net present value of future cash flows of each CGU. The key assumptions for the value in use calculations are those regarding discount and growth rates. The Group prepares cash flow forecasts from the Board approved budget and the latest management approved 5-year model, as updated for the forecast impact of COVID-19 that emerged in early 2020. 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.

The projected cash flows were discounted using a pre-tax discount rate of 10% at 31 March 2020 for both CGUs (8.9% at 31 March 2019), which reflected current market assessments of the time value of money and the increased risks specific to the CGUs around the future cash flows in the current environment (impacts from COVID-19 and Brexit). 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 -0.4% at 31 March 2020 and 1.6% at 31 March 2019 in extrapolating the forecasts beyond the period covered in the business plan model, reflecting the economic environment prevailing in the relevant markets. The growth rate in the forecast does not exceed the long-term average growth rate for the markets in which the UK and International CGUs operate.

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

Notes to the Financial Statements continued

15. Goodwill and intangible assets continued

Sensitivities of key assumptions in calculating value-in-use ('VIU')

The Group has conducted a sensitivity analysis on the impairment test of each CGUs 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:

	2020	2019 (Restated)
Cut in the long-term growth rate:		
UK	**-0.4% to -7.7%**	1.6% to -26.3%
International	**-0.4% to >-50%**[1]	1.6% to -53.1%
Rise in the discount rate from:		
UK	**10.0% to 14.9%**	8.9% to 25.5%
International	**10.0% to >50%**[1]	8.9% to 28.8%
Reduction in 2025 cash flows from:		
UK	**£103.2m to £60.5m**	£111.5m to £23.2m
International	**£18.1m to -£0.4m**	£16.3m to £1.9m

1 *It has not been possible to solve the sensitivity of the International CGUs value-in-use to changes in the long-term growth rate or rise in the discount rate for the current year, due to the pattern of forecast cash outflows followed by cash inflows. In both instances, changes in the available headroom become very small at a discount rate >50% and a long-term growth rate >50%*

The assumptions supporting the recoverable amount are not sensitive to reasonably possible adverse changes in key assumptions for the CGUs for the remaining periods although there has been increased sensitivity from COVID-19 when compared to prior 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

	2020 £m	2019 £m
Balance at the start of the year	**243.1**	242.5
Arising in the year	**216.7**	204.1
Amortisation for the year	**(206.4)**	(205.1)
Foreign exchange	**(2.5)**	1.6
Balance at the end of the year	**250.9**	243.1
Split between:		
Amounts expected to be amortised in 12 months	**184.9**	184.3
Amounts expected to be amortised after 12 months	**66.0**	58.8
	250.9	243.1

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 2020 £m	Liabilities 2020 £m	Net 2020 £m
Intangible assets	**–**	**(29.6)**	**(29.6)**
Capital allowances	**0.4**	**–**	**0.4**
Other temporary differences	**–**	**–**	**–**
	0.4	**(29.6)**	**(29.2)**

	Assets 2019 £m	(Restated) Liabilities 2019 £m	Net 2019 £m
Intangible assets	–	(30.9)	(30.9)
Capital allowances	(0.2)	–	(0.2)
Other temporary differences	1.9	(1.1)	0.8
	1.7	(32.0)	(30.3)

Movement in temporary differences during the period

The reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) that was enacted on 15 September 2016 has subsequently been reversed in the March 2020 budget.

18. Financial investments

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

	FVOCI* 2019 £m	FVTPL** 2019 £m	Amortised cost 2019 £m	Total 2019 £m
Money market funds	–	27.1	–	27.1
Investments 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 through other comprehensive income 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 carried at fair value through profit and loss include investments in preference shares issued by Galaxy Finco 2 Limited, a fellow subsidiary of the Group's immediate Parent, Galaxy Midco 2 Limited.

The value of financial assets which are expected to be recovered in less than one year is £7.6m (31 March 2019: £59.4m) and those greater than one year is £68.3m (31 March 2019: £67.0m).

