2022

Domestic & General

ANNUAL REPORT & ACCOUNTS

OUR PURPOSE

Make the world a better place, one repair at a time

Click to jump to a section.

+

Strategic Report

See pages 3 to 56 >

+

Corporate Governance

See pages 57 to 72 >

+

Financial Statements

See pages 73 to 135 >

Domestic & General

See more online at www.domesticandgeneral.com

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

Strategic Report

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FY 2022 highlights

Key financial metrics

Revenue
£924m
FY21: £872m +6%

Group subscription revenue
£807m
FY21: £748m +8%

Adjusted EBITDA ex US[1]
£117m
FY21: £107m +10%

Free cash flow[2]
£54m
FY21: £32m +70%

Financial performance

- Continued strong financial performance with Group adjusted EBITDA[1] ex US increasing by 10% to £117m (FY21: £107m) reflecting solid trading performance and cost discipline.
- Total subscription revenue increased 8% to £807m (FY21: £748m) year-on-year reflecting increased new business levels and stable subscription customer retention rates.

Operational progress

- Our US business launched in the Autumn of 2021. It is early days for the business, but we are already seeing promising conversion rates.
- Our digitalisation initiatives and the modernisation of our facilities are progressing well, with a refreshed leadership team and the development of our new Nottingham office well underway.
- We have also completed expected contract extensions with some of our key partners during the year.

Cashflow and capital

- Positive Group free cash flow[2] of £54m (FY21: £32m) is inclusive of planned investment in digital capabilities, facilities transformation and our US expansion, reflecting solid trading performance.
- Notwithstanding our increased capital expenditure and US investment, we have good levels of liquidity, including unused capacity in our revolving credit facility ('RCF').
- We continue to be well covered from an insurance capital perspective at 196%[1,3] (FY21: 199%).

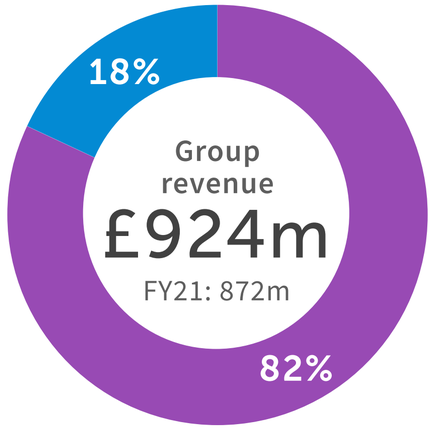
1 See alternative performance measures ('APMs') on pages 131 and 132 and Glossary on page 133
2 See Free cash flow definition on page 134
3 See Solvency II definition on page 135
4 Percentage changes are calculated on a true underlying basis and not on the rounded numbers presented

Community

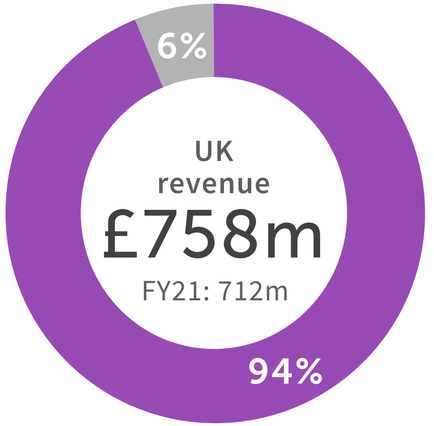
OFFICIAL WARRANTY PROVIDER
BIRMINGHAM 2022
commonwealth games

We are an official sponsor of the first ever carbon neutral Commonwealth Games

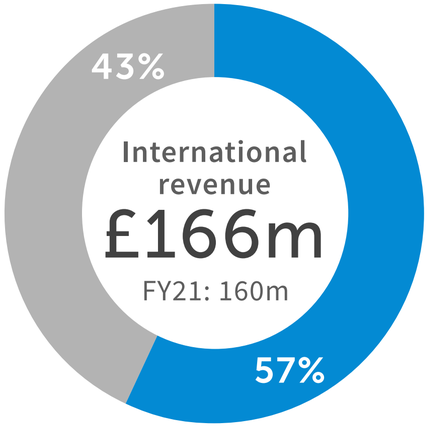
Revenue breakdown



- UK (FY21: 82%)
- International (FY21: 18%)



- Subscription (FY21: 93%)
- Non-subscription (FY21: 7%)



- Subscription (FY21: 53%)
- Non-subscription (FY21: 47%)

Subscription plans

8.9m

FY21: 8.2m

Subscription retention rate

85%

FY21: 85%

Where we operate

Domestic & General operates across 12 markets, including the UK, Spain, Germany, Portugal, Italy and the US

+ UK offices
+ International offices

12
Markets

c.3,000
Colleagues across the world

>9,000
Manufacturer approved engineers

2.5m
Repairs per annum

0.5m
Replacements per annum

We have a **simple** and **transparent** product range

Product care

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

Replacement care

Breakdown and accidental damage protection for small domestic appliances costing under £200.

Replacement care has a fixed-term payment plan and offers instant replacement.

Repair & care

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

+ a strong and resilient position in the home

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

See more on pages **32 and 33** >

Markets
Established in 12 markets with over 2bn protectable appliances.

We continue to thrive across our markets despite changing external conditions.

See more on pages **16 and 17** >

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

See more on pages **32 to 35** >

Partners
Exclusive long-term partnerships with leading Original Equipment Manufacturers ('OEMs') and retailers.

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

See more on pages **36 to 39** >

People
c.3,000 colleagues across the world.

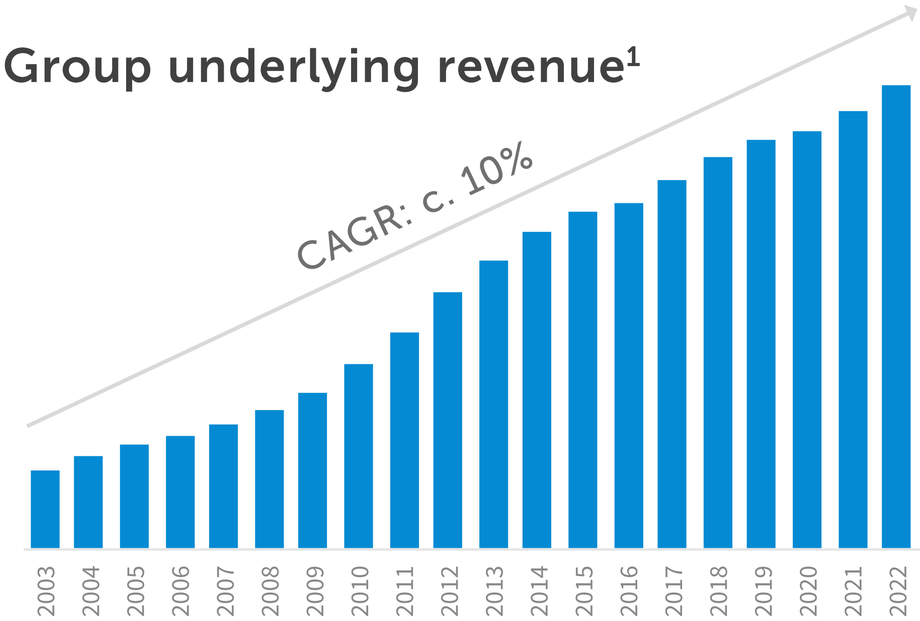
Network of over 9,000 manufacturer approved engineers.

People strategy focus on culture, engagement and a smart future.

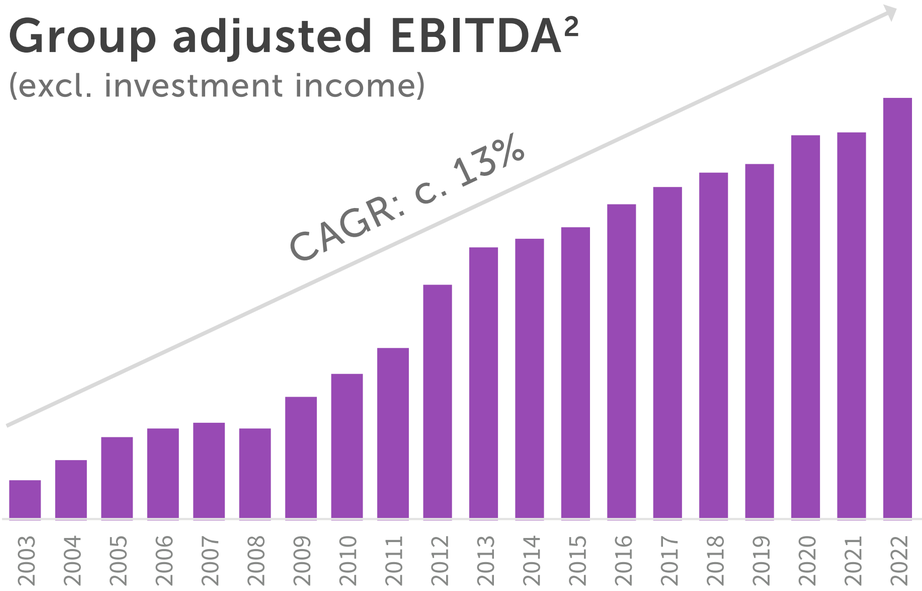
See more on pages **40 to 43** >

Solid track record of organic revenue + profit growth

Group underlying revenue[1]



Group adjusted EBITDA[2]
(excl. investment income)



1 Underlying revenue is stated on a consistent basis excluding the impact of fair value adjustments related to acquisition accounting in historic periods.
2 Accounting policies have changed over the 19 year period. CAGRs based on FY03 and FY22. FY03 Group adjusted EBITDA (excl. investment income) calculated based on historical financials (under UK GAAP, with the Group adopting IFRS from 1 April 2005). FY21 onwards excludes the results of our US business.

Chair's statement

David Tyler

Continued strong results despite wider economic disruptions

When I wrote to you last year, it was in the aftermath of the tragic death of Ian Mason, our CEO, in April 2021. Ian was an inspirational leader with a relentless focus on putting the customer at the heart of our business, and we are all greatly saddened that he is no longer with us.

After a period of five months in which I led the business as Executive Chair, we were delighted to welcome Matthew Crummack as our new CEO in October 2021, at which time I returned to my normal non-executive position.

Before joining Domestic & General, Matthew was Group CEO of GoCo Group plc (which includes GoCompare), a data-enabled and tech-led business focused on innovation. Prior to this, Matthew was Group CEO of lastminute.com Group and has also worked in leadership roles at Expedia, Nestle, and Procter & Gamble. Matthew is also the Senior Independent Non-Executive Director of National Express PLC, a Non-Executive Director & advisor of Kidadl, and an independent council member of Aston University.

Matthew has brought strong leadership and significant experience developing digital propositions for consumers, which has been evident in the period since he arrived. He has operated in global companies and understands the dynamics of a strong customer-centric model rooted in subscriptions, which is what we have at Domestic & General.

We have seen a number of other changes to our Board over the past 12 months. James Davies left his role as Chief Financial Officer in April 2021 and we appointed Joe Fitzgerald as his successor on a permanent basis in November 2021, after doing that job on an interim basis following James' departure. Joe provides a great demonstration of our management development and succession planning activities in Domestic and General. He joined the Domestic & General graduate scheme in 1998 and has worked in a variety of roles across the business. He was appointed Underwriting Director in 2007 and has also led our Marketing, Data Science, Repair Service, Digital & Group Strategy functions. ›

> "Our product offering has increased importance to many households as our customers navigate the current economic climate"

Group adjusted EBITDA ex US

£117m

+10%

FY21: £107m

Group subscription revenue

£807m

+8%

FY21: £748m

In addition, Jérôme Mourgue d'Algue stood down as a Non-Executive Director in July 2021. We were very pleased to welcome both Michael Ross and Martin Iacoponi to the Board as Non-Executive Directors this year. Michael replaces Jérôme as ADIA's representative on the Board. Martin is a Managing Director at CVC, our majority investor. I would like to take this opportunity to thank James and Jérôme for their contribution to the Board and to wish them well for the future.

Our Executive Committee has also seen changes, with the departures of James Peddar (Chief Digital Officer) and Nick Ulycz (Chief Operating Officer), and the arrivals of Seb Chakraborty (Chief Product & Technology Officer) and Al Grljevic (Chief Operating Officer). Again, I thank James and Nick for their important contributions, and I welcome Seb and Al who will both play an important role as we look to deliver the next phase of our business plan.

Turning to our results this year, I am very pleased to report that the business has delivered another year of good financial performance with revenue growth of 6% and adjusted EBITDA ex US of £117m (FY21: £107m).

The performance of the UK business continues to demonstrate the resilience of our business model with revenue growth of 6% driven by the strength and maturity of our renewals book and robust new business performance. Alongside this, the International business (excluding US) continues to deliver excellent growth with subscription revenue 11% higher year-on-year, achieved despite the prolonged periods of retail lockdown across markets.

The last financial year also saw the launch of our business in the US in September 2021. We are partnering with Whirlpool to bring new subscription products to US consumers. This was a major moment for Domestic & General and came after years of hard work across the business, and we are seeing promising conversion rates and clear indications that consumers are open to offer.

We are now two years into our five-year plan and, despite the challenges of the past year, we are progressing well. Our strategic priorities remain unchanged. I believe we have a robust plan and the right leadership team in place to deliver the further profit growth we are targeting over the next three years.

Our product offering has increased importance to many households as our customers navigate the current economic climate. COVID-19 and the cost of living crisis have represented significant challenges to all of us over the past year. Like many businesses, we have been challenged with employee absence, both in our own contact centres and throughout the network of engineers that help to repair our customers' appliances. Following a challenging winter peak period, with some customers having to wait longer than normal to speak to us or to have their appliance repaired, we are seeing signs of significant improvement and have plans in place to ensure we continue to provide excellent service to our customers whenever they need us. ›

Chair's statement continued

As a business, we want to be seen as a beacon of sustainability, playing a full part in the fight against climate change. Our 'repair first' ethos has seen us undertake a further 2.5 million repairs in the past year (2021: 2.4 million), helping us to extend the life of appliances and reducing waste to landfill. We have now created a dedicated Sustainability Committee of the Board, which is focused on the ever more important environmental and social responsibilities. This new Sustainability Committee of the Board will oversee the excellent work that is carried out by the Executive team. In July 2021 we were proud to join the UN's Global Compact Network, the world's largest corporate sustainability initiative, which calls for companies to align their operations and strategies with 10 universally accepted principles related to the environment, human rights, labour and anti-corruption.

We are also an official sponsor of the Birmingham 2022 Commonwealth Games, which aims to be the first carbon-neutral Commonwealth Games in history, amplifying the importance of sustainability to a global audience.

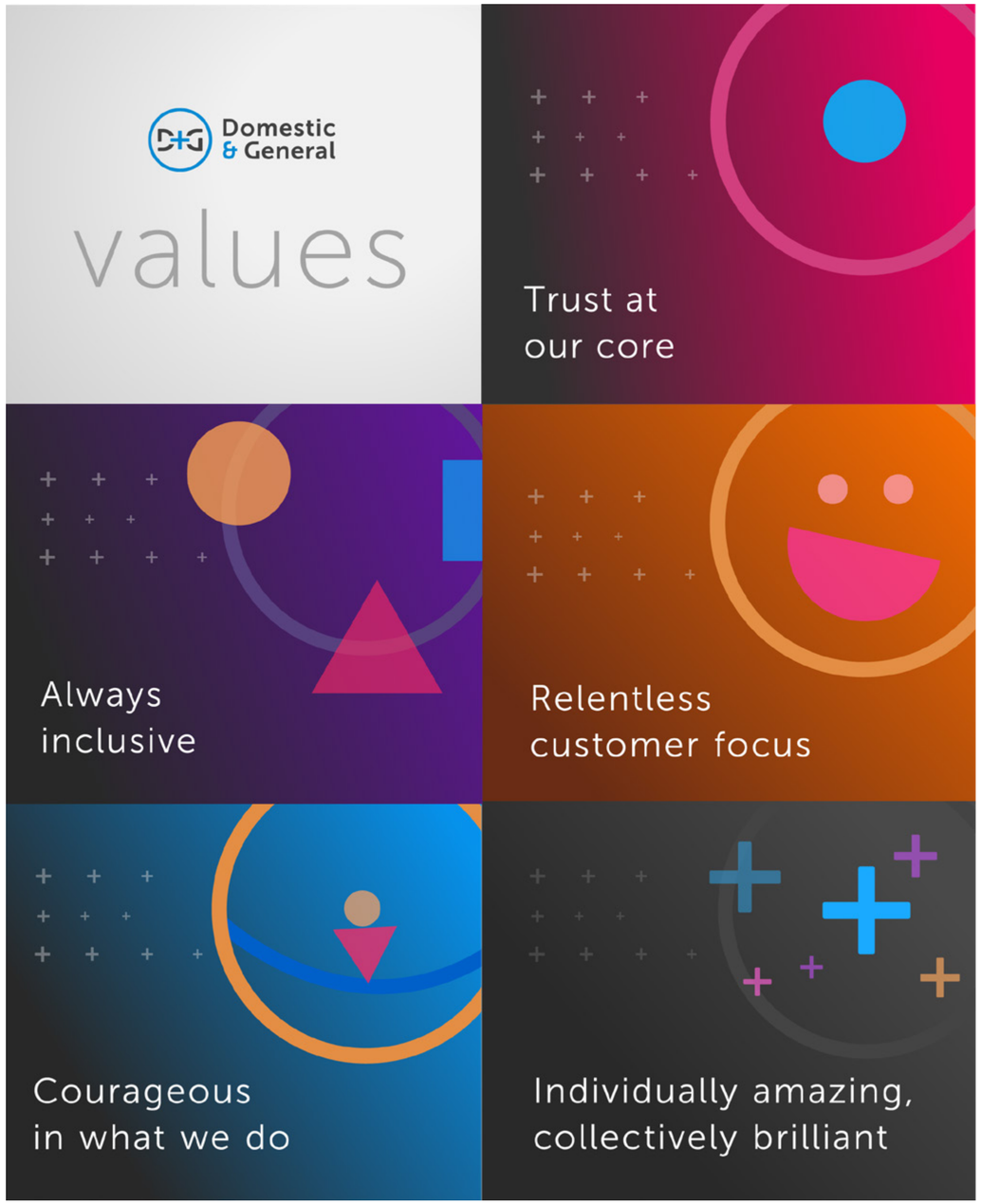
Risk management, compliance and data privacy are embedded into our culture and decision making across the business. We are focused on ensuring continued compliance with all current and future regulations. I am pleased to report that we continue to have a positive and transparent relationship with our regulators, underpinned by strong governance over our key processes. We continue to monitor closely the value that our products provide customers as part of our Customer First culture. We believe that customers saw more clearly than ever the value of our services as they spent more time at home following the shift to hybrid and remote working through the pandemic.

Our long-standing partnerships with major OEMs, retailers and utility providers continue to be a core strength for our business and allow us to deliver a seamless customer experience. We thank all our partners for their ongoing commitment, and we look forward to continuing to work together for many years to come.

On behalf of the Board, I would like to express my great thanks to all our colleagues across the business for their continuing commitment to serving our customers. Our culture is to put the customer first and each employee plays an important role in helping Domestic & General to deliver excellent service to them.

I look forward to a further positive year ahead under Matthew's leadership during which we plan to deliver value to all our stakeholders: customers, business partners, colleagues, shareholders and the wider community.

