# GALAXY FINCO LIMITED
# (Registered in Jersey No. 113706)

## RESULTS FOR THE SIX-MONTH PERIOD ENDED
## 30 September 2021
**(Unaudited)**

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## 1. PERFORMANCE HIGHLIGHTS

Continued growth in Revenue (+6%). Adjusted EBITDA up 1% on prior year due to continued strong renewals across the group with total subscriptions plans up 9% YoY vs H1 FY21.

***Group performance***

- Revenue growth of 6%, driven by continuing growth in subscription revenues of 8%
- Excluding the start-up loss of our US business, which began trading at the end of the quarter, Group adjusted EBITDA grew 1% to £62.5m
- Group operating profit (including the US loss of £2.3m) remained stable at £38.9m

***UK***

- Revenue growth of 7%, with subscription revenues (93% of total UK revenue) growing by 8%
- Share of revenue from renewals remained stable at 79% (H1 FY21: 79%)

***International***

- Revenue growth of 3%. Subscription revenues (56% of total International revenue) grew by 9%
- Share of revenue from renewals 36% (+4 pp vs H1 FY21), in line with Q1 FY22 reflecting growth in renewals outpacing new business sales and strong growth in subscription business in the past year, resulting in increased renewals this year

***Operational***

- Matthew Crummack appointed as CEO
- Digital transformation continues with c.80% and c.33% of replacements and repairs arranged online respectively
- Successful US launch at the end of the quarter, with 50 state licenses awarded, covering over 280m of the US population

## 2. SUMMARY FINANCIAL INFORMATION

| £m | For the six month period ended 30 September | | |
|---|---|---|---|
| | 2022 | 2021 | % Change |
| Total Group Revenue | **453.5** | 427.1 | 6% |
| Repair and claims costs | **(194.2)** | (171.7) | (13%) |
| Acquisition costs | **(118.4)** | (122.3) | 3% |
| Other operating costs | **(81.0)** | (70.9) | (14%) |
| Significant items | **(0.9)** | (3.1) | 71% |
| **EBITDA** | **59.0** | 59.1 | (0%) |
| Depreciation and amortisation | **(20.1)** | (19.8) | (2%) |
| Operating profit | **38.9** | 39.3 | (1%) |
| Net investment income/(expense) | **0.3** | (0.4) | N/A |
| Finance costs | **(28.0)** | (29.6) | 5% |
| **Profit before tax (PBT)** | **11.2** | 9.3 | 20% |
| Income tax charge | **(3.6)** | (1.5) | (140%) |
| **Profit after Tax (PAT)** | **7.6** | 7.8 | (3%) |
| | | | |
| **UK Revenue** | | | |
| Total UK Revenue | **371.8** | 347.6 | 7% |
| Of which is: | | | |
| *- Subscription business* | ***347.4*** | *322.0* | *8%* |
| *- Non subscription business* | ***24.4*** | *25.6* | *(5%)* |
| | | | |
| *of which is Renewal Business* | **291.9** | 275.7 | 6% |
| *Share of Revenue from Renewals* | **79%** | 79% | -1pp |
| | | | |
| **International Revenue** | | | |
| Total International Revenue | **81.7** | 79.5 | 3% |
| Of which is: | | | |
| *- Subscription business* | ***45.6*** | *41.8* | *9%* |
| *- Non subscription business* | ***36.1*** | *37.7* | (4%) |
| | | | |
| *of which is Renewal Business* | **29.6** | 25.5 | 16% |
| *Share of Revenue from Renewals* | **36%** | 32% | 4pp |

| | For the six month period ended 30 September | | |
|---|---|---|---|
| | 2022 | 2021 | % Change |
| **Adjusted EBITDA excl. US** | **62.5** | **61.8** | **1%** |
| US result | (2.3) | - | |
| **Adjusted EBITDA incl. US** | **60.2** | **61.8** | **(3%)** |
| Less: Regulated Business adjusted EBITDA | (20.3) | (21.1) | |
| **Unregulated Business adjusted EBITDA** | **39.9** | **40.7** | **(2%)** |
| Capital expenditure | (21.5) | (11.3) | |
| Change in working capital | (7.2) | 13.7 | |
| US capex and working capital | (3.3) | - | |
| **Unregulated Business Free Cash Flow** | **7.9** | **43.1** | **(82%)** |
| Increase/(Decrease) in distributable reserves in Regulated Business* | 6.8 | 3.9 | |
| **Group Free Cash Flow** | **14.7** | **47.0** | **(69%)** |
| *Conversion* | *24%* | *76%* | |
| Tax (paid)/received | (2.2) | 1.6 | |
| **Post-Tax Free Cash Flow** | **12.5** | **48.6** | **(74%)** |