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.

Notes to the Financial Statements continued

19. Derivative financial instruments

a) Derivative liability

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

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

	2020 £m	2019 £m
Current liability	**2.4**	–
Non-current liability	**3.2**	–
Cross-currency Interest Rate Swap	**5.6**	–

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

b) Hedge accounting

The Group has elected to apply hedge accounting for those derivative instruments entered 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	**2020 £m**	2019 £m
€150m Cross-currency Interest Rate Swap	**5.6**	–

The above hedge mitigates 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 26, 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'):

	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m
Effective portion of cash flow hedge and costs of hedging included in finance costs	**6.8**	–

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

	2020 £m	2019 £m
Balance at 1 April	**–**	–
Amount recognised in equity in the year	**(0.4)**	–
Cash flow hedge reserve as at 31 March	**(0.4)**	–

Hedge ineffectiveness

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

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 has chosen not to hedge 100% of its EUR denominated loans, therefore, the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

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

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

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

20. 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 2020 £m	**FVTPL** – designated on initial recognition 2020 £m**	**Financial assets held at amortised cost 2020 £m**	**Financial liabilities held at amortised cost 2020 £m**	**Total 2020 £m**
Investments	**12.5**	**63.2**	**0.2**	**–**	**75.9**
Trade and other receivables	**–**	**–**	**699.9**	**–**	**699.9**
Cash and cash equivalents	**–**	**–**	**81.0**	**–**	**81.0**
Derivative financial instruments	**–**	**(5.6)**	**–**	**–**	**(5.6)**
Loans and borrowings	**–**	**–**	**–**	**(767.8)**	**(767.8)**
Trade and other payables	**–**	**–**	**–**	**(176.8)**	**(176.8)**
	12.5	**57.6**	**781.1**	**(944.6)**	**(93.4)**

	FVOCI* – 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
Derivative financial instruments	–	–	–	–	–
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.

Notes to the Financial Statements continued

20. Financial assets and financial liabilities continued

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 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 34.

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

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

	Level 1 2019 £m	Level 2 2019 £m	Level 3 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
Derivative financial instruments	–	–	–	–
	31.9	92.5	–	124.4

21. Non-financial assets and liabilities

a) Leases

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

The Group leases land and buildings for its own use both in the UK and across its international locations. The main component of 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, fixtures and fittings. Rental contracts are typically made for fixed periods but may have extension options as described in v) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

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

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

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

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

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

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

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

ii) Amounts recognised in the balance sheet

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

	Note	Land and buildings £m	Motor vehicles £m	Fixtures, fittings and equipment £m	Total £m
At 1 April 2018		7.1	0.5	–	7.6
Additions		2.4	0.1	0.2	2.7
Depreciation		(2.7)	(0.2)	(0.0)	(2.9)
At 31 March 2019	14	6.8	0.4	0.2	7.4
Additions		5.0	0.5	–	5.5
Depreciation		(5.1)	(0.2)	(0.1)	(5.4)
At 31 March 2020	**14**	**6.7**	**0.7**	**0.1**	**7.5**

Notes to the Financial Statements continued

21. Non-financial assets and liabilities continued

Lease liabilities

	Note	2020 £m	2019 (Restated) £m
Maturity analysis – contractual undiscounted cash flows			
Less than one year		**3.7**	4.1
One to five years		**6.4**	7.7
More than five years		**0.4**	0.1
Total undiscounted lease liabilities		**10.5**	11.9
Lease liabilities in balance sheet	26	**10.7**	9.5

iii) Amounts recognised in the income statement

	Note	Year ended 31 March 2020 £m	Year ended 31 March 2019 (Restated) £m
Sub-lease income	10	**(0.3)**	(0.6)
Interest on lease liabilities	9	**0.5**	0.5
Depreciation on leased assets	10	**5.4**	2.9
Expenses relating to short-term and low value leases		**0.2**	0.4
		5.8	3.2