David Tyler
Chair
30 June 2022



"As a business, we want to be seen as a **beacon of sustainability**, playing a full part in the fight against climate change"

CEO's statement

Matthew Crummack

Since joining Domestic & General ('D&G') in October 2021, I have been hugely impressed by what this company is doing for its customers, and indeed all its stakeholders.

Its relentless focus on quality service has led to strong renewal rates and trading, a scalable sales operation, established commercial relationships with many of the world's leading brands and OEMs, and a robust financial performance.

But it is the ambition for the future that really attracted me to the business. We will continue to focus on growing subscriptions, across the UK and our International markets, but we have the opportunity to accelerate growth through the roll-out of our omni-channel customer proposition, investment in technology and data, and our US expansion. These are three areas to which I bring specific experience and the foundations carefully laid in prior years provide an excellent platform.

I am pleased to report that we have seen continued good performance over the last year, notwithstanding the wider macroeconomic disruption and uncertainty caused by the Omicron variant, rising inflation and interest rates, and of course, tragically, war in Ukraine towards the end of our financial year.

Looking ahead, we are particularly alert to the impact of the cost of living crunch now being felt by many people in the UK and Europe. At the heart of our business and customer proposition is our repair first ethos, which is designed to extend the life of appliances, eliminate the risk of unexpected one-off costs and keep our customers' worlds running. Products such as Repair and Care are important for families across our markets and no doubt will continue to play an important role as they have done for our customers in the last year.

The changing economic landscape will continue to be a significant focus, and we will be factoring this into our future planning to support customers while we pursue our strategy.

Fresh leadership

To ensure we make the most of the growth opportunities ahead, particularly in technology and data where there has been significant investment over recent years, Al Grljevic joined D&G in November 2021 as Chief Transformation Officer and Seb Chakraborty joined in January 2022 as Chief Product & Technology Officer. In May, Al Grljevic took on the broader role of Chief Operating Officer of the Group, retaining his transformation and program responsibilities, while also bringing together the various operational teams and activities across the group including our contact centre teams. Meanwhile, our long-standing colleague Joe Fitzgerald was appointed as D&G's Chief Financial Officer.

I believe the changes made since October 2021 to create this refreshed leadership team – mixing new and old experience and working with the rest of the Executive Committee and the Board – will bring renewed focus to our strategy and will unlock the changes needed to deliver it at a faster pace.

Resilient performance

Working closely with our OEM and retail partners, we have been able to provide peace of mind to our customers throughout the year by continuing full repair and replacement services through our network of accredited engineers, despite the challenges posed by the Omicron variant. ›

"Commercial relationships are at the heart of our model"

Subscription customer retention rate

85%

FY21: 85%

Number of repairs per annum

2.5m

FY21: 2.4m

This has supported the continued appeal of our products. Our new business levels increased while subscription revenue has grown by 8% and adjusted EBITDA ex US, was £117m (FY21: £107m), reflecting the continued resilience of our business model.

Commercial relationships are at the heart of our model, and over the year we have extended key long-term partnerships with leading OEMs and retailers. D&G has relationships with the UK OEM's which are responsible for 95% of the sales within the white goods segment. The average tenure of our largest UK partners stands at 22 years, which is testament to the close partnerships and service we continue to offer them.

Technology and data

Our investment in technology and data, a key part of our future strategic plans, has accelerated with around 80% of product replacements now arranged online (2021: 70%) and 4.5 million online users (2021: 4.2 million). Fundamentally our drive to create omni-channel experiences is about making life easier for people, and in turn making them happier and longer lasting customers. We are building functionality for our customers, optimising those processes and making the customer journeys more efficient. We are also working on our internal systems and data capture to ensure we are more responsive to what customers want from us. Achieving all this means hiring external partners with the right expertise, and that can efficiently support our own in-house team.

International expansion

The International business is an exciting part of D&G's growth plans, where we are continuing to replicate the subscription driven model seen in the UK.

Over the year we launched our US operations, with a Chicago headquarters and Cleveland contact centre. Across 2021, we hired an experienced team with extensive warranties experience to oversee the business. It is early days, but we are already seeing promising conversion rates and indications that US consumers are open to and engaged with our offering.

We have also revisited our existing International operations to ensure they remain core to the Group strategy. With that in mind, we have initiated an orderly run-off of our Australia operations.

Encouraging sustainability

D&G is working proactively to become a more sustainable business, where we believe we have an important role to play in reducing waste to landfill through repairs, and in encouraging customer awareness around making their appliances and products more efficient. Our research indicates this is what customers want from us and this aligns with our corporate values and our employees' desire to do more for the planet and society.

The Chair addresses the importance of our new Sustainability Committee in his statement. We are a friend of the Reuse Network, a charity that reduces electrical waste through repairs and donations to impoverished areas of the UK.

We have also been working hard to play a positive role in society, encouraging greater diversity and inclusion within our business. We are a signatory to the Change the Race Ratio initiative and One Loud Voice – both strive to improve the representation of people from all backgrounds.

Helping our people

At the heart of any business is its people and that is particularly true for D&G. It has been their commitment and passion, underpinned by quality training programmes and other support infrastructure, that has enabled the company to shift completely into remote work and weather the harshest moments of the COVID-19 pandemic.

We have used the experience of the pandemic to speak to employees and understand their needs. Having first asked people to return to the office for 2–3 days a week, we have now moved to a model of 'everyday flexibility' which empowers our employees to choose whether to work from the office, from home or in a hybrid way. There will be times when we all need to get together in person, but we will make sure that it's in a meaningful way and has a defined purpose.

Better understanding the needs of our people has also allowed us to reconfigure our office footprint and we have made some significant investments into refurbishing these spaces. The Wimbledon HQ is set up with plenty of open space and state of the art workspaces conducive to hybrid working. In Nottingham we have agreed the sale of our long-standing building on Talbot Street and in doing so unlocked £50 million of investment opportunity into central Nottingham, including taking a 15 year long lease on Station Street, a brand new mixed use office development in the heart of the city. We continue to assess the right environment and working policies which allow our team to maximise both productivity and flexibility.

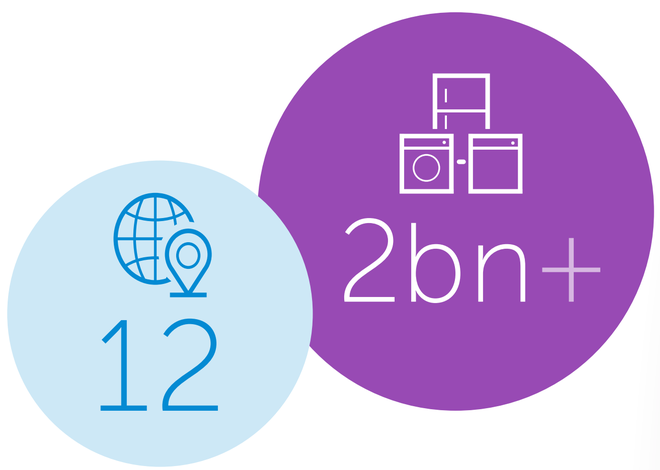
These are fresh and exciting premises for our people to be located in most of the week, and I look forward to engaging with everyone at these locations, and across our sites all over the world, in the coming year.

Matthew Crummack
CEO
30 June 2022

"The Wimbledon HQ is set up with plenty of open space"

The pace of change continues to accelerate

D&G operates in 12 markets of over 2 billion protectable appliances. These markets continue to evolve and change at pace.



key trends + how we're responding

Theme	Market trends	Our response
Customer expectations	• Consumer expectations for personalised products and services • The decline of brand loyalty • Increased consumer focus on home improvement and home technologies	• We aim to provide a high quality, expert service and focus on enhancing our products and customer experience. • Digitalisation, personalised and targeted marketing and rewarding loyalty are key elements of our 5-year business plan, ensuring our products continue to meet customer needs and provide fair value. Read more on our customers on pages 32 to 35 ›
Digital transformation & e-commerce	• The continued growth of e-commerce in the sectors we operate • Accelerated consumer adoption of digital engagement channels and rising customer service expectations set in part by digital-first businesses • Advancements in digital technologies such as Data Science, Artificial Intelligence, Remote Assistance and the Internet of Things. • The ongoing importance of data privacy and security	• Digital transformation remains at the heart of our strategy and we continue to make significant progress in delivering new online sales and self-service capabilities, providing customers channel choice and improving our on- and offline experiences. • We invest in the latest technologies and regularly review our data protection and cyber security controls to safeguard the confidentiality, integrity and availability of data and services. Read more on digital strategy on pages 24 and 25 ›

Our position in the UK market remains strong and we continue to grow the number of subscription customers

In addition to this, an increasing proportion of our business in Europe is now subscription based and we continue to realise the benefits this provides. This growth in the UK and Europe is complemented by our successful launch into the US in Autumn 2021, a huge and untapped market where we anticipate significant growth potential.

While the temporary impacts of the global pandemic have started to stabilise in our core markets, thanks in part to the success of vaccine rollouts, the pandemic has also accelerated several global megatrends such as the move to e-commerce, the importance of omni-channel customer experiences and the increased consumer focus on home maintenance and improvement. We don't expect many of these trends to reverse as we get used to the new normal.

Our activities continually evolve to adapt to the political, economic, social and regulatory forces which impact us. We consciously anticipate and respond to these key trends, so that we mitigate any challenges to our strategy and swiftly identify any opportunities for further growth.

Overall, we are well positioned to deliver our strategy, continue meeting evolving customer needs and growing in our chosen markets.

Theme	Market trends	Our response
Regulatory landscape	• The FCA's focus remains on creating a higher-level of consumer protection through the new Consumer Duty, whereby firms must act to deliver good outcomes for retail customers. • The PRA's priorities include financial resilience, operational resilience, cyber risks, risks arising from climate change/sustainability risks and the Government's review of Solvency II including insurance holding companies. • BaFin's focus points are on IT risk and cyber risks, collective consumer protection, distribution via online channels and sustainability risk.	• We use our 'Regulatory Horizon Scanning' process as a key control to identify, analyse and disseminate new or amended legal and regulatory requirements. • We have implemented a framework for the management of climate-related risks and will drive forward the identification and management of these. • We welcome new regulatory developments contributing to consultations where appropriate and act in a timely manner to adapt to change. Read more on Risk management on pages 48 to 53 ›
Competitive forces	• The increasing penetration of digital-first InsurTech companies. • The growing role of BigTech in the insurance sector • The role of partnerships and collaboration between market participants, driven by platform business models.	• We regularly monitor market developments to ensure we anticipate and proactively respond to potential threats and opportunities. • The resilience of our business model alongside our strategic priorities to innovate across our digital offering, value proposition and services, enhance our confidence about our current and future position in the market.
Sustainability & climate change	• The setting of long-term climate-change targets and commitments • Increased market and consumer focus on the sustainable production, use and disposal of appliances and electronics. • Growing consumer advocacy for sustainable products and services and demand for purpose driven brands.	• Our repair-first business model means that we help our customers extend the life of their appliances and minimise electrical waste. • We continue to look at opportunities to further innovate our products and services to support our sustainable objectives. • We also actively work on reducing our corporate environmental impact. Read more on ESG on pages 44 to 47 ›

Our business model

A unique combination of assets create a market leading customer proposition

Our business model continued

Inputs

Strong mutually beneficial relationships with partners

Unique and exclusive routes to markets

Engaged, innovative employees delivering high-quality customer service

Robust financial position enabling investment in innovation

Relentless customer focus

A recognised brand, trusted by customers and partners

How we create value

Product development and pricing

We create subscription protection products which customers value

Product Care
Comprehensive protection for appliances, boilers and electronics

Replacement Care
Protection for lower value electrical items with instant replacement at claim

Repair & Care
Protection for appliances and boilers where the initial repair is included

Sales and marketing

Our routes to market are robust and unique

Point Of Sale
An offer of protection when appliance is sold in store or digitally

Post Point Of Sale
Exclusive access to data via product registration enables direct marketing and cross-sell

Point Of Need
An offer of protection when appliances breakdown outside of guarantee period

Customer experience

We manage the end-to-end omni-channel customer experience

Customer contacts annually
7.5m
FY21: 7.4m

Of all repairs now being arranged online
1/3
FY21 : 1/3

Claims approval rate[2]
99%

Service operations

We manage robust, first-class repair and replacement operations

Repairs annually
2.5m
FY21: 2.4m

Replacements annually
0.5m
FY21: 0.5m

First fix
83%
FY21: 84%

Second fix
98%
FY21: 98%

Outcomes

Customers
- Simple and transparent product range, available throughout the appliance lifecycle
- Peace of mind against the cost and inconvenience of appliance breakdowns
- Strong net promoter score for repairs of 51[1] (FY21: 54)

Partners
- Opportunities for increased appliance sales
- Ongoing customer relationships post sale
- Higher repair volumes (for OEMs)

Shareholders & bondholders
- Predictable growth through new customer acquisition and low churn

Our people
- Opportunities to work on latest technologies with strong partner brands

Environment
- 2.5m repairs (FY21: 2.4m), saving appliances from landfill
- 0.5m replacements annually (FY21: 0.5m)

Our communities
- Sponsorship of Commonwealth games
- Van For Good initiative

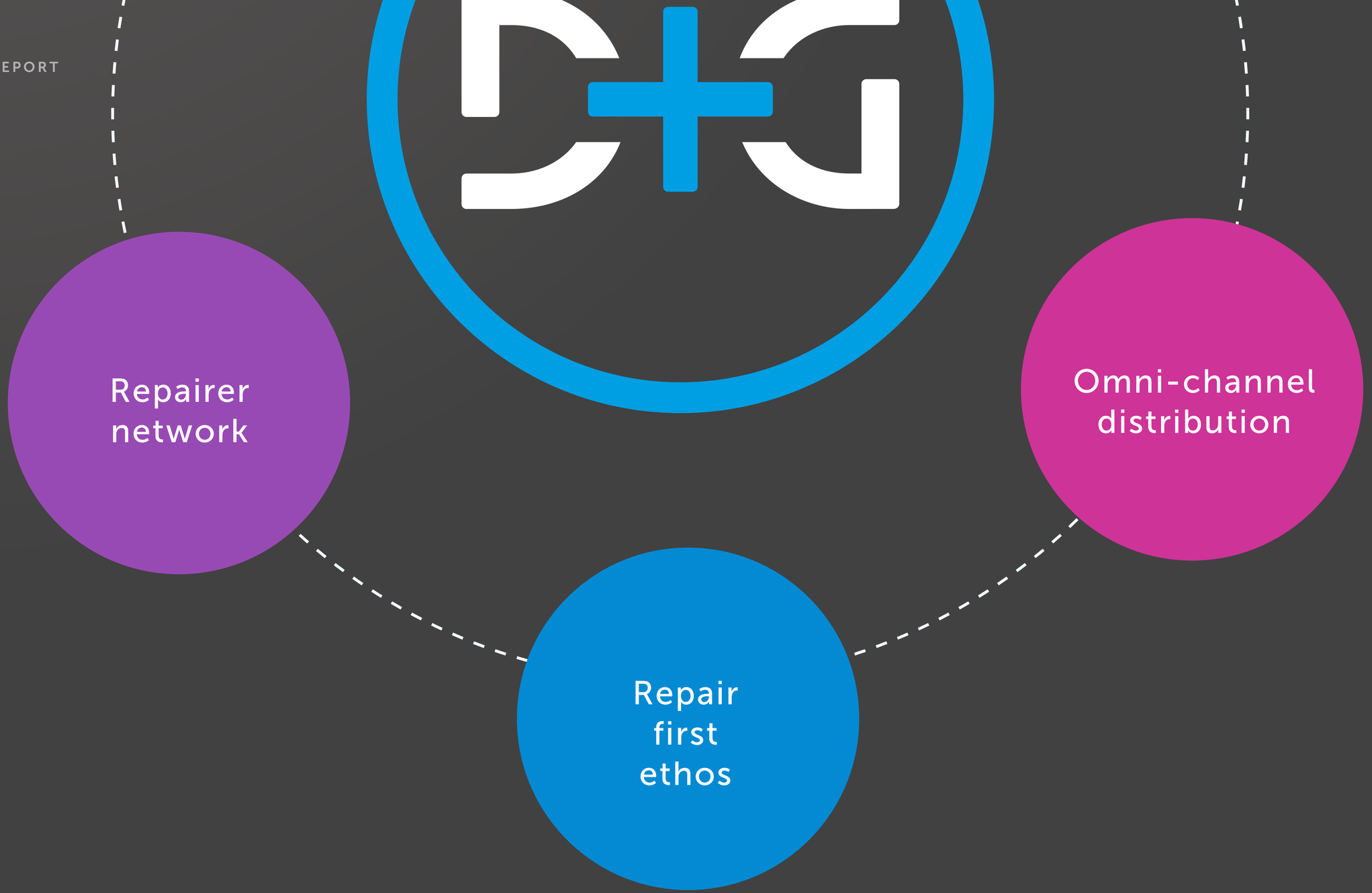
1 The net promoter score ('NPS') measures the loyalty of a company's customer base with a score from -100 to +100, which comes from customers answering the question "How likely are you to recommend this company?"
2 This represents a new measure for FY22 and we do not have a comparative for FY21

Our unique strengths

Unique partner ecosystem

Deep underwriting and pricing expertise

Long term customer relationships


Repairer network
Omni-channel distribution
Repair first ethos

Our strategy

OUR PURPOSE

Make the world a better place, one repair at a time

Our 5-Year Business Plan

Two years ago, we set a clear and ambitious 5-year business plan to make D&G an omni-channel, high-growth, international business. This plan will create long-term value for our customers, our people and our shareholders.

The first two years of this plan were focused on delivering the fundamental platforms for growth across our business. As we now move into the second phase of the plan, years 3 to 5, we are wholly committed to leveraging the foundations we have built and innovating our products and services in order to drive sustainable, long-term growth for the Group.

Enablers

To ensure the successful execution of our strategy we are also focused on three critical enablers to maintain our competitive advantages:

Speed. Scale. Simplicity.