* Distributable reserves comprise net income of Regulated Business before significant items and as adjusted for changes in capital requirements and Solvency II valuation differences

## 3. OPERATING AND FINANCIAL REVIEW

*Group revenue* increased by 6% for the six-month period ended 30 September 2021 to £453.5m (30 September 2020: £427.1m). UK revenue increased by 7% to £371.8m (30 September 2020: £347.6m) primarily due to growth in our renewals book. Subscription revenue in the UK increased 8% to £347.4m (30 September 2020: £322.0m). International revenue increased to £81.7m (30 September 2020: £79.5m), an increase of 3%. Subscription revenue is a growing proportion of total International revenue at 56% reflecting the continued success in replicating our UK subscription model. Overall, subscription revenue in our International business grew 9% compared to the previous year.

*Share of revenue from renewals* for UK was stable at 79% of total UK revenue, representing an increase of 6% to £291.9m for the period ended 30 September 2021 (30 September 2020: £275.7m). For International, the share of revenue from renewals was 36% of total International revenue, up 4pp since the prior period driven by the continued subscriptions sales growth with renewals increasing by 16% to £29.6m for the period ended 30 September 2021 (30 September 2020: £25.5m). The organic growth of our UK and International renewal books is driven by our subscription model and high retention rates.

*Repair and claims costs* increased by £22.5m, or 13%, to £194.2m. Expressed as a proportion of revenue of £453.5m, repair and claims costs have increased by 3 percentage points to 43%, in line with Q1 FY22 and broadly aligned to pre-covid levels. The prior year comparative reflected the lower claims made both in the UK and International businesses due to the COVID-19 pandemic lockdown. For our fixed margin accounts in the UK, the increase in the claims costs in the period has been offset by a decrease in acquisition costs.

*Acquisition costs*, decreased by £3.9m, or 3%, to £118.4m. Expressed as a proportion of revenue, acquisition costs have decreased to 26% (30 September 2020: 29%) in line with Q1 FY22, due to the offsetting mechanics within our UK fixed margin contracts associated with higher claims mentioned above, albeit this ratio is now broadly consistent with FY21 and pre-COVID-19 levels.

*A significant item* charge of £0.9m (30 September 2020: £3.1m) has been recognised primarily relating to restructuring costs due to claims automation and final Brexit set-up costs, including the application to use Undertaking Specific Parameters (USPs) in the calculation of our EU Solvency II capital requirements. This is reduced from prior year as the majority of Brexit related procedures have now been completed.

*Depreciation and amortisation* increased by £0.3m, or 2%, to £20.1m for the period ended 30 September 2021. This reflects an increase in depreciation driven by continued capital investment in our IT infrastructure as we build our digital capability, partly offset by a decrease in the amortisation of acquisition intangibles as some of these are now fully amortised.

*Investment income* increased by £0.7m, from a prior year loss to income of £0.3m for the period ended 30 September 2021, following the investment of excess cash into debt instruments in Q1. Prior year investment losses relate to the liquidation of investments into cash in Q1 FY21 as we took a prudent approach to investment risk during the macro-economic uncertainty at the start of the pandemic.

*Finance costs* decreased by £1.6m, or 5%, to £28.0m for the period ended 30 September 2021. The prior period included higher RCF interest costs with £77m of the RCF drawn together with higher realised foreign exchange movements, partially offset by increased interest costs in the current period from the £100m raised in July 2020 to fund our investment in the US and our digitalisation programme.

*Group adjusted EBITDA excluding US* has increased 1% to £62.5m (30 September 2020: £61.8m), with growth both in the UK and International businesses driven by increasing subscription profits, due primarily to renewals and stable total cost ratios.

*Group free cash flow* decreased by £32.3m to £14.7m, reflecting an underlying cash conversion rate of 24% (30 September 2020: 76%). Primarily this reflects our continued investment in our digital capabilities and US launch in the current year, whereas the prior year benefitted from pandemic-related cost saving measures.