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

	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m
Within one year	**0.3**	0.3
Between two and five years	**–**	0.3
	0.3	0.6

iv) Amounts recognised in the cash flow statement

	Year ended 31 March 2020 £m	Year ended 31 March 2019 (Restated) £m
Total cash outflow for leases	**3.5**	3.3

v) Extension and termination options

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

22. Trade and other receivables

	2020 £m	2019 £m
Trade receivables	**593.4**	497.5
Other receivables	**30.2**	15.1
Expected credit loss and bad debt provision	**(7.9)**	(4.9)
Prepayments and accrued income	**84.2**	84.8
	699.9	592.5

All trade and other receivables are current.

23. Cash and cash equivalents

	2020 £m	2019 £m
Bank and cash balances	**32.4**	2.1
Call deposits and short term bank deposits	**48.6**	45.2
	81.0	47.3

24. Deferred income

	2020 £m	2019 £m
Balance at the start of the year	**716.5**	661.9
Amounts deferred during the year	**887.2**	870.3
Amounts recognised as revenue during the year	**(829.6)**	(812.2)
Foreign exchange	**2.0**	(3.5)
Balance as at the end of the year	**776.1**	716.5
Split between:		
Amounts expected to be recognised in 12 months	**572.0**	543.1
Amounts expected to be recognised after 12 months	**204.1**	173.4
	776.1	716.5

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.

25. Claims and repair costs provision

	2020 £m	2019 £m
Balance at the start of the year	**26.3**	24.3
Amounts incurred during the year	**368.4**	367.8
Amounts paid during the year	**(365.8)**	(365.8)
Balance as at the end of the year	**28.9**	26.3

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 unprecedented impact of the COVID-19 global pandemic that emerged towards the end of the 2020 financial year has significantly increased the uncertainty over the outturn of the required claims and repair costs provision, and the liability reported in the balance sheet is considered adequate. However, the process of estimation is based upon certain variables and assumptions which will differ from the actual outturn.

Notes to the Financial Statements continued

25. Claims and repair cost provision continued

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 2020 of £2.9m (31 March 2019: £2.6m) which represents 0.8% (31 March 2019: 0.7%) of the total claims and repair costs for the year ended 31 March 2020 and is 3.3% (31 March 2019: 3.0%) of profit before investment return and finance costs, significant items and amortisation, and tax for the year ended 31 March 2020.

26. Loans and borrowings

On 31 July 2019, the Group completed a refinancing of its external debt that was due to mature in 2020 and 2021. Details of the refinancing are presented below.

a) Redemption of existing notes listed on the Irish Stock Exchange

Entity	Description of Notes	Currency	Principal
Domestic & General Limited	Unsecured Subordinated A Loan Notes	GBP	150.0m
Galaxy Finco Limited	7.875% Senior Notes due 2021	GBP	125.0m
Galaxy Bidco Limited	Floating Rate Senior Secured Notes due 2020	GBP	150.1m
Galaxy Bidco Limited	6.375% Senior Secured Notes due 2020	GBP	200.0m

In addition to the redemption of the notes outlined above, the existing revolving credit facility of £100.0m was also replaced.

b) New notes listed on the International Stock Exchange ('TISE')

Entity	Description of Notes	Currency	Principal
Galaxy Finco Limited	9.25% Senior Notes due 2027	GBP	150.0m
Galaxy Bidco Limited	Floating Rate Senior Secured Notes due 2026	EUR	200.0m
Galaxy Bidco Limited	6.5% Senior Secured Notes due 2026	GBP	305.0m

In order to secure sufficient demand for the floating rate notes and optimise pricing of the new debt package, these notes were issued in Euro's. Cross-currency swaps with a notional of €150,000,000 have been executed to partially hedge the foreign currency exposure – the remaining €50,000,000 exposure has been hedged within the Galaxy Finco Group by investing in EUR denominated preference shares for the same amount issued by Galaxy Finco 2 Limited, a sister legal entity to Galaxy Finco Limited. A new revolving credit facility of £85.0m has also been put in place.