D&G.com users

4.5m

7% higher than 2021

UK subscription plans

7.4m

7% higher than 2021

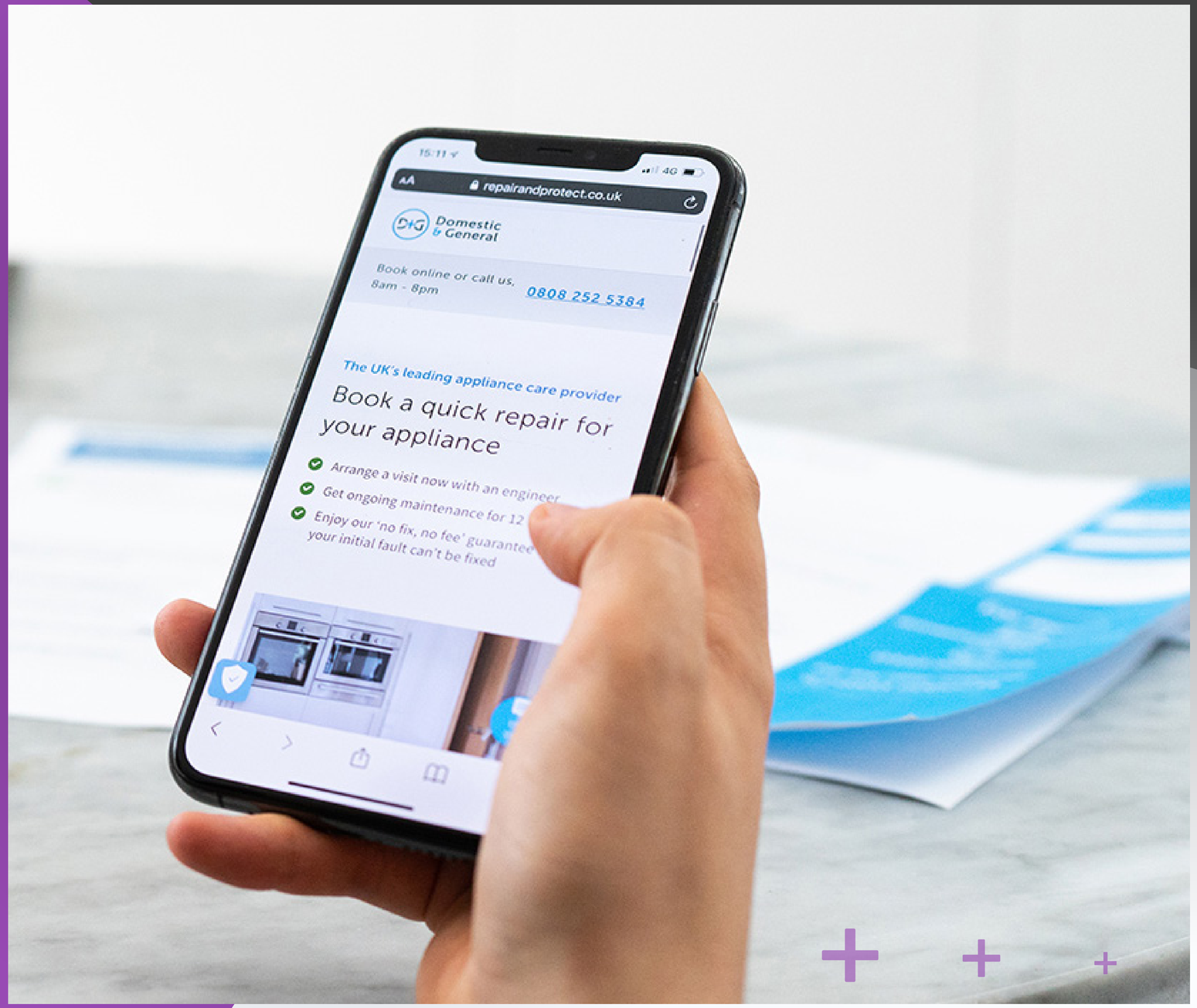
EU subscription plans

1.5m

14% higher than 2021

	FY22 progress	Highlights
Digital transformation Pages 24 and 25	• Continued customer engagement with our online platform • Significant milestones in our technology re-platforming • Further transformation of our contact centres	• Closer to having a single technology platform with Amazon Web Services ('AWS') • Improvements in digital sales and service journey optimisation • A thriving digital ecosystem with 4.5m digital users
Driving UK growth Pages 26 and 27	• Achievement of UK FY22 growth targets • Evolution of our sales channels	• Improved campaign performance • Enhanced contact centre sales and service performance • Continued focus on existing and new client partnerships
International expansion Pages 28 and 29	• Continued focus on subscription growth in EU • Autumn 2021 launch of US business with promising early performance	• Subscription revenue growth of 11% • Scaling our US business having launched as planned in Autumn 2021 • Partnerships: retention of key contracts See pages 36 to 39 ›

Our digital transformation continues to deliver with a focus on scalability, alongside great customer and agent experience



Amazon Web Services cloud adoption now gives us a solid foundation to rapidly build, test and learn digital products and services, which can then be more easily scaled across geographies

We continue to drive increased take-up and usage of My Account, our secure customer portal. During the year we had 2.7m visits to My Account (FY21: 2.0m) providing customers with 24/7 access to their plans as well as giving access to a vast repository of maintenance and support content and critically enabling online repair booking.

We have made improvements to our digital sales capabilities by using digital marketing techniques in our sales journeys. At the same time we have improved the customer experience of the journeys themselves, leading to increased conversion rates.

36%
increase in
My Account visits

83%
product
replacement online

1in3
customers booked
their repair online

Digital service FY22 achievements:

- Improvements in our digital claims journey & performance.
- Increased take-up of 'My Account' customer hub, exploiting features like auto-account creation.
- Improvements in our on-line product replacement journey & conversion with an up-lift in customers who decide to take out protection on their replacement appliance.

Digital sales FY22 achievements:

- Increased traffic and conversion rate on D&G.com and cross sells, due to improvements in journeys and rollout of new features.
- Successfully launched a fully digital Repair and Care journey.
- Launched D&G product advertising in 'My Account' customer hub.
- Increased conversion rate optimisation capability through 'Test and Learn' initiatives, with an uplift in sales.

Our UK business continues to thrive

Our UK business has again demonstrated long-term, sustainable growth. We continue to grow our customer base by continuing to attract new customers as well as increasing the tenure and product holding of our existing customers.

UK growth continued

We will achieve growth by evolving our product offering to continue providing best-in-class customer solutions, enhancements in our data-driven marketing activities, new client partnerships, new routes to market and the ongoing improvement of our customer experience.

Despite the headwinds caused by the global pandemic and macro-economic pressures facing all of us, we have continued to increase the number of customer plans, delivered via a strong new business performance and a continued reduction in customer churn.

Our UK growth plans are underpinned by a solid understanding of our customers, gained from regular customer research and use of our customer feedback platform, a strong grasp of the macro trends which impact our markets and the evolution of our routes to market. We continue to make good progress against our 5-year plan. We now enter the second phase of our 5-year plan with good momentum and a clear roadmap of initiatives which will continue to drive growth.

UK subscription revenue

+8%

UK growth	Key features	FY22 progress	Future focus
New product development	• Develop our products to drive growth, provide customer value and digital utility • Improve our customer experience and reward customer loyalty, delivering increased customer tenure and product holding	• Continued management and fulfilment of products through COVID-19 lockdowns • New products to support client growth and meet customer needs, for example, a revised version of our TV protection product • On-going development of our products for our digital channels	• Enhancing our products with rich digital features • Launching products for new sectors (e.g. low-carbon heating) • Continued focus on improving the experience of existing products • Driving loyalty through product enhancements
Data driven marketing	• Delivering sustained growth through data driven customer-level marketing based on effective data science methodologies, high-performance propositions and optimal routes to market	• Commenced build of integrated customer level marketing tool, with a focus on automation and leveraging data science capabilities across marketing campaigns	• Enriching our single customer view to understand our customers even better • Enhance our ability to personalise content in real time
Digital marketing	• Leverage new campaign and channel opportunities enabled by our digital transformation and data science expertise • Use new digital channels to reach new audiences • Reduce overall cost per acquisition	• Increased year-on-year sales from email and digital marketing channels	• Integration of digital channels into campaigning at key touchpoints in the customer journey • Improve website search engine optimisation to grow traffic volumes
Client partnerships	• Winning new partnerships • Opening new routes to market • Expanding and developing new product lines with existing partners	• Successful launch of EDF partnership with digital and offline channels now live • We launched a suite of products to support the EDF partnership and developed new products to support existing clients • Launch of a Defacto 5* mobile protection product for several partners	• Healthy prospect pipeline • Comprehensive product roadmap to improve the product offering for all key clients

Our International business is transforming

The International division continues to follow our strategy to focus on subscriptions growth through our European OEM and retail partnerships, and with expansion into the US - which has launched this year with a leading US appliance manufacturer - Whirlpool Corporation.

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

At the beginning of our 5-year business plan we stated our ambition to enter the US market, having signed a long-term deal with Whirlpool, a market leading OEM in the US. We have successfully delivered on time and went live in Autumn 2021. Key highlights within this plan were the delivery of significant infrastructure capabilities, licensing and a new policy system.

The Group continues to see sustained progress in the International division. Our European business is delivering strong growth and our US business is live and trading with positive results. To maximise these opportunities, we have made a strategic decision to begin our exit from the Australian market. While we will always have a special link with Australia given our company heritage, winding down our operations there will allow us to focus resources on those markets we believe have the greatest growth potential.

We continue to develop our subscription growth.

Our European business has established consistency in writing subscriptions as the majority payment method for the division.

International subscription revenue

+11%

Europe

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

	Progress in FY22	Future focus
OEM	• Increased registration growth and conversion, including digital development and cross-sales • Extended two large OEM contracts	• Further registration growth through improved technology • Launch campaigning across multiple channels and countries
Retail	• Long-term extension of our largest subscription business partner	• Drive subscription penetration in key territories
Win new partners	• Further success with two retail partners	• Prospect targets across OEMs, Retail and e-tail
Digitalise our business	• Launched online sales programs with both OEM and retail partners	• Scale online sales at registration and Point-of-Sale ('PoS') • Grow online repair management capability

USA

We launched our US business in September 2021 with Whirlpool, one of the leading US appliance manufacturers. We have seen positive signs in customer appetite, giving further impetus for growth in the near term and into the future with additional clients.

FY22 progress	Future progress: short-term	Future progress: medium-term
• Established US HQ and team in Chicago, Illinois • Completed build of infrastructure and systems for trading in all US states • Launched and scaling key registration channels • Experienced sales conversion ahead of expectations	• Drive key registration and Point-of-Need ('PoN') channels to scale with our key partner Whirlpool • Actively progressing pipeline of new prospects and acquisitions	• Scale registrations and PoN solutions aiming to replicate UK performance • Further growth by implementing cross-sales and retention programmes • Development of connected appliance integrations

Stakeholder engagement

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

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

Stakeholder	Their interests	How we engage	How the Board engages
Our people	• Health & safety • Development and training • Diversity and inclusion • Communication and engagement • Flexible working	• Digitally enabled two-way communications app - MyD&G • Training • Wellbeing initiatives • Virtual or in person town halls and engagement events • Employee recognition - Ignite awards • Employee affinity and network • Supporting hybrid working practices	• Group communications from the CEO • Monthly and quarterly business updates delivered by the CEO which include topics discussed by the Board • Regular HR updates at Board meetings • The statement of engagement with employees can be found on page 69
Customers	• Reliability and accessibility of service • Fair treatment including pricing • High quality products • Resolution of complaints • Confidentiality of data • Customer engagement	• Customer surveys & research • Omni-channel (digital & contact centre) • Customer journey communications • Direct marketing • Complaints resolution • Social media and other digital channels	• Ongoing assessment of customer requirements • Engagement in projects that focus on safeguarding the interests of customers • Board updates from Governance Committees • Press releases • Annual Report & Accounts
Partners	• 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

Stakeholder engagement continued

The Directors recognise that the success of the Group depends on its ability to engage effectively with all stakeholders and by taking their views into account. In taking decisions, the Directors carefully consider the balance of interests of the stakeholders who might be affected.

The Board and its Committees discuss stakeholders and their interests during the cycle of Board meetings. The Board annually reviews all of the Group's key stakeholder groups, looking at material issues of interest to them and assessing how as an organisation the Group engages with those stakeholders.

Stakeholder	Their interests	How we engage	How the Board engages
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 & Accounts • The statement of engagement with suppliers can be found on page 70
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 • Bondholder calls • Annual Report & Accounts
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 & Risk Committee • PRA interviews with Board members • Regular reports from across the business on regulatory matters
Community, environment, central and local government	• Openness and transparency • Compliance with applicable legislation and regulations • Environmental impact & sustainability • Community & social engagement	• Partnership with EcoVadis • Member of the UN Global Compact • Sustainability Committee • Philanthropic initiatives, (Charity Committee, Charity Champions, Give As You Earn), • Energy Savings Opportunity Scheme ('ESOS') compliance	• Annual Report & Accounts • Tax strategy statement • Gender pay gap reporting • Modern Slavery statement • Charitable initiatives discussed and reported at Board meetings • Oversees the new Sustainability Committee launched in June 2022

D&G products and experience are built to meet customers' needs

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

Millennials

Our 3 key customer groups

Families

Empty nesters

Our products offer customers peace of mind when it matters most

Who are our customers?

We have a broad customer base covering all demographics and our customers depend on us to protect the household products they rely on. We have three key customer groups that buy appliance protection: Millennials, Families and Empty nesters and we engage with them to understand their needs. When something goes wrong, we are there to organise a repair or replacement as quickly and efficiently as possible.

D&G plays a vital role in our customers' lives

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

Protecting our customers – especially those that need us the most

Ensuring we meet the specific needs of our vulnerable customers is paramount. Over the last year, our commitment to providing the best possible service to those who need it the most has remained a priority. Throughout the pandemic we continued to improve the service offered to vulnerable customers, providing additional support (including payment holidays) to those that needed it during this particularly challenging time. We have continued to work to support our customers with challenges posted by macro-economic conditions – such as the energy crisis – whilst continuing to offer the security that our plans were designed to provide. All of our employees receive mandatory training on how to identify and support the needs of our vulnerable customers.

But we aren't standing still

Our customer value proposition continues to provide high levels of satisfaction and loyalty – and we're constantly evolving our proposition set; the client offerings we can provide; our experience; as well as the digital solutions that we provide to customers when they need to engage with us.

Our products provide:

- Simple, no quibble claims experience through our dedicated helpline or online repair booking system (99.8% of claims were upheld last year)
- Unlimited repairs by manufacturer engineers
- A like-for-like replacement if the appliance can't be fixed
- Maintenance support and troubleshooting to keep appliances running smoothly

And we are listening to our customers' feedback...and acting upon it!

Our D&G Voices system allows us to measure, analyse and act upon customer feedback - and challenge ourselves on whether the experience we are providing to customers is up to scratch or not. Through in-depth, ongoing analysis of satisfaction metrics and customer commentary we are able to identify and act on improvements required. Our data scientists are able to use this customer feedback alongside operational data to help identify where we need to intervene proactively to support customers and resolve emerging issues.

Our products offer
customers peace of mind
when it matters most
Domestic
& General

What customers say about us

Our research tells us that our customers think D&G has the following attributes:

Reliable

Trustworthy

Caring

Established

Responsible

Convenient

Expert

Safe pair of hands

Security minded

Supportive

Our partners

Partners + Domestic & General

Highly effective subscription 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.

We have a 'Grow, Retain and Win' strategy. We continue to grow through sustainable profitable business with our clients. We continue to win new prospects to deliver our growth ambitions and open new sectors and channels. 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 UK OEM's who represent 95% of sales in the white goods segment (one of several segments within which we operate). Our largest ten UK partners by FY22 sales have an average tenure of 22 years and an average remaining contract length of three years, showing that they value our partnership.

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

Mutually beneficial

Average tenure 22 years

Highly differentiated and value-adding service proposition creates strong partnerships

+

Allows D&G to maintain customer relationships for renewal

=

Exclusive, mutually beneficial and long-term partnerships

	OEMs	Retailers/ Affinity partners
+20 years of D&G support	HOOVER, Electrolux, Whirlpool, CANDY, LG Life's Good, Miele, BOSCH, beko, Dimplex, INDESIT, BAXI	MEDIA-SATURN, euronics, sky, MediaMarkt
+10 years of D&G support	WORCESTER Bosch Group	Argos, MEDIMAX, GAME, RADIO POPULAR
+5 years of D&G support	Vaillant, SAMSUNG	worten
Recent partner wins **<5** years of D&G support	ideal BOILERS	JOHN LEWIS & PARTNERS, EDF, SCOTTISHPOWER, ELECTRO DEPOT, fnac, unieuro

Extending our network

D&G is delighted to continue its strong strategic relationship with UK retail giant Argos, with a 3-year contract extension agreed in 2021, which supports our long-term commercial relationship.

Working in partnership, we have developed an omni-channel approach to offer Argos Care which supports customers' needs and the ever-changing retail environment. This includes launching the Argos Care products within new in-store retail journeys - at point of collection and via the digital browsers, whilst working continuously to enhance the online customer journey and establish new points of contact.

The contract extension was made possible by D&G's continued drive for service excellence but also the exciting growth roadmap we have in place with Argos. Our vision is to grow and improve the experience for over 3 million Argos Care customers.

Throughout the last few challenging years, we are delighted with the new growth opportunities and service provided to our customers.

It is testament to the quality of the teams and infrastructures in place which ensure we continue to drive sustainable growth whilst providing a best in class service.

We are also able to demonstrate the success of our US launch in conjunction with Whirlpool with higher than modelled conversion rates justifying the joint decision to invest in this market. Our registration and point of need products are recently launched with plans to explore other channels imminently. Due to the scale of the opportunity, we have high expectations for the US to accelerate our growth ambitions in this territory.

The successful UK operating model is being replicated in Italy with increased collaboration benefiting from a significant increase in sales conversion and channel optimisation.

Our business with Whirlpool continues to be underpinned by a mutual commitment to deliver an exceptional customer experience evidenced by strong consumer feedback.

Putting people at the heart of what we do

Our people are integral to achieving our strategy. We're a growing business with a lot of ambition. We remain focused on transforming the customer experience through digital innovation, investing in our real estate, supporting hybrid working and growing our business portfolio across the UK, Europe and in the US.

We have always had a very strong understanding of our values, who we are, what we do and how we do it. As the business evolves through our strategic plan, having a strong company culture is critical.

With the business evolution at the forefront of our minds, in September 2021 we refreshed our mission and values, and for the first time, launched a defined purpose statement which describes a meaningful reason for why we exist today and in the future.

Our new culture blueprint embodies who we are, what we believe in and connects our colleagues through modern values. It helps us to focus on our strategic priorities and put the customer at the heart of everything we do.

OUR CULTURE BLUEPRINT

purpose + **mission** + **values**

Make the world a better place, one repair at a time

Keeping your world running

Trust at our core

Relentless customer focus

Always inclusive

Courageous in what we do

Individually amazing, collectively brilliant

Our people strategy

Our people strategy is focused on powering our colleagues for the future, driving innovation, and ensuring we are a digital-first business. We are transforming the way we work and building a flexible and digitally enabled culture to empower and develop our people and drive performance. Through four core ambitions and three core deliverables, we will enable our people to be their best:

Our ambitions

- **We are digital ambassadors**
- **We are globally connected**
- **We provide flexibility**
- **We empower our people to fulfil their potential**

Our core deliverables

Purpose, culture and engagement
Transforming how we work to create a culture of togetherness, flexibility and innovation

Talent and attraction
Drive performance by attracting and retaining the right people

Learning
Enabling our colleagues to develop, grow and fulfil their potential

People deal

We know that we're individually amazing, collectively brilliant and trust is at our core. That's why we've set out clear expectations about how we work together to achieve more.

Our people deal is an adult-to-adult offering about what D&G can do for our people, and what we expect in return as we grow our business together and develop our culture.

The people deal aligns to our new values and hybrid way of working and outlines a comprehensive offering which provides our people with support in five key areas.

1 **Hybrid working**
flexibility and trust

2 **Company culture**
inclusivity and innovation

3 **Wellbeing and reward**
value and respect

4 **Diversity and inclusion**
equality and representation

5 **Career development**
empowerment and proactivity

Employee benefits and wellbeing

We have entered an exciting period of growth at D&G and must continue to attract and retain passionate and motivated people to help us shape our digital ambitions and deliver our strategy. 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.

These benefits are underpinned by a strong and consistent communications strategy focused around the three core elements of wellbeing: mental, physical and financial.