Free cashflow from our Unregulated Business decreased to £7.9m (30 September 2020: £43.1m). Unregulated business working capital decreased by £20.9m to a £7.2m outflow for the six-month period ended 30 September 2021 (30 September 2020 inflow of £13.7m). The prior year inflow is primarily attributable to management actions to preserve short-term liquidity.

The change in distributable reserves of the regulated business was an increase of £6.8m (30 September 2020: an increase of £3.9m). The increase in distributable reserves of our regulated business is lower than the equivalent regulated EBITDA, which is due to greater capital requirements. These capital requirements primarily relate to the general growth in insurance business, as a result of overall revenue growth and the Customer First transition in the UK.

Tax payments increased by £3.8m for the six-month period ended 30 September 2021 to an outflow of £2.2m (30 September 2020 inflow of £1.6m). The prior period benefitted from a refund in relation to FY19.

*Solvency*

| £m | Q2 FY22<br>30 Sep 2021 | Q1 FY22<br>30 Jun 2021 | % Change |
|---|---|---|---|
| Solvency II Capital resources | **174.9** | **169.9** | 2.9% |
| Solvency II Capital requirement | **87.7** | **82.3** | 6.5% |
| Solvency ratio | **200%** | **206%** | |

The Group has continued to maintain a strong regulatory capital position, with a solvency ratio well in excess of our 130% policy threshold.

The qualifying capital resources of £174.9m (30 June 2021: £169.9m) held by the Regulated Business at the end of the quarter comfortably exceeded its capital requirements of £87.7m (30 June 2021: £82.3m), a regulatory Solvency ratio of 200% (30 June 2021: 206%).

## 4. PRESENTATION OF FINANCIAL INFORMATION

**Cross reference**

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

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

**Financial Information**

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

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

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

The financial information discussed within this financial review has been prepared in accordance with the basis of preparation as described in the unaudited consolidated financial statements of Galaxy Finco Limited for the six-month period ended 30 September 2021 included herein.

The financial review should be read in conjunction with the audited consolidated financial statements of Galaxy Finco Limited for the year ended 31 March 2021.

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

**Alternative Performance Measures ('APMs')**

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

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

**Information Regarding Forward-Looking Statements**

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

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

**Presentation**

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

**Non-GAAP alternative performance measures reconciliation**

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

**Profit reconciliation**

| | For the six month period ended 30 September | | |
|---|---|---|---|
| £m | 2022 | 2021 | % Change |
| Revenue | 453.5 | 427.1 | 6% |
| Other operating costs | (394.5) | (368.5) | 7% |
| Impairment gain/(loss) on financial assets | - | 0.5 | N/A |
| Significant items | 0.9 | 3.1 | (71%) |
| Net investment income/(expense) | 0.3 | (0.4) | N/A |
| **Adjusted EBITDA** | **60.2** | **61.8** | **(3%)** |
| Significant items | (0.9) | (3.1) | (71%) |
| **EBITDA** | **59.3** | **58.7** | **1%** |
| Depreciation and amortisation | (20.1) | (19.8) | 2% |
| Finance costs | (28.0) | (29.6) | (5%) |
| **Profit/(loss) before tax** | **11.2** | **9.3** | **20%** |
| Tax | (3.6) | (1.5) | 140% |
| **Profit/(loss)** | **7.6** | **7.8** | **(3%)** |

**Adjusted EBITDA excluding US result reconciliation**

| | For the six month period ended 30 September | | |
|---|---|---|---|
| £m | 2022 | 2021 | % Change |
| Operating profit | 38.9 | 39.3 | (1%) |
| Significant items | 0.9 | 3.1 | (71%) |
| Depreciation and amortisation | 20.1 | 19.8 | 2% |
| Net investment income/(expense) | 0.3 | (0.4) | N/A |
| **Adjusted EBITDA** | **60.2** | **61.8** | **(3%)** |
| US result | 2.3 | - | N/A |
| **Adjusted EBITDA excluding US result** | **62.5** | **61.8** | **1%** |

## 5. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT
### FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2021

| | Note | **Period ended 30 September 2021 (Unaudited) £m** | Period ended 30 September 2020 (Unaudited) £m |
|---|---|---|---|
| **Revenue** | 4 | **453.5** | 427.1 |
| Operating costs | | | |
| - Other operating costs | | **(394.5)** | (368.5) |
| - Depreciation and amortisation | | **(20.1)** | (19.8) |
| - Reversal of impairment loss on financial assets | | **-** | 0.5 |
| **Operating profit** | | **38.9** | 39.3 |
| Net investment income/(expense) | | **0.3** | (0.4) |
| Finance costs | | **(28.0)** | (29.6) |
| **Profit before taxation** | | **11.2** | 9.3 |
| Tax | 6 | **(3.6)** | (1.5) |
| **Profit for the period** | | **7.6** | 7.8 |

The total profit for the period is attributable to the equity shareholders of the Group. All business above is from continuing operations.