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

	Note	**2020 £m**	2019 (Restated) £m
6.5% Senior Secured Notes due 2026		**305.0**	–
€200m Senior Secured Floating Rate Notes due 2026		**176.9**	–
9.25% Senior Notes due 2027		**150.0**	–
Drawn Revolving Credit Facility ('RCF')		**77.5**	–
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
5.35% Loan due to Parent Company		**7.3**	–
5.25% Loans due to Fellow Subsidiary Company		**59.4**	–
10% Loan Due to Parent Company		**–**	187.9
Total principal		**776.1**	663.0
Financing costs		**(19.0)**	(4.2)
Carrying amount		**757.1**	658.8
Lease liability	21 a)	**10.7**	9.5
Loans and borrowings		**767.8**	668.3

The fair values for the refinanced Senior Secured, Senior Secured Floating, and Senior notes are lower than their carrying values above by £18.4m to £277.9m, £6.1m to £165.3m, and £8.3m to £136.9m respectively, as determined with reference to observable market prices for those tranches of debt.

At 31 March 2019, the fair value for the now redeemed Senior Secured, Senior Secured Floating, and Senior notes were 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 34.

The Group fully repaid the outstanding 10% loan and accrued interest due to the Parent during the year of £194.1m (2019: £0.3m) using proceeds from the refinancing completed in July 2019, and separately borrowed £7.3m from the Parent in March 2020 to increase liquidity in the uncertain COVID-19 environment.

Terms and debt repayment schedule

	Nominal interest rate	Year of maturity	Principal £m	Carrying amount £m
6.5% Senior Secured Notes	6.5%	2026	305.0	296.3
€200m Senior Secured Floating Rate Notes	EURIBOR + 5.0%	2026	176.9	171.4
9.25% Senior Notes	9.25%	2027	150.0	145.2
5.35% Loan due to Parent Company	5.35%	2028	7.3	7.3
5.25% Loans due to Fellow Subsidiary Company	5.25%	2028	58.0	59.4
Amounts drawn under revolving bank facility	3m LIBOR + 3%	2026	77.5	77.5
				757.1

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

The Group did not have any defaults of principal or interest or other breaches with respect to its loans and borrowings during the year ended 31 March 2020 and year ended 31 March 2019.

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 2020 is £642.9m (31 March 2019: £680.6m).

The Group has a revolving bank 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. At the balance sheet date, £3.0m (31 March 2019: £3.0m) of the RCF is currently available as a same day drawdown money market facility, otherwise the RCF was fully drawn (at 31 March 2019, £90.0m was undrawn).

27. Trade and other payables

	2020 £m	2019 £m
Trade payables	**125.9**	133.7
Accrued expenses	**50.9**	66.8
	176.8	200.5

Of the total payables, £10.2m (31 March 2019: £8.0m) is expected to be settled more than 12 months after the reporting date.

Notes to the Financial Statements continued

28. Total equity

	Capital £m	Hedging reserve £m	Other reserve £m	Accumulated loss £m	Total £m
At 1 April 2019	**89.9**	**–**	**0.2**	**(204.6)**	**(114.5)**
Total comprehensive loss for the year	**–**	**(0.4)**	**(0.9)**	**(1.3)**	**(2.6)**
Dividends paid	**–**	**–**	**–**	**(47.2)**	**(47.2)**
Balance as at 31 March 2020	**89.9**	**(0.4)**	**(0.7)**	**(253.1)**	**(164.3)**

	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)
Impact of initial application of IFRS 16	–	–	–	(2.5)	(2.5)
Tax impact on application of IFRS 9 and IFRS 16	–	–	–	1.2	1.2
Restated balance at 1 April 2018	89.9	–	0.2	(191.5)	(101.4)
Total comprehensive loss for the year	–	–	–	(13.1)	(13.1)
Balance as at 31 March 2019	89.9	–	0.2	(204.6)	(114.5)

	2020 £m	2019 £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	2020 No.	2019 No.
A ordinary	£0.01	**89,871,070**	89,871,070

Called up share capital

Allotted, called up and fully paid	2020 No.	2020 £m	2019 No.	2019 £m
Ordinary shares paid at £0.01 each	**89,871,070**	**0.9**	89,871,070	0.9

Share premium account

	2020 £m	2019 £m
Balance as at 1 April and 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.