We recognise that the COVID-19 pandemic has had a huge impact on our employees mental and physical wellbeing. We've supported our people during this difficult time through our comprehensive wellbeing and benefits offering and additional support:

- Our new headquarters in Wimbledon officially opened in Summer 2021. To celebrate this bright and modern office, we gave our colleagues new Patch Plants for their home office to promote a healthy environment and improve air quality whilst working remotely
- We hosted a hybrid working festival throughout the summer in partnership with PUSH to support our people to work effectively from home or in the office. The hybrid learning festival comprised 11 virtual webinars designed to upskill and support our colleagues in four key areas:

1. Performance **2. Wellbeing**
3. Mental health **4. Leadership**

"We have now moved to a model of 'everyday flexibility'"

Hybrid working

Our hybrid working approach is contributing to a strong workplace culture and is helping to drive strategic progress. Having first asked people to return to the office for 2–3 days a week, we have now moved to a model of 'everyday flexibility' which empowers our employees to choose whether to work from the office, from home or in a hybrid way. Employees are trusted to determine where they work and are supported with hybrid guidelines, enhanced technology and managers trained in leading remote teams. Our refreshed Wimbledon HQ is open, we've invested in a co-working space in Brighton, and we're making great progress on our new state of the art operations hub in Nottingham city centre, due to open in Winter 2022.

In the US, our headquarters is based in Chicago, Illinois and we've secured an outsourced contact centre in Cleveland, Ohio that is designed to offer flexibility to our people.

Diversity & inclusion

In 2020, we held our first virtual panel session on diversity and inclusion ('D&I'). During the panel discussion we made a commitment to improve our D&I practices at D&G. We've made great progress in our D&I journey since then. Along with our Women's Network and Working Families Network, we are working towards a culture that enables all employees to openly discuss challenges and break down barriers.

We are a member of Change the Race Ratio and a supporter of One Loud Voice – both foundations are about accelerating diversity in businesses through communication and continual progress.

Our new D&I narrative

The world is changing, and we understand that we need to change with it. We want D&G to be a place that reflects the communities and customers we serve, and where our people can bring their authentic selves to work.

To aid us on this journey, we enlisted the help of behavioural change consultants Mind Gym, who helped us create our new D&I narrative. This outlines what we stand for, what we expect of our people and our ongoing commitments.

Investing in education

We believe an essential part of making meaningful change happen is through education and open communication, which is why we rolled out company-wide D&I training, led by Mind Gym in June 2021. This training explored the four cornerstones of an inclusive culture, and how to lead inclusively.

Gender pay report

We released our Gender pay gap report 2021 in March 2022. This year we set up the Working Families Group. Our HR team has been working closely alongside this group to raise and explore the various issues impacting working parents which we know disproportionately affect women.

Gender pay gap report 2021

Click here to view >

Environmental, social and governance

We have built a strong foundation on which our vision for a purpose-led and sustainable business can grow. We continue to contribute to the United Nation's Sustainable Development Goals and our strategic business plan and culture blueprint are directly linked to the societal ambitions of our customers, clients and colleagues.

D&G is naturally aligned to sustainable themes with our 'repair first' ethos. We cover 2.5m repairs and 0.5m replacements per year. These repairs are carried out by a national network of over 9,000 expert engineers who are locally focused by town, city or region, helping to minimise the environmental consequences of transportation.

As we digitalise our business and our online estate grows, we have made a conscious push to online documentation. My Account allows our customers to manage their plans and policies, book repairs, and get expert advice online. One in three of our customers are using digital routes for their repair journey.

As a responsible business, we have assessed how we match up to key ESG measurements through Ecovadis. In 2021 we were awarded a bronze medal by EcoVadis in recognition of our sustainability achievements across all environmental, social and governance areas. We refreshed this assessment at the start of 2022. Twelve months on we have significantly improved across two quadrants of the assessment: environment and sustainable procurement. Our refreshed results show that we are making more progress than our peers in these areas.

Environmental

Reuse Network

In another step forward on our sustainability journey, in August 2021 we became a friend of the Reuse Network.

Reuse are a team of charities that reuse and repair donated white goods and provide them to people in need, usually at affordable prices or through social fund schemes. By working together, we hope to have a meaningful impact on both the environment and individuals' lives.

Schneider Electric

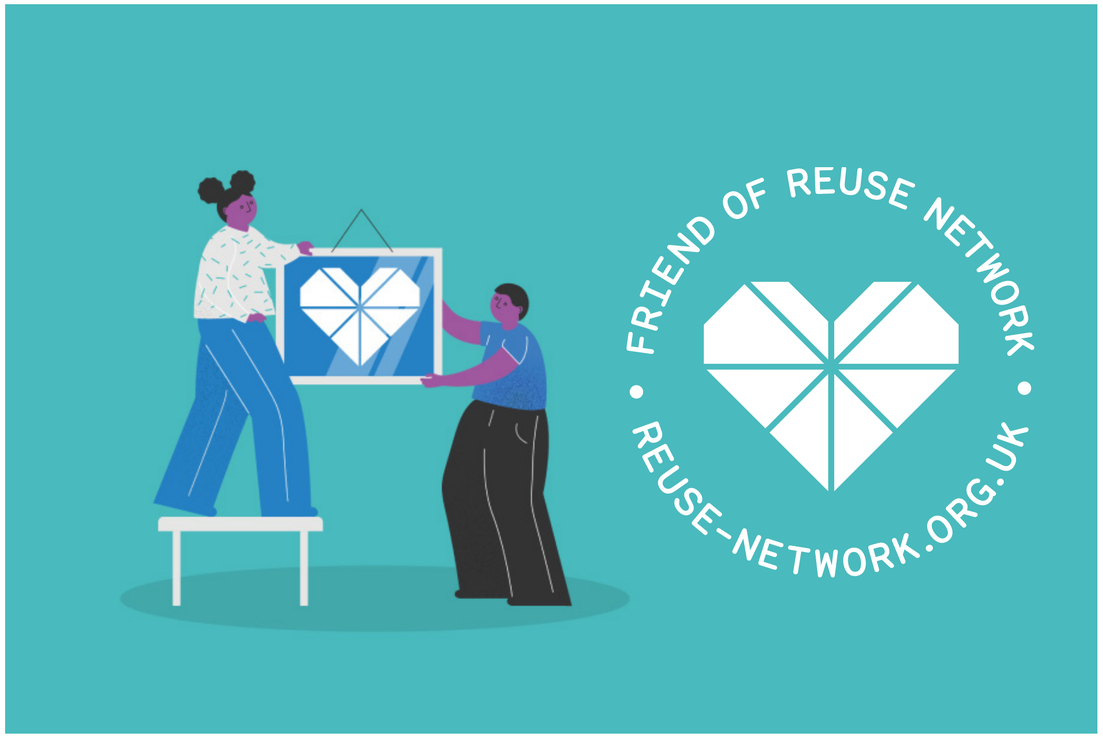
We've partnered with Schneider Electric to measure carbon footprint across scope 1, 2 and 3 emissions. Schneider Electric are a sustainability partner that exist to help companies understand environmental risks and rewards to realise tangible, sustainable benefits.

Social

In January 2022 we announced our exciting partnership with the 2022 Commonwealth Games in Birmingham.

Birmingham 2022 aims to be the first carbon-neutral Commonwealth Games in history, amplifying the importance of sustainability to a global audience. As the official warranty provider, D&G has joined the mission to achieve a better, greener world.

This partnership reflects our ESG commitment to supporting our communities, diversity and employment across the Midlands and beyond.



Human rights

As we work to become increasingly sustainable we want our people to both flourish and to build a reputation for ethical business. We are committed to respecting human rights and we continue to pursue our anti-modern slavery agenda both within our operations and supply chain, and through our partnerships. Our modern slavery statement sets out D&G's actions to understand all potential modern slavery risks in relation to its business and to put in place steps aimed at ensuring that there is no slavery or human trafficking in its business and supply chains. We recognise that we have a responsibility to take a robust approach to slavery and human trafficking. We are proud of the steps we have taken to combat slavery and human trafficking albeit we recognise this is an on-going obligation, and we will strive to update our statement on an annual basis with new initiatives and our progress in eradicating slavery and human trafficking.

Please see our latest Board approved modern slavery statement: www.domesticandgeneral.com/modern-slavery

Governance

Supporting women in the workforce

Our D&I initiatives continued in 2021. We have worked hard to build a workplace where women can thrive. We are pleased to report that we have increased our proportion of female leaders from 26% to 34% from February 2021 to February 2022. Whilst we are proud of the progress we have made; we continue to be fully committed to nurturing our female talent.

Our new partnership with Women in Data will help us increase female representation in roles traditionally held by men. Through our membership with One Loud Voice, we will help tackle the continuing barriers for women in the UK workforce by encouraging communication and amplifying voices.

We remain a signatory to Change the Race Ratio and our senior leaders are committed to taking action to increase racial and ethnic participation. Our partnership with Vercida, a diversity and inclusion platform for job seekers, is a tangible way for us to make a true difference by employing a truly diverse workforce.

Our ESG structure

The ESG structure at D&G is set up for success. Together, we've built on the progress we've made since April 2021 and have set up strong foundations for a bolder strategy as we move into 2022.

Our ESG Committee meets monthly and reports directly into the Executive Committee ('ExCo'). It is made up of ExCo sponsors and business leads who are responsible for delivering on our business commitment to the United Nations Sustainable Development Goals, ESG strategy and driving value to our stakeholders.

The cross-functional working group is led by high-performing talent and subject matter experts from a broad cross-section of the business. Meeting monthly, the working group is responsible for delivering ESG led initiatives in alignment with our business plan. We have also created a dedicated Sustainability Committee of the Board, which will oversee the work that is carried out by the business in this area.

Looking ahead

Science based targets/carbon footprint results

By September 2022 we will have a calculated estimate of current emissions for Scope 1, 2 and 3, which we will use to set Science Based Targets ('SBTs') with an accompanying action plan.

Sustainability Committee

The new committee will provide clear direction and agree a level of ambition for our sustainability agenda. Implementing a scorecard and measuring progress will drive momentum and focus.

Communicating the sustainability benefits having a D&G policy

We will talk more about the role D&G plays on the environment and the sustainability impacts of having a D&G plan to all of our stakeholders, building awareness of our sustainability credentials and purpose.

Sustainability and community

In 2022 we have unveiled the D&G Van for Good. This mobile repair café has been launched in partnership with the Reuse Network and will bring repair skills and education to local communities and allow people to dispose of broken appliances in a sustainable manner.

We are launching a partnership with onHand in June 2022. onHand is an on-demand volunteering app which will enable our teams to take part in volunteering missions that support our communities and directly contribute to CO2 reduction.

Streamlined Energy and Carbon Reporting ('SECR')

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

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

Reason for change in emissions

Our emissions reduced in FY22 due to office closures linked to COVID-19. We have rationalised and reduced our office space since COVID-19 which will have an ongoing effect of reducing emissions. That said, we expect our Scope 1 and Scope 2 emissions to increase in FY23 as we embark on a hybrid approach to working and we have our people back in the office to a greater extent.

Scope 3 emissions relating to business travel reduced in FY21 as we stopped travel during national lockdowns. These increased in FY22 with the full relaxation of these restrictions towards the end of FY22 and we expect this to further increase in FY23.

Methodology

The report follows the SECR guidance and the GHG Protocol - Corporate Accounting and Reporting Standard as the accepted methodology to meet the mandatory requirements. No additional operational 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 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 & energy use data	UK FY22	UK FY21[1]
Energy consumption used to calculate emissions: /kWh	1.89m	3.17m
Emissions from combustion of gas tCO_2e (Scope 1)	46	181
Emissions from combustion of fuel for transport tCO_2e (Scope 1)	0	0
Emissions from purchased electricity tCO_2e (Scope 2, location-based)	323	501
Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel tCO_2e (Scope 3)	28	8
Total gross tCO_2e based on above	397	690
Intensity ratio: gross tCO_2e per £1,000,000 revenue	1.1	1.9

1 When reviewing the inventory comparisons to the previous reporting period a discrepancy was found with the emissions totals for 2020-21. Based on this, the previous period has been recalculated to allow for a more accurate comparison.

Operational resilience, governance and prudent risk management

Drive, Delivery, Discipline

D&G applies its 3 principles of risk management to **drive** a robust risk management framework, ensure **delivery** of a comprehensive view of its risks portfolio and to remain **disciplined**, ensuring uninterrupted services to its 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')

A Board sub-committee charged with monitoring the integrity of financial statements, and oversight of the execution of the risk management and internal control frameworks, including agreeing the risk appetite for Board ratification.

Refer to page 67 for members of the ARC ›

Group Risk Committee ('GRC')

An Executive sub-committee responsible for monitoring adherence to risk appetite and changes to the risk profile, and overseeing conduct and regulatory compliance against the principles and rules set out by the Group's regulators (including climate change risk). The committee meets monthly and is comprised of the Executive Committee including the Chief Executive Officer. Further representatives from the business are invited, as necessary.

Risk appetite

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

Three lines of defence

D&G has implemented the 'Three lines of defence' model, comprised of:

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, advisory, 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 the efficiency and effectiveness of D&G's governance, risk management and internal control frameworks and processes.

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

Risk	Risk management and mitigation
Financial management **Context:** D&G needs to ensure that it has sufficient liquidity and funding to meet its liabilities – e.g. claims expenses, supplier bills, salary payments, debt service – and provide capital to fund its growth and transformation programmes, including entry into the US market. **Risk definition:** The risk of failing to sufficiently control D&G's finances in order to deliver strategic initiatives, meeting its financial obligations (including debt servicing) and satisfy Solvency II capital requirements.	Detailed cash flow forecasts are prepared regularly to ensure liquidity requirements are identified and met with buffers held for regulated entities (Domestic & General Insurance plc in the UK and Domestic & General Insurance Europe AG in Europe) to cope with hypothetical stresses. The Group has access to an RCF should it need additional short-term liquidity. D&G regularly monitors its counterparties to reduce the risk of default. D&G's investment strategy is prudent and includes investing in low-risk assets to preserve capital (which includes consideration of ESG factors and is overseen by the Group Investment and Capital Committee). Specifically, regarding the current heightened inflation/cost of living increase risk mitigations include: • Inflation assumptions included in budgets • Arrangements with clients and repairers support stability in D&G's margins • Approximately 3/4 of the Group's external debt carries a fixed rate of interest, which gives the Group protection against interest rate rises
People **Context:** D&G employs around 3,000 employees across its sites globally. The delivery of D&G's objectives is driven by its colleagues' skill, talent and behaviour. **Risk definition:** The risk that D&G does not attract, retain, and develop talent required to deliver its strategic and operational objectives.	D&G has successfully delivered its value proposition of hybrid working and continues to regularly review its employees' engagement and adequacy of its skills and resourcing, including via: • Recruitment and vetting policy • Mandatory training programme for all employees • Performance management processes • Reward programme, overseen by D&G's Remuneration Committee • Salary inflation is managed through the existing remuneration governance • Regular review of succession planning (refer to page 42 for Our people strategy)

Risk	Risk management and mitigation
Information security and data protection **Context:** D&G collects, processes, stores, and handles non-public data from customers and suppliers, and therefore, must comply with all applicable data protection laws (including GDPR). **Risk definition:** The risk that D&G exposes its millions of customers, its employees and/or its suppliers to for example, data breaches, or data loss, such as from a cyber-attack, through lack of controls and systems to protect, collect, process, store, and handle data effectively.	D&G has deployed a framework of controls to mitigate the risk of non-compliance with its data security and privacy requirements, and regularly reviews its conformance with relevant international standards. To further ensure the robustness of controls, a multi-phased program of work (the Information Security Roadmap) has been underway since 2021. Due to the enhanced inherent external threat of cyber attack caused by the Russia-Ukraine conflict, there has been some tactical re-phasing of work. D&G continues to regularly review advice from government bodies (e.g. the US Cybersecurity & Infrastructure Security Agency and the UK's National Cyber Security Centre), and its existing vendors and suppliers to identify further areas where controls may need to be updated to meet the threat. D&G complies with GDPR on the processing of personal data and on the free movement of such data, and regularly monitors developments in privacy laws and regulation across multiple jurisdictions in which it operates.
Underwriting and pricing **Context:** D&G has extensive experience and specialist technical capabilities in pricing its underwriting risks (such as accidental damage or mechanical breakdown), yielding reliable and stable underwriting performance. **Risk definition:** The risk that D&G's insurance premiums are not able to cover existing or future claims.	D&G manages the risk of underwriting and pricing adversely impacting on business performance by: • Building statistically robust pricing models with multiple years of data, run by experienced specialist teams. • Monitoring performance, including written premium and claims costs. D&G has dedicated data science and underwriting teams to price underwriting risks in accordance with customers' risk factors. Underwriting and pricing processes are subject to risk management governance and control to ensure pricing models are fair and non-discriminatory, whilst generating sustainable profit. Regarding the increased inflationary environment in our markets, underwriting KPIs are closely monitored, and revised inflationary assumptions have been included in the planning for financial year ending 2023. The rate of insurance policy and maintenance plan cancellations and renewal uptakes is monitored closely by a specific working group to identify areas where response is required. Regarding the ongoing conflict in Ukraine, D&G does not underwrite insurance policies or sell maintenance service plans in Russia or Ukraine.

Risk management continued

Risk	Risk management and mitigation
Third party risk **Context:** D&G has agreements in place with third parties to provide sales distribution, contact centre, technology, and professional services (subject to satisfactory due diligence outcomes and acceptance of contractual requirements). This allows D&G to focus on developing its core competencies. **Risk definition:** Third party risk is the risk that services delivered by third parties of D&G fall below the required standards, resulting in business interruption, poor customer outcomes, data breaches, or financial loss.	All new third party agreements are arranged in accordance with our procurement policy and subject to appropriate levels of due diligence and onboarding. D&G monitors the performance of our outsourcers and critical third-party arrangements and has a dedicated team to ensure third party sales risks are managed in accordance with our internal standards and the operational resilience framework.
Key client relationships **Context:** D&G's majority route to market for new business sales is via third party distributors across its markets. The ability to develop and maintain mutually beneficial relationships is fundamental for D&G's growth and our mature client management framework is adopted for developing markets in the US and Europe. **Risk definition:** D&G maintains close relationships with strategically important partners, the loss of which could materially impact the delivery of future growth plans.	D&G's dedicated client management team maintains a close relationship with its partners with careful management of service levels. D&G has negotiated long-term agreements with each of our key clients and contracts, creating incentives for long-term, sustainable partnerships with our clients. D&G monitors its key client dependence in accordance with our business strategy to ensure that our concentration risk does not exceed risk appetite.
Technology **Context:** Technology is a fundamental dependency for the delivery of D&G's operations and strategy. The blend of legacy systems and, increasingly cloud based solutions, require management to balance the IT expenditure and the resulting operational, commercial and customer benefits. **Risk definition:** The risk that D&G's technology does not enable efficient delivery of business objectives i.e. due to its unavailability, instability, obsolescence, lack of future-proofing.	D&G has the following key controls in place to mitigate its technology risk: • IT governance structure which oversees IT operations, architecture, and change & release management. • IT service continuity management framework • Incident management and disaster recovery • Operational resilience scenario testing • Regarding cyber risks, refer to "Risk management and mitigation section for the principal risk "Information security and data protection - page 50

Risk	Risk management and mitigation
Strategic delivery **Context:** D&G has set out to deliver a number of ambitious transformation programmes, intended to enhance customer experience, profitability, and shareholder value, over the medium and long-term. These programmes include expansion into the US, growth of its subscription business, and transformation of its data and digital capability. **Risk definition:** The risk of being unable to deliver the desired benefits of large change programmes at the agreed cost/timing/quality, i.e. implementation complexity, management stretch or introduction of new requirements.	• D&G regularly assesses the delivery of strategic change - including product-led and project-based initiatives - through its business planning structure • Following a full review of the target operating model, ways of working and implementation of objectives and key results ('OKRs'), D&G is working to create a clearer link between strategy and execution. • To support successful delivery, D&G has developed improved governance and controls for project funding and tracking of the benefits. • Transformation in ways of working, designed to create speed, simplicity and scale are being designed and embedded in FY23 to aid the execution of our strategic objectives.