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2021

| | **Period ended 30 September 2021 (Unaudited) £m** | Period ended 30 September 2020 (Unaudited) £m |
|---|---|---|
| Profit for the period | **7.6** | 7.8 |
| Currency translation differences | **0.3** | 1.2 |
| Changes in fair value of investments through OCI | **(0.3)** | - |
| Effective portion of changes in fair value of cash flow hedges – hedging reserve | **(0.1)** | (0.4) |
| **Total comprehensive income for the period** | **7.5** | 8.6 |

The total comprehensive income for the period is attributable to the equity shareholders of the Group.

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

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

## CONSOLIDATED BALANCE SHEET
## AT 30 SEPTEMBER 2021

| | Note | 30 September 2021 (Unaudited) £m | 31 March 2021 (Audited) £m |
|---|---|---|---|
| **Assets** | | | |
| Goodwill and intangible assets | | **473.2** | 472.4 |
| Property, plant and equipment | 7 | **32.5** | 28.6 |
| Non-current assets held for sale | 7 | **7.3** | 7.3 |
| Deferred acquisition costs | | **261.8** | 258.5 |
| Financial investments | 8 | **136.7** | 109.2 |
| - at fair value through other comprehensive income | | **69.8** | - |
| - at fair value through profit and loss | | **66.9** | 109.2 |
| Deferred tax assets | | **9.3** | 9.6 |
| Trade and other receivables | | **786.1** | 776.2 |
| Cash and cash equivalents | 11 | **27.0** | 71.0 |
| **Total assets** | | **1,733.9** | 1,732.8 |
| | | | |
| **Liabilities** | | | |
| Loans and borrowings | 13 | **801.7** | 798.5 |
| Deferred tax liabilities | | **25.5** | 25.8 |
| Deferred income | | **836.2** | 834.6 |
| Claims and repair costs provision | 12 | **32.0** | 30.9 |
| Current tax liability | | **1.2** | 1.8 |
| Derivative financial instruments | 9 | **11.1** | 12.3 |
| Trade and other payables | | **186.4** | 196.6 |
| **Total liabilities** | | **1,894.1** | 1,900.5 |
| | | | |
| **Equity** | | | |
| Share capital | | **89.9** | 89.9 |
| Other reserves | | **(1.3)** | (1.2) |
| Accumulated loss | | **(248.8)** | (256.4) |
| **Total equity** | | **(160.2)** | (167.7) |
| | | | |
| **Total equity and liabilities** | | **1,733.9** | 1,732.8 |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2021

| | **30 September 2021 (Unaudited)** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Ordinary share capital £m** | **Share premium £m** | **Hedging reserves £m** | **Other reserves £m** | **Revaluation reserves £m** | **Accumulated loss £m** | **Total equity £m** |
| **At 1 April 2021** | **0.9** | **89.0** | **(2.4)** | **(2.2)** | **3.4** | **(256.4)** | **(167.7)** |
| **Profit for the period** | **-** | **-** | **-** | **-** | **-** | **7.6** | **7.6** |
| **Other comprehensive profit/(loss) for the period** | **-** | **-** | **(0.1)** | **-** | **-** | **-** | **(0.1)** |
| **Balance as at 30 September 2021** | **0.9** | **89.0** | **(2.5)** | **(2.2)** | **3.4** | **(248.8)** | **(160.2)** |

| | 30 September 2020 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Ordinary share capital £m | Share premium £m | Hedging reserves £m | Other Reserves £m | Revaluation reserve £m | Accumulated loss £m | Total equity £m |
| At 1 April 2020 | 0.9 | 89.0 | (0.4) | (0.7) | - | (253.1) | (164.3) |
| Profit for the year | - | - | - | - | - | 7.8 | 7.8 |
| Other comprehensive profit/(loss) for the year | - | - | (0.4) | 1.2 | - | - | 0.8 |
| Balance as at 30 September 2020 | 0.9 | 89.0 | (0.8) | 0.5 | - | (245.3) | (155.7) |