29. Commitments and contingencies

a) Capital commitments

At 31 March 2020, the Group had capital commitments contracted for but not provided of £0.2m (31 March 2019: £1.3m).

b) 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 advisers upon a successful Initial Public Offering ('IPO') of the Group, if this was pursued. Subsequent to this, the Group did not list and hence no fees were due.

There were no contingent liabilities at 31 March 2020.

30. Subsidiary companies

	Country of incorporation	Nature of business	% of shares held by immediate Parent Company (or by the Group where this varies)
Principal subsidiaries:			
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 USA Holdings Limited	England & Wales[2]	Holding company	100%
Domestic & General USA Topco Inc.	USA[3]	Holding company	100%
Domestic & General USA Holdings LLC	USA[3]	Holding company	100%
Domestic & General USA Inc.	USA[3]	Licensed operating company	100%
Domestic & General USA Services LLC	USA[3]	Licensed operating company	100%
Domestic & General LLC	USA[3]	OEM contracting entity	100%
Domestic & General USA Resources LLC	USA[3]	Operational entity	100%
Domestic & General USA IP LLC	USA[3]	IP licensee/licensor	100%
Domestic & General Service Gmbh	Germany[4]	Appliance care service plans	100%
Domestic & General Insurance Europe AG	Germany[4]	Warranty Insurance	100%
Domestic & General Services (Pty) Limited	Australia[5]	Appliance care service plans	100%
Servicios Domestic & General España S.L.	Spain[6]	Appliance care service plans	100%
Servizi Domestic & General Italia S.r.l.	Italy[7]	Appliance care service plans	100%
Other subsidiaries:			
Domestic & General Insurance Services Limited	England & Wales[2]	Insurance broker	100%
Copleys Limited	England & Wales[2]	Dormant company	100%

(1) Address of registered office is 27 Esplanade, St Helier, Jersey JE1 1SG.
(2) Address of registered office is Swan Court, 11 Worple Road, Wimbledon, London, SW19 4JS.
(3) Address of registered office is 8 The Green, Ste R, Dover, Delaware, 19901, USA.
(4) Address of registered office is Hagenauer Strasse 44, 65203 Wiesbaden, Germany.
(5) Address of registered office is Level 21, Australia Square, 264 George Street, Sydney, NSW 2000, Australia.
(6) Address of registered office is Calle de Julian Camarillo, 4B, 3° planta. 28037 Madrid, España.
(7) Address of registered office is Cernusco sul Naviglio (MI) Via Gobetti n. 2/C, Italia.

All subsidiaries are included in the Group consolidation.

31. Related parties

a) Ultimate controlling party

During the financial year, certain funds ('CVC Funds') advised by CVC Capital Partners ('CVC') reached an agreement with Luxinva S.A., an entity ultimately wholly-owned by the Abu Dhabi Investment Authority ('ADIA'), for Luxinva S.A., to acquire a c.30% stake in the Group. CVC Funds has continued to be the Group's majority shareholder via CVC Fund VII. The Parent and ultimate controlling party is Opal Galaxy Holdings Limited, a company incorporated in Jersey.

b) Other related party transactions and balances

As at 31 March 2020, amounts owed to the immediate Parent undertaking Galaxy Midco 2 Limited totalled £7.3m (31 March 2019: £187.9m) and interest of £6.2m (31 March 2019: £17.5m) was charged on loans outstanding. £194.1m was repaid during the period (31 March 2019: £nil).