Conduct **Context:** D&G provides valuable and essential services that deliver fair customer outcomes and meet our customers' expectations, whilst generating sustainable returns. **Risk definition:** The risk that the provision of D&G's services (including product design, pricing and services) fail to provide customers with fair outcomes.	• Comprehensive training and competence programmes • Quality assurance programme covering in-house and outsourced customer-facing activities • Root cause analysis to identify and act upon complaint trends to ensure continued focus on fair outcomes • Governance committees monitor adherence to conduct risk appetite, the delivery of fair customer outcomes and product design • Robust employee vetting processes • Our second line of defence includes a risk-based compliance monitoring programme, targeting key areas of conduct risk. • D&G monitors the appliance market and works closely with its OEM partners to plan for potential disruption (e.g. supply chain disruption affecting replacement parts/appliance availability) • Potential impacts on customers costs of living are proactively monitored on a regular basis through existing forums

Risk	Risk management and mitigation
Changes in market dynamics **Context:** D&G operates within a number of legal and regulatory frameworks and is exposed to external changes outside of its control, which present risks and opportunities to D&G. **Risk definition:** The risk that changes in the political/legal/regulatory/economic environment, activity of competitors, technology, or in consumer behaviour, could impact the execution of D&G's strategy.	D&G proactively scans the horizon to monitor a number of macro-factors, including regulatory/legislative developments, inflation, competitor behaviour, geo-political unrest, and changes in consumer demand to ensure that its strategy continues to be aligned with customer needs and the regulatory landscape. D&G is tracking the regulatory consultations on the future of Solvency II and the parallel consultation on the definition of insurance holding companies which deals with the limit of group insurance supervision and related capital requirements. Neither consultation has yet resulted in confirmed policy changes and their outcomes are, therefore, uncertain. D&G's Environmental, Social and Governance ('ESG') programme builds on the existing practices which already exist within its Corporate Social Responsibility, Risk Management and HR functions and ensure these are focused on a unified set of ESG objectives. Refer to pages 44 to 47 for further information regarding ESG.

OTHER RISKS

Climate change risk **Context:** Regulators of the Group's UK and EU insurers are increasingly linking climate change risk to their statutory objectives (e.g. financial stability, protection of policyholders), and expect that regulated firms understand how climate change may affect their risk profile and take the necessary steps to govern and manage those risks appropriately. **Risk definition:** Climate change-related risks are the uncertain events that may arise from: • The increased severity and frequency of extreme climate change-related weather events and longer-term gradual shifts in weather (physical risk) • Changes to market dynamics by the process of adjustment to a low-carbon economy (transition risk) • Relates to litigation against parties for losses caused by physical or transition risks (liability risk) D&G's risk assessment is that these risks are not currently material, however they will continue to be monitored as part of the risk management framework.	• D&G has undertaken a detailed risk assessment to identify potential physical and transition risks across its principal risks, which are updated as part of the existing risk management framework. The Board reviews the results of the Group's risk assessment biannually, which helps inform the development of the business plan. • Risk scenarios are performed to model the impact of physical and transition risks (claims expense increase and reduced sales due to legislative change, respectively) to the UK and EU insurance entities, which demonstrate resilience. • D&G's underwriting portfolio is well diversified to difference appliance types and geographies with minimal exposure to weather-related claims and no catastrophe risk. • Strong relationships with its OEM partners and industry bodies to help identify opportunities associated with technology innovation (e.g. new appliance types such as heat pumps). • Increasing use of cloud solutions and hybrid ways of working helps reduce locational risks (e.g. extreme weather events, such as floods). • For the UK regulated business, the Chief Financial Officer holds the Prescribed Responsibility for 'Financial Risks from Climate Change' (under the PRA and FCA's Senior Managers & Certification Regime). The Chief Risk Officer is responsible for ensuring the D&G's regulated entities meet local regulatory expectations (including in relation to climate change-related risks). • Governance committees such as the GRC, ESG and Sustainability Committees, Product & Pricing Committee and the Group Investment and Capital Committee have responsibilities to govern relevant areas of climate change risk.

Group financial highlights

Revenue
£924m
FY21: £872m

Subscription revenue
£807m
FY21: £748m

Adjusted EBITDA ex US[1]
£117m
FY21: £107m

Operating profit
£62m
FY21: £51m

Solvency ratio[1]
196%
FY21: 199%

Free cashflow[1]
£54m
FY21: £32m

1 This is an Alternative Performance Measure (APM) which provides useful information to enhance the understanding of financial performance. Further information on APM's, including a reconciliation to the financial statements (where possible) can be found in the 'Other information' section on pages 131 to 132.

Continuing to deliver growth

Another year of growth in revenue with improving profitability, demonstrating the strength of our subscription business model, our partnership networks and our underlying cost discipline.

Joe Fitzgerald
Group Chief Financial Officer

Overview

We have seen strong financial performance over the last year – both in the UK and International markets, despite the macro-economic uncertainty, disruption caused by the COVID-19 pandemic and the ongoing war in Ukraine. The Group delivered revenue growth of 6% to £924m (FY21: £872m), driven by both our UK and International businesses. Our subscription business model continues to demonstrate its strength with total subscription revenue up 8% year-on-year to £807m (FY21: £748m), reflecting increased new business levels allied to stable subscription customer retention rates that are the key drivers of our growth.

Group adjusted EBITDA was £112m (FY21: £107m), an increase of 5%. Excluding initial losses incurred by the US, which successfully launched in September 2021, Group adjusted EBITDA increased 10% to £117m (FY21: £107m) reflecting solid trading performance and cost discipline. Operating profit also increased by 22% to £62m (FY21: £51m) reflecting growth in underlying trading and the reduced spend on significant items as FY21 included costs relating to Brexit and COVID-19.

In the US, we have had a positive start after our operational launch in September 2021. We have the infrastructure in place, including our Chicago HQ and Cleveland contact centre.

Revenue

Overall, Group revenue increased by 6% to £924m (FY21: £872m) driven by growth in both our UK and International businesses. UK revenue increased by 6% to £758m (FY21: £712m) primarily due to growth in our renewals book which is driven by our subscription model and high retention rates. Subscription revenue in the UK increased 8% to £713m (FY21: £663m). International revenue increased to £166m (FY21: £160m), an increase of 4%.

Subscription revenue continues to be a growing proportion of total International revenue at 57% (FY22: 53%) reflecting the continued success in replicating our UK subscription model. Overall, subscription revenue in our International business grew 11% compared to the previous year. ›

Operating profit

Group operating profit increased to £62m (FY21: £51m) with growth both in the UK and International businesses driven by increasing subscription profits, due primarily to renewals and stable total cost ratios. Significant costs decreased to £2m (FY21: £15m) as FY21 included costs relating to Brexit and COVID-19. 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 £2m (FY21: £15m) has been recognised in the year.

	FY22 £m	FY21 £m
Restructuring costs	**(1.8)**	-
Brexit	**(0.2)**	(12.0)
COVID-19	**-**	(2.7)
Talbot St revaluation	**-**	0.3
Value Creation Plan	**-**	(0.5)
Significant item	**(2.0)**	(14.9)

In FY22, a charge of £1.8m has been recognised for restructuring costs primarily arising from the implementation of claims automation. Brexit costs incurred this year relate to the application to use Undertaking Specific Parameters ('USPs') in the calculation of our EU Solvency II capital requirements. FY21 included costs relating to both Brexit and COVID-19 which were largely one-off in nature.

Depreciation and amortisation

Depreciation and amortisation charges increased by £7m to £48m (FY21: £41m). This reflects increased 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 categories of intangible assets became fully amortised in the prior year.

Finance costs

Total finance costs remained stable at £56m (FY21: £56m) with the prior period including higher RCF interest costs and higher realised foreign exchange movements, partly offset by the impact of the increased leverage of the Group.

Profit before tax

The Group recognised a profit before tax of £6m (FY21: loss before tax of £(6)m), reflecting the increase in operating profit as net investment expenses and finance costs remained stable year on year.

Taxation

The tax charge increased by £0.6m to £6.3m (FY21: £5.7m). This is due to a combination of the impact of tax rate changes on deferred tax assets/liabilities offset partly by the availability of the new super deduction for capital expenditure.

Group cash flow, net debt and balance sheet

	FY22 £m	FY21 £m
Third-party debt*	**751.8**	755.8
Unrestricted cash reserves	**(64.3)**	(74.7)
Net debt	**687.5**	681.1

* Includes €200m Floating Rate Senior Secured Note translated at transaction date spot rate as currency exposure is fully hedged. See note 33D on page 129.

Unrestricted cash is the cash and cash equivalents balance of the unregulated business and the distributable surplus capital of the regulated business over and above regulatory capital requirements. Gross third-party debt remained broadly stable at £752m (FY21: £756m). At 31 March 2022, the RCF remained undrawn. Unrestricted cash reserves decreased by £11m to £64m (FY21: £75m) primarily driven by our investment in the US and increased capital expenditure. As a result, net debt increased by £7m to £688m (FY21: £681m).

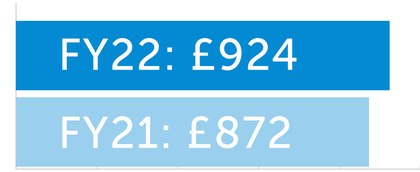
	FY22 £m	FY21 £m
Cash and cash equivalents at the beginning of the year	**71.0**	81.0
Net cash from operating activities	**6.0**	35.8
Net cash used in investing activities	**(36.6)**	(61.9)
Net cash (used in)/from financing activities	**(6.3)**	17.6
Effects of foreign exchange	**(0.2)**	(1.5)
Cash and cash equivalents at the end of the year	**33.9**	71.0
Investments	**102.7**[1]	109.2
Cash and cash equivalents and investments at the end of the year	**136.6**	180.2

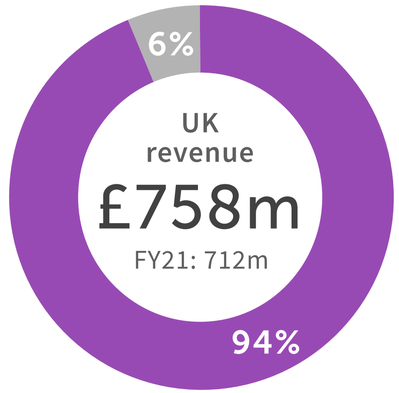
1 Investments includes £55.9m (FY21: £59.6m) relating to investments in preference shares issued by Galaxy Finco 2 Limited, a fellow subsidiary of the Group's immediate parent, Galaxy Midco 2 Limited.

Net cash from operating activities

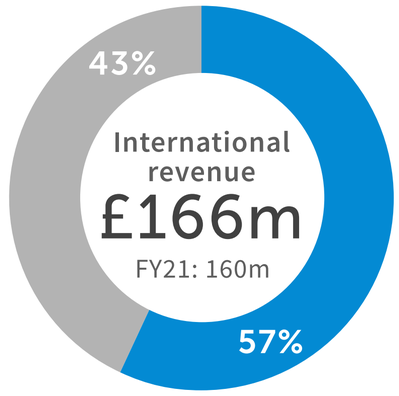
Net cash from operating activities of £6m (FY21: net cash from operating activities of £36m) represents a decrease of £30m compared to the prior year. This was net of working capital outflows of £46m in FY22 (FY21: £1m inflows), which included the ongoing growth of subscription business, commission arrangements with clients in relation to multi-year commercial terms, the unwind of certain COVID-19 cash preservation measures, and US working capital investment. ›

Group revenue





Subscription (FY21: 93%)
Non-subscription (FY21: 7%)



Subscription (FY21: 53%)
Non-subscription (FY21: 47%)

Net cash used in investing activities was £37m (FY21: net cash used in investing activities of £62m), a decrease of £25m. FY22 includes cash inflows from money market funds for the corresponding acquisition of investments in financial instruments as part of the Group's broader investment strategy. FY21 primarily reflects the investment of cash from net debt issuance into money market funds.

There was a net cash outflow from financing activities of £6m in FY22 (FY21: inflow of £18m). This movement was primarily the result of FY21 reflecting the refinancing of £100m in July 2020, partly offset by repayment of amounts drawn against the RCF of £77m. Other financing activities, including the repayment of lease liabilities, remained stable year on year.

As a result, the Group's cash and cash equivalents, and investments decreased by £43m to £137m (FY21: £180m).

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

(a) free cash flow from the unregulated business; and

(b) distributable earnings of the regulated business, in excess of regulatory capital requirements.

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

Free cash flow

Free cash flow is presented below:

	FY22 £m	FY21 £m
Adjusted EBITDA ex US	**117.4**	107.1
US result	**(5.7)**	(0.6)
Adjusted EBITDA	**111.7**	106.5
Less: Regulated business EBITDA	**(41.7)**	(37.7)
Unregulated business EBITDA	**70.0**	68.8
Working capital movements	**0.3**	(10.2)
Capital expenditure	**(35.3)**	(33.5)
US capex and working capital	**(5.9)**	-
Free cash flow from Unregulated business	**29.1**	25.1
Increase in distributable earnings from Regulated business	**25.2**	6.9
Free cash flow	**54.3**	32.0

Free cashflow increased to £54m (FY21: £32m) reflecting an underlying cash conversion rate of 49% (FY21: 30%). Free cashflow from our Unregulated business increased to £29m (FY21: £25m) driven by EBITDA performance. Offsetting the cash inflow from Unregulated EBITDA and working capital, capital expenditure remained at an elevated level as we continued to improve our digital capability, transform our facilities and invest in our start-up US business.

The increase in distributable earnings of the Regulated business of £25m is higher than the prior year equivalent of £7m which was affected by Solvency II capital requirements arising from the transfer of our International business to our European insurance entity, DGIEU, due to Brexit. The £25m increase in distributable reserves of our Regulated business remains lower than the equivalent Regulated EBITDA of £42m, which is due to capital requirements arising from growth in the insurance business and allowances made in actuarial estimates for future claims cost increases due to inflation.

Capital structure and solvency

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

	FY22 £m	FY21 £m
Solvency II capital resources	**165.2**	159.1
Solvency II capital requirements	**84.2**	80.0
Solvency ratio	**196.2%**	198.9%

The Group has continued to maintain a strong regulatory capital position, with a solvency ratio in excess of our 130% commitment. The underlying capital structure is kept under review to ensure these requirements are met and to maintain an efficient balance sheet. The Group's insurance companies, DGI and DGIEU, are regulated by the UK Prudential Regulation Authority ('PRA') and the German Federal Financial Supervisory Authority ('BaFin') respectively. The Board regularly reviews the capital position of the Group and the regulated entities under the European Solvency II directive. As part of the Solvency II regime, the Group has implemented an Own Risk and Solvency Assessment ('ORSA') process which is used to assess the level of capital that should be retained by the Group's insurance companies. This process considers the various risks faced by the regulated group and includes stress tests applied to financial projections to ensure that projected levels of capital can withstand hypothetical shocks.

The regulated group is well capitalised under the Solvency II standard model (with Undertaking Specific Parameters ('USPs')) and on the basis of its ORSAs. The qualifying capital resources of £165m (FY21: £159m) held by the regulated Group at the year-end comfortably exceeded its capital requirements of £84m (FY21: £80m), giving a capital surplus of £81m (FY21: £79m) and a regulatory solvency ratio of 196% (FY21: 199%). The Group's dividend policy takes into account our policy to maintain eligible Own Funds at or above a threshold Solvency Capital Ratio of 130% and also requires that due consideration is given to stress-tested liquidity requirements and any current, relevant PRA guidance.

Joe Fitzgerald
Group Chief Financial Officer
30 June 2022

Corporate Governance

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Chair's welcome

The Board believes that strong, successful businesses generate value for their owners and for wider society

Engagement with stakeholders
see pages 30 and 31 ›

Corporate Governance Statement
see page 68 ›

The Group has extensive processes in place to engage with the broad range of stakeholders that are integral to its success. For more on our engagement with stakeholders including our Section 172(1) statement see pages 30 and 31.

The Board knows that robust governance processes designed to support proper oversight and decision-making are critical to the success of any business.

As a result, we continue to monitor our governance framework to ensure that our business activities are subject to regular scrutiny, ensuring that genuine value is delivered to our stakeholders and that our business can keep running in an ethical and responsible way.

Governance Code and Director duties

D&G is not a listed company. However, the items highlighted in the FRC's Corporate Governance Code 2018 (the 'Code') are highly influential to the Board in its oversight of the Group. In particular, we consider the following matters carefully and monitor performance with them: company culture, workforce engagement, diversity and remuneration. This report highlights the measures that are in place to ensure that we comply with the spirit of the Code on these items together with guidance helpfully introduced by the Wates Corporate Governance Principles in 2018 (the 'Wates Principles') that provide further clarity on the standard of expected behaviour and transparency to which the UK's largest private companies should aspire. Details of how D&G applies the Wates Principles can be found in the Corporate Governance statement on page 68.

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

You can find more on how Section 172(1) considerations are embedded in decision making at board-level on pages 30 and 31 and see how they are demonstrated throughout its governance framework over the following pages.

Leadership and effectiveness

To the Board, 'Effective Leadership' is the culmination of sound and reasoned setting of corporate strategy, based on the entrepreneurial and diverse leadership experience of each Board member. Decisions are greatly influenced by interactions with D&G's management team and other colleagues, and by its financial risk appetite. We have a fully articulated regulatory and prudential control framework. We review carefully the impact of the Group on each of our stakeholders. Details of how we consider our stakeholders in key decision making can be found in the Stakeholder Engagement section within our Strategic Report on pages 30 and 31.

Corporate framework

Domestic & General Limited ('D&G') is the statutory entity at which the operational board sits (the 'Board'). The Board is supported by an Audit & Risk Committee and a Remuneration Committee. This Annual Report & Accounts is presented for Galaxy Finco Limited, a subsidiary of D&G and holding company within the Group. Galaxy Finco Limited is the largest group of companies for which the results of the Group are consolidated. Domestic & General Insurance plc ('DGI') is the regulated operating entity within the Group and has its own Audit & Risk Committee which is chaired by Barbara Merry, an independent Non-Executive Director of that company. Domestic & General Insurance Europe AG ('DGIEU') is a wholly-owned subsidiary of DGI, registered in Germany and duly authorised by BaFin to carry on insurance business in Germany and across the EEA. DGIEU has both a Management Board and a Supervisory Board. Details of the membership and terms of reference of each of our committees are provided in more detail on page 67.