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

## CONSOLIDATED CASH FLOW STATEMENT
## FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2021

| | Note | **Period ended 30 September 2021 (Unaudited) £m** | Period ended 30 September 2020 (Unaudited) £m |
|---|---|---|---|
| **Profit before tax** | | **11.2** | 9.3 |
| Adjustments for: | | | |
| Depreciation of owned property, plant and equipment | | **2.0** | 1.5 |
| Depreciation of leased, property, plant and equipment | | **1.3** | 1.8 |
| Amortisation of software | | **8.1** | 5.9 |
| Amortisation of acquired intangible assets | | **8.7** | 10.8 |
| Finance costs | | **28.0** | 29.6 |
| Investment (income)/expense | | **(0.3)** | 0.4 |
| Reversal of impairment loss on financial assets | | **-** | (0.5) |
| | | **59.0** | 58.8 |
| **Changes in working capital** | | | |
| (Increase)/decrease in deferred acquisition costs | | **(3.2)** | (2.5) |
| (Increase)/decrease in trade and other receivables | | **(9.0)** | 0.9 |
| Increase/(decrease) in deferred income | | **1.5** | 1.0 |
| Increase/(decrease) in claims and repair costs provision | | **1.0** | 2.2 |
| Increase/(decrease) in trade and other payables | | **(10.3)** | 22.1 |
| **Cash flows from operating activities** | | **39.0** | 82.5 |
| Interest paid | | **(25.9)** | (27.0) |
| Income taxes deferred/(paid) | | **(4.1)** | (0.1) |
| **Net cash from/(used in) operating activities** | | **9.0** | 55.4 |
| | | | |
| **Cash flows from investing activities** | | | |
| Increase in property, plant and equipment | | **(6.8)** | (2.9) |
| Acquisition of software | | **(17.5)** | (9.1) |
| Withdrawal from credit institutions | | **-** | 0.1 |
| Withdrawal from/(deposit with) money market funds | | **43.7** | (61.0) |
| (Investment in) financial instrument investments | | **(70.5)** | (11.3) |
| **Net cash from/(used in) investing activities** | | **(51.1)** | (84.2) |
| | | | |
| **Cash flows from financing activities** | | | |
| Private debt placement and refinancing of Loan Notes | | **-** | 22.8 |
| Repayment of lease liability | | **(1.8)** | (1.5) |
| Amounts paid to related parties | | **(0.9)** | (0.9) |
| **Net cash from/(used in) financing activities** | | **(2.7)** | 20.4 |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **(44.8)** | (8.4) |
| Effects of exchange rates | | **0.8** | 3.1 |
| **Cash and cash equivalents at beginning of the period** | | **71.0** | 81.0 |
| **Cash and cash equivalents at the end of the period** | 11 | **27.0** | 75.7 |

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

**NOTES TO THE FINANCIAL STATEMENTS**

## 1. General information

Galaxy Finco Limited (the 'Company') is a private company incorporated in Jersey. These condensed consolidated interim financial statements of the Company are for the six-month period 1 April 2021 to 30 September 2021 and comprise the Company and its subsidiaries (together referred to as the 'Group').

## 2. Basis of preparation

The condensed consolidated interim financial statements for the six-month period ended 30 September 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. The financial information contained in these interim results does not constitute statutory accounts of Galaxy Finco Limited within the meaning of Section 105 of the Companies (Jersey) Law, 1991.

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

These condensed consolidated interim financial statements have been prepared by applying the accounting policies used in the 31 March 2021 Annual Report and Accounts, except for the adoption of new standards that have become effective, which were in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'). At 30 September 2021, there were no unendorsed standards effective for the six-month period ended 30 September 2021 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Group.

There were no new standards or amendments to standards that had an effect on these interim condensed consolidated interim financial statements. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 March 2021.

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

The evolving COVID-19 pandemic has caused significant disruption to the economy and financial markets globally, and the full extent of the potential impacts of COVID-19 remain unknown. Overall, COVID-19 has not had a material impact on the trading performance of the Group, with stable performance seen throughout the lockdowns and resilient cash flow performance demonstrating the strength of our business model. This summer, we reopened our offices and have adopted a hybrid model of both home and office working, with no disruption to the day-to-day operations of the Group. The Directors have prepared base case cash flow forecasts for a period of at least 12 months from the date of these financial statements which indicate that the Group and the Company will be able to operate with adequate levels of both liquidity and capital over that period.