As at 31 March 2020, amounts owed to a fellow subsidiary of the immediate Parent undertaking, Galaxy Finco 2 Limited totalled £58.0m (31 March 2019: £nil). Interest of £1.2m (31 March 2019: £nil) was charged on this balance. No repayment was made during the period (31 March 2019: £nil).

As at 31 March 2020, amounts owed by a Parent undertaking, Domestic & General Limited, totalled £nil (31 March 2019: £0.9m). No interest was charged on this trading balance.

During the year ended 31 March 2020, no monitoring fee was paid to CVC (31 March 2019: £1.0m).

Notes to the Financial Statements continued

31. Related parties continued

c) Transactions with key management personnel

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

	2020 £m	2019 £m
Wages and salaries and other social security costs	**10.9**	8.7
Other pension costs – defined contribution schemes	**0.5**	0.4
Cash settled option exercise	**1.2**	–
Total key management personnel compensation	**12.6**	9.1

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.

32. Dividends

	2020 £m	2019 £m
Ordinary shares:		
Interim dividend – paid July 2019	**22.2**	–
Interim dividend – paid November 2019	**25.0**	–
Dividends paid in cash	**47.2**	–

The Group declared and paid two dividends during the year totalling £47.2m (2019: £nil) to its immediate Parent Company Galaxy Midco 2 Limited. These dividends were associated with completion of the refinancing of the Group's debt facilities in July 2019 (£22.2m), and a pre-completion dividend as part of closing the M&A transaction with ADIA in November 2020 (£25.0m).

33. 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 and Domestic & General Insurance Europe AG ('DGI EU'). 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 25)

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 ongoing 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.

34. 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 73% fixed or hedged with offsetting cash balances.
- For the next 13 to 24 months: a minimum of 74% fixed or hedged with offsetting cash balances.
- For the next 25 to 36 months: a minimum of 79% fixed or hedged with offsetting cash balances.
- For the next 37 to 48 months: a minimum of 87% fixed or hedged with offsetting cash balances.
- For the next 49 to 60 months: a minimum of 97% 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 £1.0m (31 March 2019: £1.8m) positive annual impact on interest income, and a £1.5m (31 March 2019: £5.0m) 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.

i) Risk management

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

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

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

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

Credit ratings of significant classes of financial assets

	A rated (or above) Institutions 2020 £m	B rated (or below) Institutions 2020 £m	Unrated 2020 £m	Total 2020 £m
Cash and cash equivalents	**81.0**	**–**	**–**	**81.0**
Money market funds	**7.5**	**–**	**–**	**7.5**
Investments in unlisted securities	**–**	**–**	**55.7**	**55.7**
Investments carried at fair value	**8.1**	**4.4**	**–**	**12.5**
Deposits with credit institutions	**0.2**	**–**	**–**	**0.2**
Trade and other receivables	**–**	**–**	**699.9**	**699.9**
	96.8	**4.4**	**755.6**	**856.8**

Notes to the Financial Statements continued

34. Financial risk management continued

	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 in unlisted securities	–	–	–	–
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

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

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

ii) Impairment of financial assets
The Group has two categories of financial assets that are subject to the impairment requirements of IFRS 9:
- trade (warranty debtors) and other receivables; and
- 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 2020 have been determined for trade receivables (warranty debtors) as the exposure to default, multiplied by the applicable probability of default and a loss given default percentage. The probability of default has been determined using historical data for payment collections and the corresponding credit losses experienced. The loss given default percentage represents the expected receivables loss in the event of customer default.

For other receivables, the expected credit loss has been calculated by applying the cumulative expected loss rates for the appropriate duration for the lifetime of the receivable, as produced by one of the major credit rating agencies, against each counterparty's receivable exposure with reference to their credit rating.