David Tyler
Chair
30 June 2022

Governance roles and responsibilities

The role of the Board

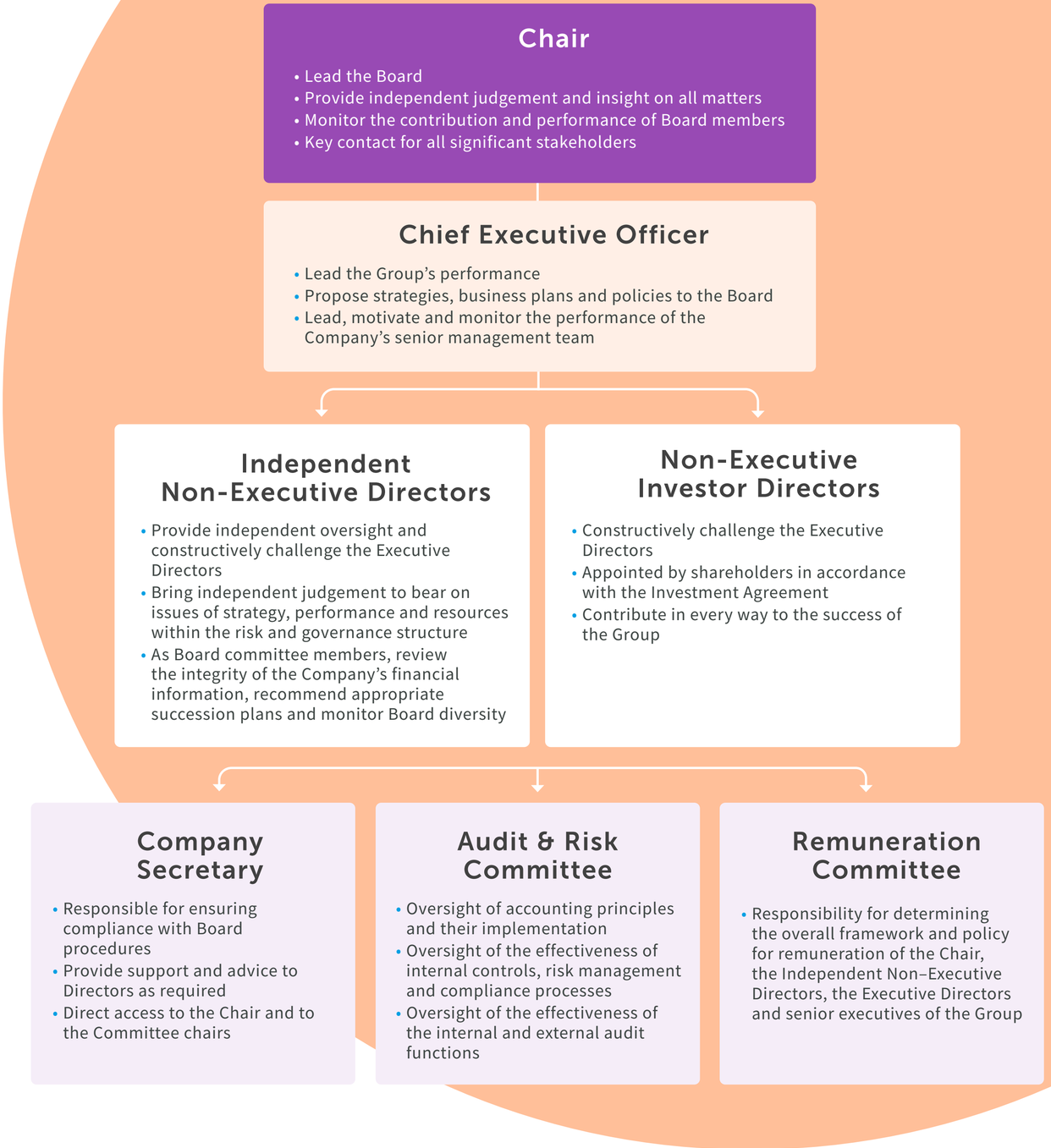
The Board has collective responsibility for the long-term success of the Group. It sets its strategic direction and oversees the Group's performance. The Board delegates implementation of strategy and the responsibility for day-to-day operations to the Executive Committee, supported by the senior management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

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

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

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

Engaging with the workforce is fundamental to the way that D&G operates. During the year, the Board engaged with employees in a variety of ways, including holding regular business updates led by the CEO, which during the year have included virtual and in person townhalls and a digitally enabled two-way communications app.



balance of skills + experience

Domestic & General Limited is the statutory entity at which the Group's operational Board sits and the parent entity of Galaxy Finco Limited, whose financial statements are presented at page 73. Barbara Merry is a director of Domestic & General Insurance plc and regularly attends Group Board meetings in such capacity. In addition, Ian Mason served as the Chief Executive Officer and a Director of the Company until his death on 26 April 2021. Following this, David Tyler fulfilled the role of Executive Chair until 4 October 2021, at which time Matthew Crummack was appointed as Chief Executive Officer and a Director. James Davies served as the Chief Financial Officer and a Director until 26 April 2021. Following James' departure, Joe Fitzgerald was appointed as acting Chief Financial Officer, with his appointment to the role being made permanent on 22 November 2021.

The Directors set out here sit on the Board of Domestic & General Limited

Board of Directors

Key Board and Committee activities

- COVID-19 pandemic response, including impact on business performance, customers, employees and the communities we operate within
- Oversight of key strategic targets and monitoring performance of the business
- Expansion into the United States

:

David Tyler

Chair

Appointed
September 2015

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

Biography
David became Chair of the Group in September 2015. During the interim period of five months in 2021 between CEOs, he was Executive Chair. David has over 45 years' experience spanning the consumer, retail, business services and financial services sectors. David is an experienced chair having served in this role at major UK public companies including J Sainsbury plc, Hammerson plc, and Logica plc. As a Fellow of the Chartered Institute of Management Accountants and a member of the Association of Corporate Treasurers, David brings extensive financial knowledge to the Board.

External appointments
David is the Chair of Imagr Holdings Ltd. He is also the Chair of the Parker Tyler Review, a Government-backed Committee advising on how to increase the ethnic diversity of UK Boards.

Matthew Crummack

Chief Executive Officer

Appointed
October 2021

Committee Membership
Remuneration

Biography
Matthew was appointed as CEO of the Domestic & General group on 4th October 2021. He is an experienced executive having led the transformation of big consumer-facing digital brands across different geographies. Matthew was the Group CEO of GoCo Group plc prior to its sale in 2021 to Future plc for $794m, and the CEO of lastminute.com Group where he led the turnaround of the business prior to its sale to Bravofly Rumbo Group for $120m in 2015.

Previously Matthew was Senior Vice President of Lodging at Expedia, managing the supply of hotels and transportation inventory for the global group, and started his career in consumer goods across Europe at Procter & Gamble and Nestle.

External appointments
Matthew also serves as a Senior Non-Executive Independent Director at National Express plc, a Non-Executive Director and advisor to London start-up Kidadl and as an Independent Council member of Aston University.

Joe Fitzgerald

Chief Financial Officer

Appointed
November 2021

Committee Membership
Audit & Risk (D&G, DGI)[1]

Biography
Joe joined D&G as a graduate in November 1998 and has worked in a variety of roles across the business. He was appointed Underwriting Director in 2007, and has over his time at D&G also led our Marketing, Data Science, Repair Service, Digital & Group Strategy functions. Joe was previously our acting CFO from November 2019 until November 2020 before being permanently appointed CFO in November 2021. Joe is an associate of the Chartered Institute of Management Accountants and the Society of Actuaries.

External appointments
N/A

Robin Ashton

Independent Non-Executive Director

Appointed
July 2019

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

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

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

Nina Bhatia

Independent Non-Executive Director

Appointed
April 2019

Committee Membership
Remuneration

Biography
Nina is currently the Executive Director, Strategy & Commercial Development at the John Lewis Partnership. Nina was previously Managing Director of Hive, a smart home business owned by Centrica. She also ran a national home services business for British Gas.

Nina spent 23 years at McKinsey & Co. was elected a Partner in 1999 and served clients in multiple sectors including energy, media, healthcare and government.

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

1 In line with Corporate Governance best practice, it was agreed that membership of the D&G and DGI Audit & Risk Committees should be made up of Non-Executive Directors. Joe Fitzgerald therefore stepped down as a member from both the D&G and DGI Audit & Risk Committees in June 2022. Executive Directors continue to attend meetings of the Audit & Risk Committee on a regular basis as invitees.

Board of Directors continued

Peter Rutland

Non-Executive Director

Appointed
August 2013

Committee Membership
Audit & Risk (D&G)[1]
Remuneration

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

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

David Wells

Non-Executive Director

Appointed
September 2015

Committee Membership
Audit & Risk (D&G)
Remuneration

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

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

Barbara Merry

Independent Non-Executive Director of DGI – the Group's regulated operating entity

Appointed
September 2014

Committee Membership
Audit & Risk (Chair - DGI)

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

External appointments
Barbara is a non-executive director with Pool Reinsurance Company Limited, Argus Group Holdings, Berkshire Hathaway International Insurance Limited and BGC European Holdings LP.

Martin Iacoponi

Non-Executive Director

Appointed
November 2021

Committee Membership
Audit & Risk (D&G)[1]

Biography
Martin is a Managing Director at CVC and joined in 2015. Prior to joining CVC, Martin worked at Credit Suisse.

External appointments
Martin serves on the board of RiverStone International Limited and has also been involved with CVC Funds' investments in Pensions Insurance Corporation, NewDay, Paysafe and TMF.

Michael Ross

Non-Executive Director

Appointed
September 2021

Committee Membership
None

Biography
Michael has over 30 years experience in digital and data-driven transformation. He is a serial entrepreneur and has co-founded businesses including figleaves.com, ecommera and DynamicAction. He has also served on the board and advised a wide range of businesses across retail, telecommunications, financial services, and consumer goods. He started his career at McKinsey and Company.

External appointments
Michael serves as a non-executive director of Sainsburys Bank, N.Brown plc and on the Commercial development board at the Turing Institute.

Robin (Pev) Hooper

Non-Executive Director

Appointed
August 2013

Committee Membership
Remuneration (Chair)

Biography
Pev Hooper is a Managing Partner at CVC, he co-leads CVC's private equity activities in the UK and is based in London.
He joined CVC in 2003 after working in mergers and acquisitions at Citigroup and Schroders. He holds an MA degree from Oxford University. Pev brings a range of UK consumer financial services experience from his time on the boards of FCA/PRA regulated businesses such as NewDay (a leading consumer credit provider) and the RAC (leading roadside recovery provider and insurance broker).

External appointments
Pev serves on the board of the RAC, NewDay, Away Resorts, Premiership Rugby & Six Nations Rugby.

1 Martin Iacoponi became a member of the D&G Audit & Committee in May 2022, in place of Peter Rutland, who stepped down as a member at the same time.

Executive Committee

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

Steve Purser
Managing Director

Biography
Steve joined in March 2008 and is responsible for UK Sales & Client Management, and our International business including the recent successful launch in USA.
Steve previously held the Marketing Director and Sales & Marketing Director roles. His 25-year career in the industry has included UK and International roles, including senior positions at HomeServe and Allianz Insurance.

Gayle Terry
Chief Marketing Officer

Biography
Gayle joined in 2014 and is responsible for creating and delivering the customer and marketing strategy. Gayle has recently taken on the role of US Executive Sponsor, as we look to accelerate and drive forward our US strategy and plan.
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.

Tom Hughes
Chief Risk Officer

Biography
Tom joined in May 2018 and is responsible for risk, compliance, data privacy and quality assurance. Tom has spent more than 12 years in the insurance industry, including roles at RSA Insurance Group, and a number of senior positions at AXA. Prior to this, Tom qualified as a chartered accountant, holding roles in audit and finance at Deloitte and HSBC.

Seb Chakraborty
Chief Product and Technology Officer

Biography
Seb joined D&G in January 2022. He has a background in both software and business with a track record of innovation, business scale-up and technology. He has over 20 years experience across several industry sectors, including telecoms, energy and financial services and has previously worked in a Senior Executive capacity in VMO2, Future plc and Centrica Hive.

Al Grljevic
Chief Operating Officer

Biography
Al joined in November 2021 to drive Group change and transformation. In May 2022, Al has taken on the role of Chief Operating Officer. He retains his transformation and program responsibilities, while also bringing together the various operational teams and activities across the Group.
Prior to joining D&G, Al held several senior roles within the publishing, fintech, and travel sectors, successfully leading delivery across multiple business functions including digital, marketing, technology and operations.

Note:
Mark Bridges, International Director, served on the Executive Committee until he left the organisation on 6 May 2022.
In May 2022, the Board approved the Domestic & General Leadership Group ('DGLG') which now operates with a wider membership, in place of the Executive Committee.

Board responsibilities

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.

The Board held five 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
Chair		
David Tyler	5	5
Executive Directors		
Matthew Crummack	2	2
Joe Fitzgerald	2	2
Non-Executive Directors – Independent		
Robin Ashton	5	5
Nina Bhatia	5	5
Barbara Merry (DGI)	5	5
Non-Executive Directors – Investor		
Robin (Pev) Hooper	5	5
Jérôme Mourgue d'Algue - resigned on 20 July 2021	2	1
Peter Rutland	5	4
David Wells	5	4
Martin Iacoponi - appointed 22 November 2021	2	2
Michael Ross – appointed 28 September 2021	3	3

Ian Mason (died 26 April 2021) and James Davies (resigned on 26 April 2021) were both Executive Directors during the year, however, neither attended any board meetings during the year.

In addition to the scheduled meetings outlined in the table, a number of short meetings took place throughout the period in order to consider specific matters.

Key activities of the Board

Key stakeholder groups are defined at the start of all business initiatives and their potential interests and impacts are highlighted. An overview of our Board's key activities is provided below.

Strategy & Finance

- Approved the FY23 budget
- Considered the FY23 ESG strategy
- Reviewed succession planning and talent identification
- Considered product strategy

Risk Management

- Received updates from the Audit & Risk Committee, including an update on the approval of the ORSA
- Approved the Solvency & Financial Condition report and Regular Supervisory Report

Governance

- Attended to various Board appointments, including the appointment of CEO and CFO
- Reviewed and approved the Modern Slavery statement
- Reviewed and approved the Board Diversity policy
- Agreed to establish a Sustainability Committee for FY23

Group Performance

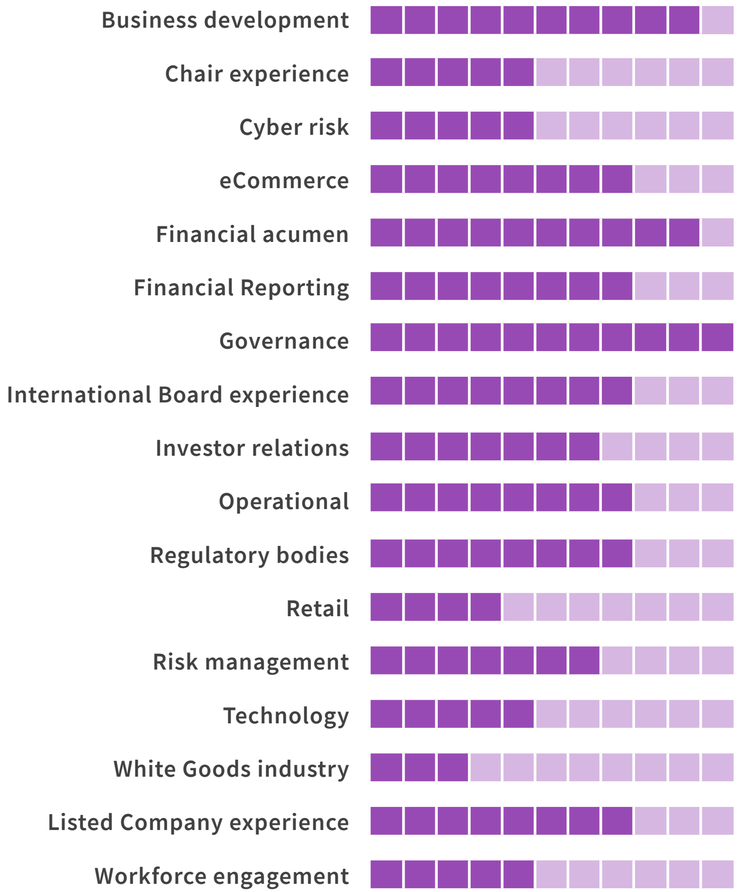
- Received monthly finance & trading reports and KPIs
- Reviewed regular operational reports, including UK and International call centre performance dashboards

Board composition

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.

Directors' skills and experience

The table below provides an overview of the skills and experience of our eleven Directors as at 31 March 2022:



Independence

The Wates Corporate Governance Principles for Large Private Companies recommend that companies should consider the value of appointing independent non-executive directors to offer constructive challenge. At D&G, our Board comprises three Independent Non-Executive Directors (excluding the Chair) representing 27%.

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

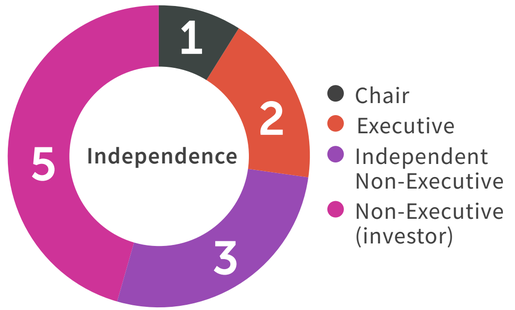
Conflict of interest

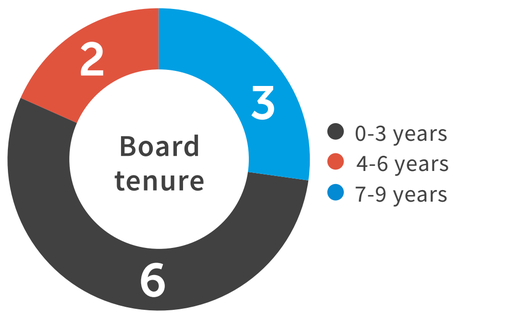
Procedures are in place to review and manage actual and potential conflicts. Each year, the Company Secretary undertakes an exercise whereby each Director is asked to review and update the conflict disclosures. In addition to this, each Director is aware of their duty to notify the Board should there be any material change to their positions or interests during the year. In accordance with internal policy, as well as the Company's Articles of Association, the Board may elect to authorise conflicts. In such circumstances, members of the Board will abstain from Board discussion or decisions in relation to any matter in which they have or may have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company.

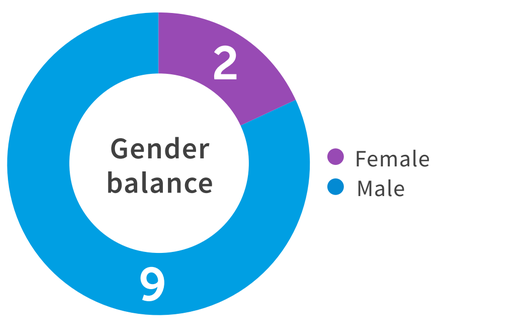
Board evaluation

Regular evaluation of the Board can help individual Directors to contribute effectively and highlight the strengths and weaknesses of the Board as a whole. The Chair of the Company meets with the Non-Executive Directors regularly and, together with the CEO and the Secretary considers the composition of the Board whilst taking into account the wider needs of the organisation and in particular Group strategy, performance management and risk management. Whilst the Company is privately owned, the Board appreciates the value that its Non-Executive Directors add with constructive challenge. The Board also delegates specific issues to committees as highlighted on page 67.