The Directors have also considered a severe but plausible downside scenario which incorporates the potential for reductions in sales, a deterioration in the gross loss ratio and increases in cancellation rates which may arise if further lockdowns were to occur. This scenario, which makes assumptions that are more severe than the outcomes experienced under previous lockdowns, 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 these financial statements.

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

### 3. Segment Analysis

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

#### a) Segmental structure

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

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

#### b) Segment results

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

| | UK | International | Other | Group |
|---|---|---|---|---|
| ***Six months ended 30 September 2021*** | | | | |
| **Revenue** | | | | |
| Subscription | 347.4 | 45.6 | - | 393.0 |
| Cash and other revenue | 24.4 | 36.1 | - | 60.5 |
| | **371.8** | **81.7** | **-** | **453.5** |
| **Profit/(loss) before taxation[1]** | **44.8** | **3.3** | **(36.9)** | **11.2** |
| **Non-current assets[2]** | **502.8** | **10.2** | **-** | **513.0** |

| | UK | International | Other | Group |
|---|---|---|---|---|
| ***Six months ended 30 September 2020*** | | | | |
| **Revenue** | | | | |
| Subscription | 322.0 | 41.8 | - | 363.8 |
| Cash and other revenue | 25.6 | 37.7 | - | 63.3 |
| | 347.6 | 79.5 | - | 427.1 |
| **Profit/(loss) before taxation** | **46.7** | **0.8** | **(38.2)** | **9.3** |
| ***Year ended 31 March 2021*** | | | | |
| **Non-current assets[2]** | **502.1** | **6.2** | **-** | **508.3** |

[1] International includes the US business result of -£2.3m.

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

## 4. Revenue

| | **Period ended 30 September 2021 (Unaudited) £m** | Period ended 30 September 2020 (Unaudited) £m |
|---|---|---|
| Sales | **454.5** | 430.1 |
| Deferred income movement | **(1.0)** | (3.0) |
| Revenue | **453.5** | 427.1 |

## 5. Significant items

| | **Period ended 30 September 2021 (Unaudited) £m** | Period ended 30 September 2020 (Unaudited) £m |
|---|---|---|
| Brexit costs | **(0.2)** | (3.0) |
| Strategic projects | **(0.7)** | (0.1) |
| | **(0.9)** | (3.1) |

## 6. Taxation

| | **Period ended 30 September 2021 (Unaudited) £m** | Period ended 30 September 2020 (Unaudited) £m |
|---|---|---|
| Current tax on profit for the period | **(3.6)** | (5.0) |
| Deferred tax | **-** | 3.5 |
| Total income tax charge | **(3.6)** | (1.5) |

## 7. Property, plant and equipment

| | **30 September 2021 (Unaudited) £m** | 31 March 2021 (Audited) £m |
|---|---|---|
| Other owned PPE | **15.2** | 9.9 |
| Other leased PPE | **17.3** | 18.7 |
| | **32.5** | 28.6 |
| Non-current assets held for sale | **7.3** | 7.3 |
| | **7.3** | 7.3 |

## 8. Financial investments

| | 30 September 2021 (Unaudited) | | |
|---|---|---|---|
| | **FVOCI*** | **FVTPL**** | **Total** |
| | **£m** | **£m** | **£m** |
| **Money market funds** | **-** | **5.9** | **5.9** |
| **Investments in unlisted securities** | **-** | **61.0** | **61.0** |
| **Investment carried at fair value** | **69.8** | **-** | **69.8** |
| | **69.8** | **66.9** | **136.7** |

| | 31 March 2021 (Audited) | | |
|---|---|---|---|
| | FVOCI* | FVTPL** | Total |
| | £m | £m | £m |
| Money market funds | - | 49.6 | 49.6 |
| Investment in unlisted securities | - | 59.6 | 59.6 |
| Investments carried at fair value | - | - | - |
| | - | 109.2 | 109.2 |

* *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 £61.0m of investments in preference shares issued by Galaxy Finco 2 Limited (31 March 2021: £59.6m), a fellow subsidiary of the Group's immediate Parent, Galaxy Midco 2 Limited and investments held in money market funds.