There is significant uncertainty over how COVID-19 and any subsequent economic downturn will impact our customers and translate into credit losses from the cancellation of, or inability to collect, Direct Debits. Further, the Group has implemented certain measures to protect customers struggling to make monthly payments due to COVID-19. In order to reflect this uncertainty, a premium has been added to the probability of default used in the ECL calculation to reflect the possible increase in default events. At 31 March 2020, the expected credit loss allowance for trade and other receivables is £7.3m (2019: £4.6m), and the movement has been reported in profit and loss.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group for other receivables and for repair and protect trade receivables, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Debt investments

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 2020 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 2020 £m	Total 2020 £m
Not past due		**707.3**	**707.3**
Past due (days)	**0–30**	**0.5**	**0.5**
	31–60	**0.1**	**0.1**
	61–90	**–**	**–**
	Greater than 90	**(0.1)**	**(0.1)**
Provision		**(7.9)**	**(7.9)**
Carrying amount		**699.9**	**699.9**

		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

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 2020 £m	Loans and borrowings (excluding leases) 2020 £m	Trade and other payables 2020 £m	Interest payable 2020 £m	Total 2020 £m
0–90 days	**28.9**	**–**	**157.2**	**11.1**	**197.2**
91 days – 1 year	**–**	**–**	**9.4**	**33.8**	**43.2**
1–3 years	**–**	**77.5**	**7.6**	**86.3**	**171.4**
3–5 years	**–**	**–**	**2.9**	**85.1**	**88.0**
Greater than 5 years	**–**	**698.6**	**(0.3)**	**56.5**	**754.8**
Total	**28.9**	**776.1**	**176.8**	**272.8**	**1,254.6**

Notes to the Financial Statements continued

34. Financial risk management continued

	Claims and repair costs 2019 £m	Loans and borrowings (excluding leases) 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

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 €200m Senior Secured Floating Rate Note issued in July 2019 has been hedged with a €150m Cross-Currency Interest Rate swap and the remaining €50m exposure has been hedged within the Galaxy Finco Group by investing in EUR denominated preference shares for the same amount issued by Galaxy Finco 2 Limited, a sister legal entity to Galaxy Finco Limited.

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

35. 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 £164.3m (31 March 2019: £114.5m – restated), Senior Secured Notes (net of financing costs) of £296.3m (31 March 2019: £198.8m), Senior Secured Floating Rate Notes of £171.4m (31 March 2019: £148.2m), Senior Notes of £145.2m (31 March 2019: £123.9m), drawn RCF of £77.5m (31 March 2019: £nil) and amounts owed to Parent and fellow subsidiary undertakings (including accrued interest) of £66.7m (31 March 2019: £187.9m).

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 subsidiary in Germany ('DGI EU') and a branch in Australia which are regulated by BaFin and the Australian Prudential Regulation Authority ('APRA') respectively and are required to hold capital to cover their respective liabilities.

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

Glossary of Terms

Acquisition costs
Commission and other expenses incurred on winning subscriptions from customers for acquiring appliance care protection plan business

ADIA
Abu Dhabi Investment Authority

Adjusted EBITDA
Group's operating profit for a particular period adjusted for amortisation of acquisition intangibles, depreciation and amortisation, significant items and investment income

Alternative Performance Measure ('APM')
An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework

APRA
The Australian Prudential Regulation Authority ('APRA') is a statutory authority of the Australian government and the prudential regulator of the Australian financial services industry

B2B2C
Business to Business to Consumer

BaFin
The Federal Financial Supervisory Authority better known by its abbreviation BaFin is the financial regulatory authority for Germany

Brexit
Brexit (portmanteau of 'British' and 'exit') is the withdrawal of the United Kingdom ('UK') from the European Union ('EU')

Cash-generating unit ('CGU')
A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets

Clients
Business partners (for example manufacturers, retailers and financial service companies) for whom we provide appliance care services including design, arrangement, pricing, selling, administration and distribution of appliance care service plans and policies for customers

COVID-19
The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing pandemic of coronavirus disease 2019 (COVID-19), caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)

Customers
Individuals who have purchased appliance care service plans or policies