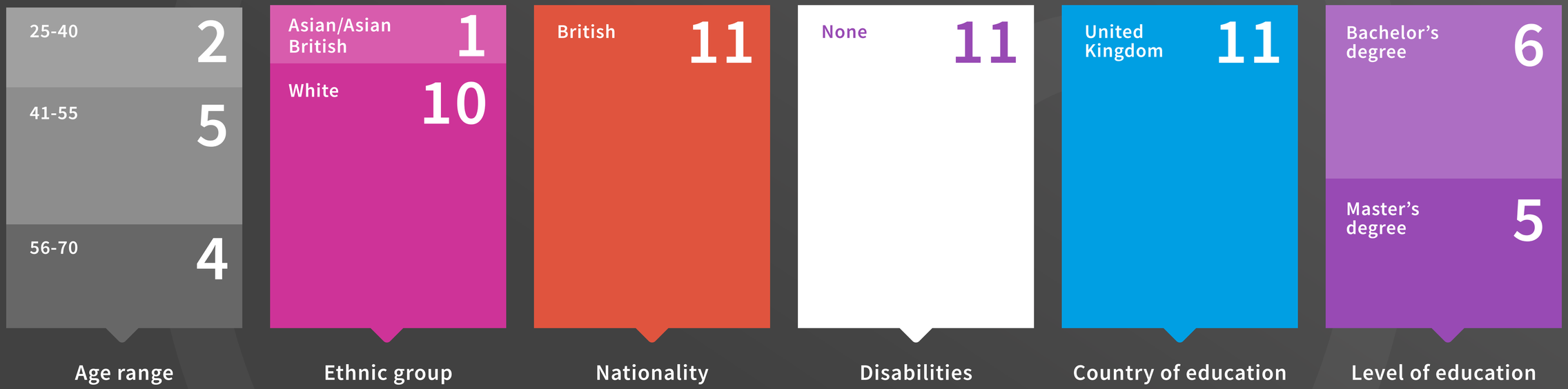
The last full Board evaluation process was conducted in 2018. Due to the significant changes to the Board in 2021, including the appointments of a new Chief Executive Officer, a new Chief Financial Officer and new Non-Executive Directors, it was decided to delay the previously planned formal Board evaluation process, which will now take place during the course of 2022.







board diversity + characteristics



Board induction and training

The Board has in place policies for induction and on-going training. All members of the Board have access to appropriate professional development courses to support them in meeting their obligations and duties. They also receive ongoing briefings on current developments, including updates on governance and regulatory issues. The skills matrix demonstrates where additional training may be beneficial for the Board. This will be used to form the basis of our ongoing programme of training for Directors.

Corporate Governance framework

Domestic & General Limited

Audit & Risk Committee

Members:
- **Robin Ashton** (Chair)
- **James Davies** (Resigned 26 April 2021)
- **Joe Fitzgerald** (Appointed 18 October 2021, resigned 23 June 2022[1])
- **Martin Iacoponi** (Appointed 27 May 2022)
- **Peter Rutland** (Resigned 27 May 2022)
- **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
- Review of the effectiveness of the Group's internal controls, risk management and compliance processes.

Remuneration Committee

Members:
- **Robin (Pev) Hooper** (Chair)
- **Nina Bhatia**
- **Matthew Crummack** (Appointed 4 October 2021)
- **Ian Mason** (Died 26 April 2021)
- **Peter Rutland**
- **David Tyler**
- **David Wells**

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

Responsibilities include:
- Determining the overall framework and policy for remuneration of the Chair, the Executive Directors and senior executives of the Group
- Ensuring the remuneration policy for Executive Directors and senior management provides packages that 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)
- **James Davies** (Resigned 26 April 2021)
- **Joe Fitzgerald** (Appointed 18 October 2021, resigned 23 June 2022[1])
- **David Tyler**

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 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
- Review of the effectiveness of internal controls, risk management and compliance processes.

1 In line with Corporate Governance best practice, it was agreed that membership of the D&G and DGI Audit & Risk Committees should be made up of Non-Executive Directors. Joe Fitzgerald therefore stepped down as a member from both the D&G and DGI Audit & Risk Committees in June 2022. Executive Directors continue to attend meetings of the Audit & Risk Committee on a regular basis as invitees.

Corporate Governance statement: 31 March 2022

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

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

Approved by the Board

David Tyler
Chair
[illegible] 2022

Principal	Description	Page number
Purpose and leadership	An effective board which develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	For details of our strategy see pages 22 and 23
Board composition	A biography for each Board member can be found on pages 61 and 62. 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 65 and 66
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 59 and 64
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 48 to 53
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 67
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.	For more on stakeholder engagement see pages 30 and 31

Directors' report of Galaxy Finco Limited

The Directors present their report on the affairs of the Group, together with the financial statements and Auditor's Report, for the year ended 31 March 2022. This should be read in conjunction with the Chair's statement starting on page 9 and the Strategic Report starting on page 3.

Chair's statement
see pages 9 to 12 ›

Strategic Report
see pages 3 to 56 ›

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

James Davies (Resigned 26 April 2021)
Joe Fitzgerald
David Tyler (Appointed 27 April 2021)

For more information on the Board of Galaxy Finco Limited see the Director biographies on page 61 and 62.

Share capital

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

Dividends

The Group did not declare a dividend in the year (2021: £nil).

Charitable donations

For more information on charitable donations, please see pages 45 and 46 of the Strategic Report. In addition during the year the Group made charitable donations of £34k (FY21: £31k).

Political donations

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

Statement of engagement with employees

The Board is proud of its engagement with its workforce and recognises this vital part of our operations. We have refreshed our mission and values, and for the first time, launched a defined purpose statement which describes a meaningful reason for why we exist today and in the future. Our new culture blueprint embodies who we are, what we believe in and connects our colleagues through modern values. It helps us to focus on our strategic priorities and put the customer at the heart of everything we do. For more detail on how we engage with our c.3000 employees see pages 30 and pages 40 to 43.

Company's policy concerning employment of disabled persons

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

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

Director's report of Galaxy Finco Limited continued

Streamlined Energy and Carbon Reporting

For information on Streamlined Energy and Carbon Reporting, please see page 47 of the Strategic Report.

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers by agreeing the terms of each transaction, ensuring the suppliers are made aware of the terms of payment and abiding by the terms of the payment. Payables of the Group for FY22 were equivalent to 13 days' purchases (FY21: 23 days), based on the average daily amount invoiced by suppliers during the period.

Directors and officers insurance, and Directors' indemnities

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

Going concern

The Group's business activities and strategy, including a review of future plans, are included in the Strategic Report on page 23. The financial review on pages 54 to 56 includes details of the Group's financial position as well as details of the Group's cash flow and liquidity.

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

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

In order to assess the appropriateness of the going concern basis of accounting, particularly given the uncertainty created by the current economic climate, 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.

Rising inflation and geo-political factors have caused disruption to the economy and financial markets globally, and the full extent of the potential impacts remain unknown. Overall, we have not seen a material impact on the trading performance of the Group, with stable performance seen throughout the period and resilient cash flow performance demonstrating the strength of our business model.

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

The Directors have also considered a severe but plausible downside scenario which incorporates reductions in sales and increases in cancellation rates. This scenario represents a higher-than-normal set of stresses to compensate for the heightened uncertainty at this time. This indicates that the Group and the Company will be able to operate with adequate levels of both liquidity and capital for a period of at least 12 months from the date of approval of these financial statements.

After performing this assessment, the Directors have a reasonable expectation that the Group and the Company have adequate resources to meet their debt obligations and continue their operations for a period of at least 12 months from the date of approval of these financial statements. No material uncertainties that may cast significant doubt on the ability of the Group to continue as a going concern have been identified. The Directors therefore consider it appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements for the year ended 31 March 2022.

Disclosure of information to the auditor

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

Certain risk information about the use of financial instruments

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

Auditor

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

In 2019, D&G completed an audit tender process and the Audit & Risk Committee recommended to the Board that Deloitte should be appointed as the auditor of the Company. The reappointment of Deloitte LLP was approved at the 2021 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 pages 30 and 31, Our Partners on pages 36 to 39 and our supplier payment policy on this page. ›

Director's report of Galaxy Finco Limited continued

Non-financial information statement

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

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

Reporting requirement	Relevant policies/procedures	Where in report
Business model	N/A	Page 19
Risk management	Risk Management Framework, Financial Crime Framework, Data Privacy Policy, Whistleblowing Policy, Operational Risk, Conduct Risk, Anti-Bribery & Prevention, Fraud	Pages 48 to 53
Non-financial KPI's	N/A	Pages 4 to 6, 19, 23 and 25
Employee engagement	Employee Handbook	Pages 40 to 43
Human rights	Modern Slavery Statement, Diversity & Inclusion Policy, Business Ethics and Standards Policy	Pages 31 and 45
Social and environmental matters	Business Ethics and Standards Policy, Tax Strategy Statement	Pages 44 to 47

By order of the Board

David Tyler
Director
30 June 2022

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 United Kingdom (IFRSs as adopted by the UK) 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 UK;
- 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.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

See also Financial Statements on page 83

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

1. Opinion

In our opinion the financial statements of Galaxy Finco Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

2. Basis for opinion

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

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

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of goodwill • Accuracy of manual adjustments to revenue Within this report, key audit matters are identified as follows: ! Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year for Group financial statements was £7.4m which was determined on the basis of total revenue of the year.
Scoping	The scoping of our audit included 2 components subject to full scope audits and a further 5 subject to the audit of specified account balances. These entities represent 96% of Group revenue and 90% of Group total assets.
Significant changes in our approach	In the current year, we identified a new key audit matter with respect to the accuracy of manual adjustments to revenue due to the manual nature of underlying calculation for those adjustments. We removed valuation of deferred income as a key audit matter, following the implementation of a new control in the current year to review the earning profiles within the policy administration system. The implementation of this new control reduced the risk of selection and setting of the earning patterns.

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

4.Conclusions relating to going concern

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

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

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

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

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

5. Key audit matters

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

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

5.1. Valuation of goodwill

Key audit matter description	The goodwill was acquired through a business combination resulting from the acquisition on 19 December 2013 by Galaxy Bidco Limited. Goodwill amounted to £278.5m (2021: £278.5m) as at year end. Determining whether goodwill is impaired requires an estimation of the recoverable amount of each cash generating unit (CGU), using the higher of value in use (VIU) and fair value less cost to sell. The estimated recoverable amount is subjective and calculated using a valuation model underpinned by key assumptions including forecast cashflows, discount rates and long term growth rates. There is a risk that the assumptions used are overly optimistic. Management use a VIU approach to assess the recoverable value of CGUs, having assessed it to be a greater than fair value less cost to sell. The VIU amount is subjective and calculated using the assumptions noted above. A headroom calculation is performed as the amount of calculated VIU above the carrying value of the CGUs. A CGU with less headroom is at a greater risk of impairment where the impairment model is sensitive to key assumptions. Based on an annual exercise to test goodwill for impairment, management did not identify any impairment on the carrying value of goodwill. Refer to note 4 to the financial statements (Critical estimates and judgements) and to note 14 (Goodwill and intangible assets).

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

How the scope of our audit responded to the key audit matter	We have gained an understanding of management's process for performing the annual impairment test and obtained an understanding of relevant controls. In addition, we performed the following audit procedures: • Challenged the assumptions used in the annual impairment review, in particular discount rate and long-term growth rate applied to each of the CGU's, by comparing to independent evidence; • Involved our valuation specialists to assess and challenge the discount rate and long-term growth rate used by management by considering broader market and industry factors; • Tested the accuracy of management's impairment model through recalculation; • Compared the forecast information used in the assessment to information reviewed and approved at Board level; • Performed an assessment of actual current period cashflows against prior period forecast; • Reviewed management's sensitivity analysis for each CGU's carrying value; • Performed independent sensitivity analysis on growth rate, discount rates and cash flow forecast for each CGU; and • Evaluated the related disclosures for goodwill against the requirements of IAS 36.
Key observations	Based on the work performed, we considered the key assumptions and the valuation of goodwill to be appropriate.

5.2. Accuracy of manual adjustments to revenue

Key audit matter description	The manual adjustments impacting revenue are calculated by the finance department of the group as a part of the monthly and year-end close process. These adjustments relate to booking additional revenue, refunds and adjustments to revenue outside the policy administration system and are recorded manually for financial reporting purposes. Total revenue amounted to £924m (2021: £872m) for the year ended 31 March 2022. The key manual adjustments made to revenue include: • Booking additional premium via premium reports which are provided by the suppliers ('Bordereaux') • Service fees booked manually at completion of a performance obligation • Prior year refunds and other manual adjustments related to lapsed plans and refunds to customers The manual nature of the underlying calculations for adjustments increases the risk that revenue is not recorded accurately, therefore we have considered this as a key audit matter for the year ended 31 March 2022. We also identified a risk of potential fraud in revenue recognition related to these manual adjustments. Refer to note 3 of the financial statements (Accounting policies) of the financial statements.

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

How the scope of our audit responded to the key audit matter	We have gained an understanding for each category of the manual adjustments, including the reasoning for its requirement and management's process for recording them. We obtained an understanding of relevant controls including management's documentation covering the adjustments. In addition, we performed the following procedures: • Traced a sample of manual adjustments to appropriate supporting documentation; • Tested the completeness and accuracy of data used to calculate the adjustment, including testing samples back to underlying support such as invoices, cash and policy records; and • Selected a sample of the clients who have premiums booked which are maintained outside the policy administration system, obtained the respective bordereaux files and compared these to the total premium booked through the manual adjustment.
Key observations	Based on the work performed, we considered manual adjustments made to revenue to be appropriate.

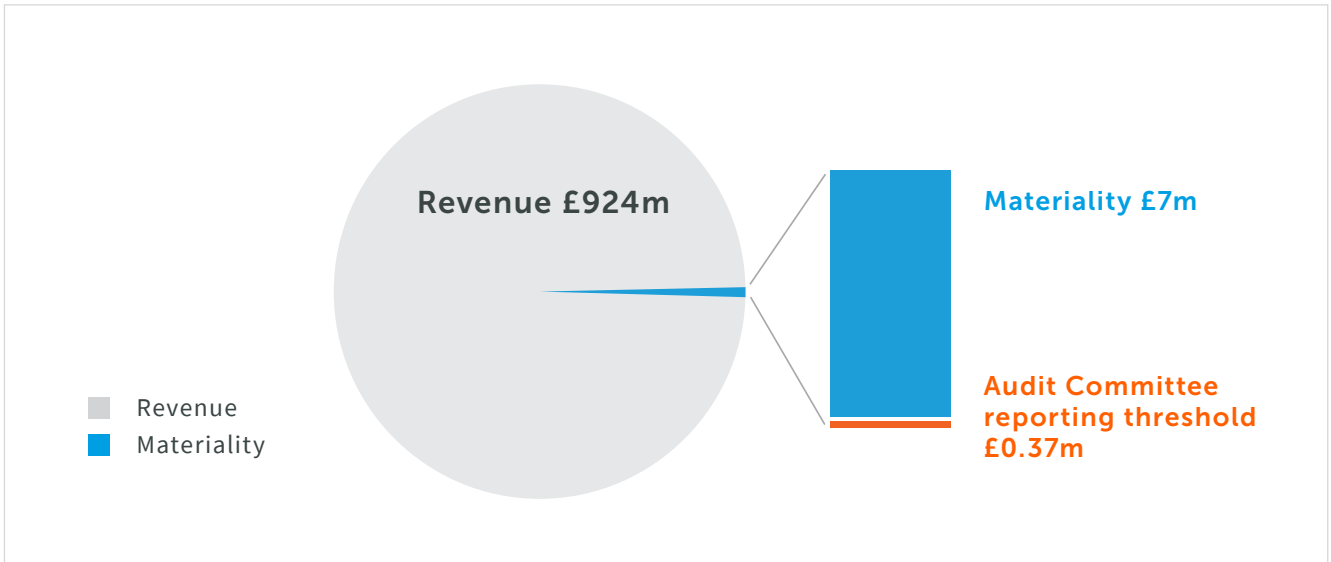
6. Our application of materiality

6.1. Materiality

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

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

Group materiality	£7.4m (2021: £6.9m)
Basis for determining materiality	0.8% (2021: 0.8%) of total revenue
Rationale for the benchmark applied	Total revenue was determined to be the key driver behind the performance of the Group and is therefore of key interest to the shareholders.



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

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 65% of the Group materiality for the 2022 audit (2021: 65%). In determining performance materiality, we considered the following factors:

a. our risk assessment including our assessment of the Group's overall control environment; we did not consider it appropriate to rely on controls;

b. our experience of the audit, including our consideration of the number of corrected and uncorrected misstatements identified in prior periods; and

c. change in senior management.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £369k (2021: £349k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

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

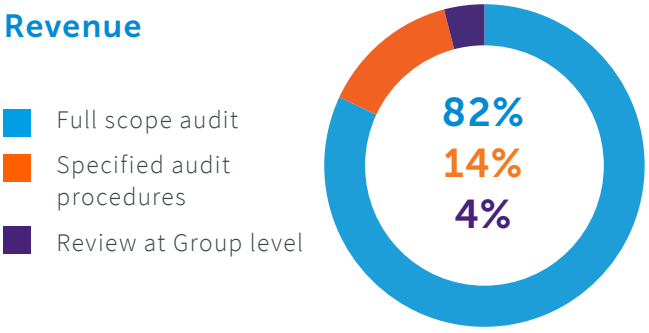
Given the number of components and operating locations within the Group including UK, continental Europe (Germany, Spain, Italy and Portugal), Australia, New Zealand and the US, we assessed the extent of audit work required to be performed for each component in order to gather sufficient audit evidence to reduce the risk of material misstatement and to give appropriate coverage for the purposes of the Group financial statement audit. Our approach considered revenue contribution to the Group as primary measure of financial significance and scope.

Of the Group's 21 reporting components, consistent with the prior year, we subjected two to full scope audits and five were subjected to an audit of certain account balances, classes of transactions or disclosures. Domestic & General Services Limited ('DGS') and Domestic & General Insurance plc ('DGI') are the two components subject to full scope audits. The holding companies Galaxy Finco Limited ('Finco') and Galaxy Bidco Limited ('Bidco') were subject to audit of certain account balances based on materiality, three additional international components – Germany, Spain and Portugal were also subject to audit of certain account balances. Those subjected to an audit of certain account balances, classes of transactions or disclosures are not individually financially significant enough to require full scope audit of the financial information of the component but did represent specific areas of risk which needed to be addressed.

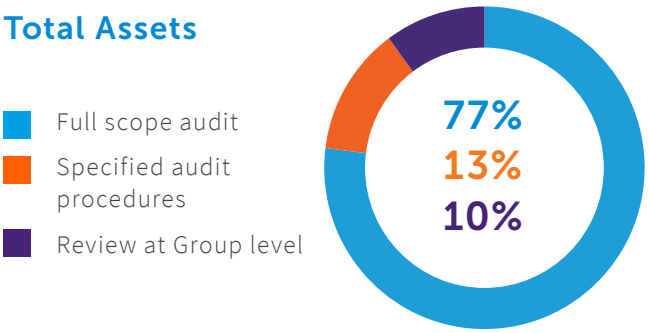
Coverage obtained on this basis was 96% (2021: 98%) of revenue and 90% (2021: 93%) of total assets. Materiality is set for each significant component in line with the component's proportion of the chosen benchmark. This is capped at the lower of 60% of Group materiality and the component materiality determined for a standalone audit. Component materialities for entities within the scope of our Group audit ranged from £1.2m to £3.1m (£0.65m to £4.2m).

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

Revenue



Total Assets



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

7.2. Our consideration of the control environment

IT Controls

In planning our audit, we identified 10 systems and IT tools that were material to the Group's financial reporting processes. These systems handled data relating to premiums, claims, expenses and payroll. With the involvement of our IT specialists, we obtained an understanding of the relevant IT controls as well as the wider general IT controls environment across the Group, including the IT controls associated with the policy administration system. We were able to rely upon IT controls around the policy administration system, while management continue to implement control improvements around other group systems and tools.