## 9. Derivative financial instruments

| | | **30 September 2021 (Unaudited)** | 31 March 2021 (Audited) |
|---|---|---|---|
| | | **£m** | £m |
| Derivative asset | (a) | **0.2** | - |
| Derivative liability | (b) | **(11.3)** | (12.3) |
| | | **(11.1)** | (12.3) |

### *a) Derivative asset*

The Group has entered into GBPAUD foreign exchange forward contracts for the purpose of managing the Group's exposure to movements in foreign exchange rates, in relation to future funding to be provided to the Australian business, primarily via repayment of intra-group loans. The amount and timing of the trades has been designed to correlate to expected payments over the period to January 2025. The Group has not elected to apply hedge accounting to these instruments.

The carrying value of the Group's derivative financial asset was:

| | **30 September 2021 (Unaudited) £m** | 31 March 2021 (Audited) £m |
|---|---|---|
| Foreign exchange forward contracts | **0.2** | - |

### *b) Derivative liability*

The Group has entered into derivative financial instruments for the purpose of managing the Group's exposure to 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 liability was:

| | **30 September 2021 (Unaudited) £m** | 31 March 2021 (Audited) £m |
|---|---|---|
| Cross Currency Interest Rate Swap | **11.3** | 12.3 |
| - Current liability | **2.3** | 2.1 |
| - Non-current liability | **9.0** | 10.2 |

The fair value of the derivative financial instruments is based on third-party market valuations.

### *c) Hedge accounting*

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

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

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

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

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 13, are variable rate borrowings.

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

| | **30 September 2021 (Unaudited) £m** | 31 March 2021 (Audited) £m |
|---|---|---|
| Balance at 1 April | **(2.4)** | (0.4) |
| Amount recognised in equity in the period/year | **(0.1)** | (2.0) |
| Cash flow hedge reserves as at period end | **(2.5)** | (2.4) |

**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.

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

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

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

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

**10. 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:

| | **30 September 2021 (Unaudited)** | | | | |
|---|---|---|---|---|---|
| | **FVOCI* - designated on initial recognition £m** | **FVTPL** - designated on initial recognition £m** | **Financial assets held at amortised cost £m** | **Financial liabilities held at amortised cost £m** | **Total £m** |
| **Investments** | **69.8** | **66.9** | **-** | **-** | **136.7** |
| **Trade and other receivables** | **-** | **-** | **786.8** | **-** | **786.8** |
| **Cash and cash equivalents** | **-** | **-** | **27.0** | **-** | **27.0** |
| **Derivative financial instruments** | **-** | **(11.1)** | **-** | **-** | **(11.1)** |
| **Loans and borrowings** | **-** | **-** | **-** | **(801.7)** | **(801.7)** |
| **Trade and other payables** | **-** | **-** | **-** | **(187.1)** | **(187.1)** |
| | **69.8** | **55.8** | **813.8** | **(988.8)** | **(49.4)** |

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

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

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

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

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

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

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

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

| | **30 September 2021 (Unaudited)** | | | |
|---|---|---|---|---|
| | **Level 1 £m** | **Level 2 £m** | **Level 3 £m** | **Total £m** |
| **Investments at fair value through profit and loss** | **-** | **5.9** | **61.0** | **66.9** |
| **Investments at fair value through other comprehensive income** | **69.8** | **-** | **-** | **69.8** |
| **Derivative financial instruments** | **-** | **(11.1)** | **-** | **(11.1)** |
| | **69.8** | **(5.2)** | **61.0** | **125.6** |

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

| **Level 3 Financial Instruments** | **30 September 2021 (Unaudited) £m** | 31 March 2021 (Audited) £m |
|---|---|---|
| At 1 April | **59.6** | 55.7 |
| Interest | **1.5** | 4.2 |
| Foreign Exchange movements | **(0.1)** | (0.3) |
| At the end of the period/year | **61.0** | 59.6 |

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

### 11. Cash and cash equivalents

| | **30 September 2021 (Unaudited) £m** | 31 March 2021 (Audited) £m |
|---|---|---|
| Bank and cash balances | **0.7** | 37.8 |
| Call deposits and short-term bank deposits | **26.3** | 33.2 |
| | **27.0** | 71.0 |

### 12. Claims and repair costs provision

| | **30 September 2021 (Unaudited) £m** | 31 March 2021 (Audited) £m |
|---|---|---|
| Balance at 1 April | **30.9** | 28.9 |
| Amounts incurred during the period/year | **194.2** | 394.4 |
| Amounts paid during the period/year | **(193.1)** | (392.4) |
| Balance as at the end of the period/year | **32.0** | 30.9 |