Deferred acquisition costs ('DAC')
The proportion of acquisition costs incurred that corresponds to the proportion of sales which have not been recognised as revenue at the balance sheet date

Deferred income
That part of sales which it is estimated will be recognised as revenue in the following or subsequent financial years

DGX
The Domestic & General experience 'DGX' is our digital transformation programme, delivering new online sales and self-service capabilities, supported by a revised Contact Centre Operating Model to give best in class contact

ECL
Expected credit loss

E-tail
Electronic retailing (E-tailing) is the sale of goods and services through the Internet. E-tailing can include business-to-business ('B2B') and business-to-consumer ('B2C') sales of products and services

European Insurance and Occupational Pensions Authority ('EIOPA')
EIOPA is a European financial regulatory institution established under EU Regulation and is one of the three European Supervisory Authorities responsible for microprudential oversight at the European Union level

Free cash flow
Defined as the sum of: (i) free cash flow of the non-regulated business; plus (ii) increase in distributable earnings from the regulated business over the amount of capital to be held for regulatory purposes determined in accordance with Solvency II principles; plus (iii) certain payments from the regulated business to the non-regulated business not included in (i) and (ii) above

Glossary of Terms continued

FVOCI
Fair value through other comprehensive income

FVTPL
Fair value through profit or loss

FY
Financial Year

General Data Protection Regulation ('GDPR')
The GDPR is a regulation in EU law on data protection and privacy for all individuals citizens of the European Union ('EU') and the European Economic Area ('EEA')

Group
The Domestic & General group of companies, comprising Galaxy Finco Limited and all subsidiaries as set out in note 30 in the notes to the Financial Statements

HRX
HRX – Human Resources Experience – is D&G's people strategy which aims to modernise the way we work, develop and engage our people through a number of key people priorities

IAS
International Accounting Standards

IBNR
Claims 'Incurred but Not Reported' refers to the amount owed by an insurer to all valid claimants who have had a covered loss but have not yet reported it

Investment return – interest
Calculated as investment income earned in the year over the average balance of investments plus cash and cash equivalents in the year

IFRS
International Financial Reporting Standards

M&A
Mergers and Acquisitions

Net Promoter Score ('NPS')
NPS is a management tool that is used to gauge the loyalty of a firm's customer relationship and is calculated based on responses to a single question: '*How likely is it that you would recommend our company/product/service to a friend or colleague?*' The scoring for this answer is most often based on a 0 to 10 scale

OCI
Other Comprehensive Income

OEM
Original Equipment Manufacturer

Part VII transfer
A Part VII transfer, also known as insurance business transfer scheme, is a transfer of business or parts of a business under Part VII of the Financial Services & Markets Act 2000 in the United Kingdom. Part VII transfers are a common tool used by insurance businesses to address required business transformation in preparation for or in response to Brexit

Point-of-need ('PoN')
An appliance care plan sold at the point at which an appliance breaks down. The plan includes a repair, plus an extended appliance care cover

Post-point-of-sale ('PPoS')
An appliance care plan sold after the appliance has been purchased

PRA
The Prudential Regulation Authority ('PRA') is a United Kingdom financial services regulatory body, formed as one of the successors to the Financial Services Authority ('FSA'). The authority is structured as a limited company wholly owned by the Bank of England and is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. It sets standards and supervises financial institutions at the level of the individual firm

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

Revenue
The amount of sales recognised in the period either from sales made in previous periods and deferred or current year sales that are recognised in the current period

Service Level Agreement ('SLA')
A service level agreement is a commitment between a service provider and a client. Particular aspects of the service – quality, availability, responsibilities – are agreed between the service provider and the service user

Solvency II
The Solvency II Directive is a Directive in European Union law that codifies and harmonises the EU insurance regulation. Primarily this concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency

Underlying revenue
Represents revenue after the reversal of any fair value adjustments to deferred acquisition costs and deferred income associated 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

VCP
Value Creation Plan

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

Notes

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