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

### 13. Loans and borrowings

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

| | **30 September 2021 (Unaudited) £m** | 31 March 2021 (Audited) £m |
|---|---|---|
| 6.5% Senior Secured Notes due 2026 | **405.0** | 405.0 |
| €200m Senior Secured Floating Rate Notes due 2026 | **171.9** | 170.4 |
| 9.25% Senior Notes due 2027 | **150.0** | 150.0 |
| 5.35% Loan due to Parent Company | **7.9** | 7.7 |
| 5.25% Loan due to Fellow Subsidiary Company | **64.2** | 62.6 |
| **Total Principal** | **799.0** | 795.7 |
| Transaction costs | **(16.1)** | (17.4) |
| **Carrying amount** | **782.9** | 778.3 |
| Lease liability | **18.8** | 20.2 |
| **Loans and borrowings** | **801.7** | 798.5 |

For more information about the Group's exposure to interest rate risk see note 33(a) of the Group's annual financial statements for 31 March 2021.

**Terms and debt repayment schedule for Loan Notes**

| | Nominal interest rate | Year of maturity | Principal £m | Carrying amount £m |
|---|---|---|---|---|
| 6.5% Senior Secured Notes | 6.50% | 2026 | 405.0 | 397.4 |
| €200m Senior Secured Floating Rate Notes | EURIBOR+5% | 2026 | 171.9 | 167.5 |
| 9.25% Senior Notes | 9.25% | 2027 | 150.0 | 145.9 |
| 5.35% Loan due to Parent Company | 5.35% | 2028 | 7.3 | 7.9 |
| 5.25% Loan due to Fellow Subsidiary Company | 5.25% | 2028 | 58.0 | 64.2 |
| | | | | 782.9 |

The entire balance of loans and borrowings is considered non-current, on the basis that repayment is not required until more than 12 months after the balance sheet date.

The Group did not have any defaults of principal or interest or any other breaches with respect to its loans and borrowings during the period ended 30 September 2021.

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

The revolving credit facility of £100m (31 March 2021: £100m) has a final maturity date of 1 May 2026, of which £30m (31 March 2021: £30m) is allocated to letters of credit callable on demand that support DGI's Tier 2 Ancillary Own Funds (AOF) for Solvency II purposes. At the balance sheet date, £3.0m (31 March 2021: £3.0m) of the RCF is available as a same day drawdown overdraft facility. This overdraft, together with the balance of the RCF was fully undrawn (at 31 March 2021: fully undrawn).

**14. Related parties**

The nature of the related party transactions of the Group are consistent in nature and scope with those disclosed in note 30 of the Group's consolidated financial statements for the year ended 31 March 2021.

## 15. Financial risk management

The Group is exposed to financial risk through its financial assets and financial liabilities, and its appliance care service plans and insurance contracts. Risks include interest rate risk, credit risk, liquidity risk and foreign exchange risk.

The nature of these risks is disclosed in note 33 of the Group's consolidated financial statements for the year ended 31 March 2021.

*Credit ratings of significant classes of financial assets*

| | **30 September 2021 (Unaudited)** | | | |
|---|---|---|---|---|
| | **A- rated (or above) Institutions £m** | **BBB+ rated (or below) Institutions £m** | **Unrated £m** | **Total £m** |
| **Cash and cash equivalents** | **27.0** | **-** | **-** | **27.0** |
| **Money market funds** | **5.9** | **-** | **-** | **5.9** |
| **Investment in unlisted securities** | **-** | **-** | **61.0** | **61.0** |
| **Investments carried at fair value** | **53.3** | **16.5** | **-** | **69.8** |
| **Trade and other receivables** | **6.0** | **20.1** | **760.7** | **786.8** |
| | **92.2** | **36.6** | **821.7** | **950.5** |

| | 31 March 2021 (Audited) | | | |
|---|---|---|---|---|
| | A- rated (or above) Institutions £m | BBB+ rated (or below) Institutions £m | Unrated £m | Total £m |
| Cash and cash equivalents | 71.0 | - | - | 71.0 |
| Money market funds | 49.6 | - | - | 49.6 |
| Investment in unlisted securities | - | - | 59.6 | 59.6 |
| Investments carried at fair value | - | - | - | - |
| Trade and other receivables | - | 20.2 | 756.0 | 776.2 |
| | 120.6 | 20.2 | 815.6 | 956.4 |