Business processes and financial reporting controls

In planning our audit, we identified and obtained an understanding of 8 business processes that were material to the Group's financial reporting processes. These processes spanned the Group's material transactions and account balances including the premiums, claims, expenses, payroll, investments and intangibles processes and part of the reserving process relating to reconciliation of data. We did not place reliance upon the controls associated with these business processes identified as management continue to implement control improvements to the Group's overall control environment.

7.3. Our consideration of climate-related risks

The Group's climate change risks are discussed within the Strategic report, other risks section at page 53.

We reviewed management's climate change risk assessment and own risk & solvency assessment ('ORSA') to understand the group's process for considering the impact of climate related risks and controls.

We assessed management's analysis for risk considerations of climate change by performing an independent climate change risk assessment, including impact of the flood risk on property, plant and equipment.

We read the climate change related disclosure within the strategic report to consider whether it is materially consistent with the financial statements, our knowledge obtained during the audit and with the requirements under the FRC thematic review on streamlined energy and carbon reporting ("SECR").

7.4. Working with other auditors

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

8. Other information

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

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

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

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

We have nothing to report in this regard

9. Responsibilities of Directors

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

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

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

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

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 30 June 2022;
- results of our enquiries of management, internal audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: valuation of goodwill and the accuracy of manual adjustment to revenue. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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

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

11.2. Audit response to risks identified

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

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning

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

- actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA'); and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

12.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

13. Use of our report

This report is made solely to the 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.

Adam Addis
For and on behalf of Deloitte LLP
London, United Kingdom

30 June 2022

FOR THE YEAR ENDED
31 MARCH 2022

Financial Statements

For information on the Report of the Independent Auditor see page 74

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2022

	Note	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Revenue	6	924.4	872.4
Operating costs			
– Other operating costs	9	(814.1)	(780.4)
– Depreciation and amortisation	9	(48.1)	(41.4)
– Impairment (loss)/gain on financial assets	9	(0.3)	0.1
Operating profit		61.9	50.7
Net investment expense	7	(0.3)	(0.5)
Finance costs	8	(56.1)	(56.1)
Profit/(loss) before taxation		5.5	(5.9)
Tax	12	(6.3)	(5.7)
Loss for the year		(0.8)	(11.6)

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

All business above is from continuing operations.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Note	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Loss for the year		(0.8)	(11.6)
Revaluation for the year		-	3.9
Tax on revaluation		-	(0.5)
Currency translation differences		(0.3)	(1.5)
Changes in fair value of investments through OCI		(1.2)	-
Effective portion of changes in fair value of cash flow hedges – hedging reserves	18	(0.3)	(2.0)
Total comprehensive loss for the year	27	(2.6)	(11.7)

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 the income statement.

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

CONSOLIDATED BALANCE SHEET

At 31 March 2022

	Note	31 March 2022 £m	31 March 2021 £m
Assets			
Goodwill and intangible assets	14	462.5	472.4
Property, plant and equipment	13	27.9	28.6
Non-current assets held for sale	13	7.3	7.3
Deferred acquisition costs	15	276.8	258.5
Financial investments	17	102.7	109.2
– at fair value through other comprehensive income		42.5	-
– at fair value through profit and loss		60.2	109.2
Deferred tax assets	16	11.2	9.6
Derivative asset	18	1.0	-
Trade and other receivables	21	870.8	776.2
Current tax asset		1.2	-
Cash and cash equivalents	22	33.9	71.0
Total assets		1,795.3	1,732.8
Liabilities			
Loans and borrowings	25	793.0	798.5
Deferred tax liabilities	16	30.5	25.8
Deferred income	23	883.3	834.6
Claims and repair costs provision	24	33.0	30.9
Current tax liability		-	1.8
Derivative liability	18	13.9	12.3
Trade and other payables	26	211.9	196.6
Total liabilities		1,965.6	1,900.5
Equity			
Share capital	27	89.9	89.9
Other reserves	27	(3.0)	(1.2)
Accumulated loss	27	(257.2)	(256.4)
Total equity		(170.3)	(167.7)
Total equity and liabilities		1,795.3	1,732.8

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

These financial statements were approved by the Board of Directors on 30 June 2022 and were signed on its behalf by:

J Fitzgerald
Group Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 31 March 2022

	Note	Ordinary share capital £m	Share premium £m	Hedging reserves £m	Other reserves £m	Revaluation reserves £m	Accumulated loss £m	Total equity £m
Other comprehensive loss for the year								
At 1 April 2021		0.9	89.0	(2.4)	(2.2)	3.4	(256.4)	(167.7)
Loss for the year		-	-	-	-	-	(0.8)	(0.8)
Other comprehensive loss for the year	18,27	-	-	(0.3)	(1.5)	-	-	(1.8)
Balance as at 31 March 2022		0.9	89.0	(2.7)	(3.7)	3.4	(257.2)	(170.3)

	Note	Ordinary share capital £m	Share premium £m	Hedging reserves £m	Other reserves £m	Revaluation reserves £m	Accumulated loss £m	Total equity £m
Other comprehensive loss for the year								
At 1 April 2020		0.9	89.0	(0.4)	(0.7)	-	(244.8)	(156.0)
Loss for the year		-	-	-	-	-	(11.6)	(11.6)
Revaluation for the year		-	-	-	-	3.9	-	3.9
Tax on revaluation		-	-	-	-	(0.5)	-	(0.5)
Other comprehensive loss for the year	18,27	-	-	(2.0)	(1.5)	-	-	(3.5)
Balance as at 31 March 2021		0.9	89.0	(2.4)	(2.2)	3.4	(256.4)	(167.7)

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2022

	Note	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Profit/(loss) before taxation		5.5	(5.9)
Adjustments for:			
Depreciation of owned property, plant and equipment	13	5.6	3.8
Depreciation of leased property, plant and equipment	20	2.8	2.8
Amortisation of software	14	22.3	13.2
Amortisation of acquired intangible assets	14	17.4	21.6
Revaluation of land and buildings	9	-	(0.3)
Finance costs	8	56.1	56.1
Net investment expense	7	0.3	0.5
Impairment loss/(gain) on financial assets	9	0.3	(0.1)
		110.3	91.7
Changes in working capital			
Increase in deferred acquisition costs		(17.5)	(11.6)
Increase in trade and other receivables		(93.3)	(79.3)
Increase in deferred income		48.0	62.6
Increase in claims and repair costs provision		2.0	2.3
Increase in trade and other payables		14.9	26.5
Cash flows from operating activities		64.4	92.2
Interest paid		(52.2)	(52.4)
Taxes paid		(6.2)	(4.0)
Net cash from operating activities		6.0	35.8
Cash flows (used in)/from investing activities			
Increase in property, plant and equipment		(8.1)	(6.9)
Acquisition of software		(30.1)	(24.3)
Withdrawal from credit institutions		-	0.2
Withdrawal from/(deposit with) money market funds		45.2	(42.6)
(Acquisition)/disposal of financial instrument investments		(43.6)	11.7
Net cash used in investing activities		(36.6)	(61.9)
Cash flows (used in)/from financing activities			
Net proceeds from debt issuances and repayment of facilities		-	23.5
Repayment of lease liability	20 iv)	(3.8)	(4.5)
Amounts paid to related parties		(2.5)	(1.4)
Net cash (used in)/from financing activities		(6.3)	17.6
Net decrease in cash and cash equivalents		(36.9)	(8.5)
Effects of exchange rates		(0.2)	(1.5)
Cash and cash equivalents at beginning of the year		71.0	81.0
Cash and cash equivalents at the end of the year	22	33.9	71.0

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

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Galaxy Finco Limited (the 'Company') is a private company incorporated in Jersey and the Company's registered office address is 27 Esplanade, St Helier, Jersey, JE1 1SG. These consolidated financial statements for the year ended 31 March 2022 comprise the Company and its subsidiaries (together referred to as the 'Group'). The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

2. Basis for preparation

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 United Kingdom and IFRSs as issued by the International Accounting Standards Board ('IASB').

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

The Directors believe that the Group has sufficient financial resources to meet its financial needs and that the Group is well positioned to manage its business risks successfully in the current economic climate. The Financial Review includes commentary on the Group's cash flows and capital position. The Group's Budget indicates that the Group will continue to maintain levels of solvency in line with its risk appetite across the planning cycle (to 31 March 2025). These long-term models and detailed forecasts incorporate expected cash receipts and payments when they are expected to fall due. The Group has an established track record of predictable recurring revenue and stable claims ratios, which means forecasts are considered to have a high degree of accuracy. There are no known material contingent assets or liabilities that impact liquidity for the foreseeable future and thus the forecasts are considered a materially accurate base from which to assess going concern requirements.

The uncertainty caused by the COVID-19 pandemic and related lockdowns has receded compared to the previous two years, although rising inflation and geo-political factors (including the ongoing conflict in Ukraine and Russian sanctions) means that the economic environment over the short to medium term retains a degree of inherent uncertainty, for example in relation to consumer behaviour in response to the rising cost of living. A reasonable estimate of the impact of these factors on the Group has been incorporated into the Board-approved Budget, which forms the basis of the going concern analysis.

In order to assess the appropriateness of the going concern basis of accounting, particularly given the above uncertainty, 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 for a period of at least 12 months from the date of approval of these financial statements which indicate that the Group and the Company will be able to operate with adequate levels of both liquidity and capital over that period.

The Directors have also considered a severe downside scenario which incorporates reductions in sales and increases in cancellation rates. This represents a higher-than-normal set of stresses to compensate for the heightened uncertainty at this time. This scenario, which makes assumptions that are more severe than the outcomes experienced under any of the COVID-19 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 approval of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Therefore, having made due enquiries, the Directors reasonably expect that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these consolidated financial statements. No material uncertainties that may cast significant doubt on the ability of the Group to continue as a going concern have been identified. The Directors therefore consider it appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements for the year ended 31 March 2022.

Standards adopted during the year ended 31 March 2022

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

- 'Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 17, IFRS 14 and IFRS 16';
- Amendments to IFRS 16 Leases: COVID-19 related rent concessions beyond 30 June 2021.

New, amended and revised statements and Interpretations

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

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

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

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

The core of IFRS 17 is the general measurement model, supplemented by an optional simplified premium allocation approach which is permitted for the liability relating to the remaining coverage of short-duration contracts. An initial assessment of the impact of IFRS 17 on the Group's financial statements has been completed and work has now started on the design that will provide the foundation for reporting under IFRS 17 from 1 April 2023. Whilst the measurement changes are less significant for general insurance contracts, there will be significant changes to presentation and disclosures.

As some material judgements are still under consideration, a reasonable estimate of the financial impacts cannot be provided at this stage. The Group expects to apply the general measurement model to some of its insurance contract groups alongside the simplified premium allocation approach for the short-duration contracts.

Other amendments

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

- Amendments to IAS 16, 'Property, Plant and Equipment: Proceeds before intended use' issued in May 2020 and effective for reporting periods beginning on or after 1 January 2022.
- Amendments to IAS 37 'Onerous contracts – Cost of fulfilling a contract' issued in May 2020 and effective from 1 January 2022.
- Amendments to IAS 1 'Classification of liabilities as current or non-current' issued in January 2020 and effective from 1 January 2023.
- Amendments to IAS 1 relating to the disclosure of accounting policy and materiality judgements, effective from 1 January 2023;

- Amendments to IAS 8: 'Accounting policies, change in accounting estimates and errors' relating to the definition of accounting estimates, effective from 1 January 2023.
- Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction': issued in May 2021 and effective from 1 January 2023.

3. Accounting policies

A. Basis of consolidation

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

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

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

B. Sales, revenue and deferred income

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

Deferred income on appliance care service plans and insurance business comprises the deferral of revenue to cover the service or other obligation under the contract as the period of unexpired risk 'earns' accordingly and is computed separately for each contract. The provision is calculated on the 24ths basis for contracts up to one year. For contracts in excess of one year, the time apportionment basis is suitably modified so that the revenue recognition pattern matches the risk profile. A portion of the deferred income balance relates to boiler service fees. This income is recognised when the service is completed and the performance obligations are met in line with IFRS 15: Revenue Recognition.

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

Revenue represents the amounts recognised in the current year relating to appliance care service plans and insurance business, net of cancellations, in accordance with the earnings patterns described above. These contracts meet the definition of an insurance contract under IFRS 4: Insurance Contracts and are accounted for under this standard. Revenue recognition commences when cover starts for appliance care service plans. For boiler service fees, these are accounted for on completion of a boiler service in line with IFRS 15: Revenue Recognition. The policies include an annual service, therefore the performance obligations will be met within 12 months.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C. Acquisition costs

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

Deferred acquisition costs represent the proportion of acquisition costs incurred that corresponds to the proportion of sales which have not been recognised as revenue at the balance sheet date. Acquisition costs are charged to the income statement in line with the earnings profiles of the related plans and policies. Commission and marketing costs written on insurance plans with indeterminate terms are recognised as acquisition costs on an annual basis as the costs are incurred in each year of the contract.

D. Finance costs

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

E. Employee benefits

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

F. Taxation

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

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

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

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

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

G. Provisions

Cover is provided to policyholders on a reported basis i.e. the policyholder must report any claim within a valid period of cover. The claims and repair costs provision comprises provisions for the estimated costs of paying all claims and repairs incurred up to the balance sheet date but not reported, together with claims reported not yet approved. Estimation techniques and assumptions are periodically reviewed with any changes in estimates reflected in the income statement as they occur. Claims approved but not yet settled are included within trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

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

H. Investments and other financial assets

i. Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through the income statement), 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 the income statement 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 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 the income statement.

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 the income statement 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement and recognised in net investment (expense)/income. 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 the income statement and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the income statement following the derecognition of the investments. Dividends from such investments continue to be recognised in the income statement 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 ('ECL') 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 ECL, except in the following cases, for which the amount recognised is 12-month ECL:

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

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

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

Measurement of ECL

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

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

Credit-impaired financial assets

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Presentation of loss allowances in the balance sheet

Loss allowances for ECL are presented as follows:

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

Write off

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

I. Financial liabilities

i. Classification

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

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

ii. Recognition and derecognition

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

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

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 the income statement, unless they arise from derivatives designated as hedging instruments.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

J. Derivatives and hedging activities

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

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

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

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

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

K. Property, plant and equipment

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

The estimated useful economic lives are as follows:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

L. Intangible assets

i. Goodwill

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

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

ii. Intangible assets acquired in a business combination

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

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

iii. Other intangible assets

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

iv. Subsequent expenditure

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 CGUs on a pro rata basis.

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

M. Cash and cash equivalents

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

N. Foreign currencies

i. Foreign operations

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

ii. Foreign currency transactions

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

O. Interest-bearing borrowings

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

P. Leases

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

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

As a lessee

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

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

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

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

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

As a lessor

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

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

4. Critical estimates and judgements

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

The Group's principal accounting policies are set out on pages 90-99. The judgements and assumptions involved in the Group's accounting policies that are considered by the Board to be the most important are discussed below. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

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:

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

The recoverable amounts of the CGUs are determined from value in use calculations based on the net present value of future cash flows of each CGU. The key assumptions for the value in use calculations are the underlying Board approved cash flow forecasts and those regarding discount and growth rates. The Group prepares cash flow forecasts derived from its most recent business plans over a three-year period. The uncertainty caused by the COVID-19 pandemic, rising inflation and geo-political factors means that the economic environment over the short to medium term retains a degree of inherent uncertainty. A reasonable estimate of the impact of these factors on the Group has been incorporated into the Board-approved Budget, which forms the basis for the value in use calculation. Additionally, a premium has been factored into the discount rate to reflect the uncertainty of the timing and amount of the cash flows in the assessment of the recoverability of goodwill and intangible assets.

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

ii. Judgement: Prepayments and receivables

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

iii. Judgement: Impairment of financial assets

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

iv. Judgement relating to earning patterns

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

v. Estimate: Claims and repair cost provision

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

vi. Estimate: Insurance plans with indeterminate terms

For plans sold with an indeterminate period of cover, an estimate is required in assigning an appropriate plan life in order to calculate sales, deferred income and trade receivables. Based on historical data, management have estimated this to be three years. This is reviewed on an ongoing basis and no changes were required during the financial year ended 31 March 2022. The impact of this estimate on the income statement of increasing from 12 months to 3 years is to increase both sales and the deferred income movement as disclosed in note 6 by £32.9m (2021: £55.1m). The impact on the balance sheet is to recognise an additional trade receivables balance as disclosed in note 21 of £259.4m (2021: £226.7m) and a corresponding increase in deferred income as disclosed in note 23. If future data showed that the average period of cover had increased this would result in additional sales being written at the plan inception date and a corresponding increase in deferred income and trade receivables. The commission and marketing costs in relation to these plans are recognised on an annual basis as they are incurred as laid out in the accounting policies above.

5. Segmental Analysis

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

A. Segmental structure

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

		International				
Year ended 31 March 2022	UK	Europe & Other	US	Total International	Other	Group
Revenue						
Subscription	713.0	94.0	0.3	94.3	-	807.3
Cash and other revenue	45.0	72.1	-	72.1	-	117.1
	758.0	166.1	0.3	166.4	-	924.4
Profit/(loss) before taxation	73.5	12.4	(6.0)	6.4	(74.4)	5.5
Non-current assets[1]	783.1	41.3	7.3	48.6	-	831.7

		International				
Year ended 31 March 2021	UK	Europe & Other*	US*	Total International	Other	Group
Revenue						
Subscription	663.3	84.9	-	84.9	-	748.2
Cash and other revenue	49.1	75.1	-	75.1	-	124.2
	712.4	160.0	-	160.0	-	872.4
Profit/(loss) before taxation	67.3	4.5	(0.6)	3.9	(77.1)	(5.9)
Non-current assets[1]	769.2	35.5	3.0	38.5	-	807.7

[1] Non-current assets comprise property, plant and equipment, intangible assets, goodwill and trade and other receivables expected to be received after 12 months. Comparative figures for non-current assets have been updated for comparability purposes to reflect the inclusion of trade and other receivables expected to be received after 12 months. The effect of this was to increase amounts recognised within non-current assets by £267.1m and £32.3m for the UK and International segments.

* Comparative figures for the 2021 financial year for the International segment have been further split into two sub-segments 'Europe & other' and 'US'. This change has no impact on the FY21 International segment total previously disclosed.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. Revenue

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Sales	974.1	935.7
Deferred income movement	(49.7)	(63.3)
Total Revenue	924.4	872.4

The total sales recognised in relation to boiler service fees is £15.9m (31 March 2021: £13.6m) and the total deferred income movement in relation to boiler service fees is £(1.0)m (31 March 2021: £(0.2)m).

7. Net investment expense

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Net realised losses	0.3	0.5

8. Finance costs

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Interest payable on external loans and borrowings	48.7	46.9
Interest payable on shareholder loans and borrowings	0.7	0.6
Interest expense on lease liabilities	0.7	0.2
Other finance costs	6.0	8.4
	56.1	56.1

9. Profit/(loss) before taxation

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

	Notes	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Auditor's remuneration	10	1.0	0.7
Employee costs – excluding those included in acquisition costs	11	75.8	72.8
Depreciation of owned PPE	13 B	5.6	3.8
Depreciation of leased PPE	20 ii)	2.8	2.8
Amortisation of software	14	22.3	13.2
Amortisation of intangible assets acquired in a business combination	14	17.4	21.6
Sub-lease income	20 iii)	-	(0.2)
Repairs and maintenance expenditure on property, plant and equipment		18.2	13.2
Repairs and claims costs		415.2	394.4
Acquisition costs		264.1	252.2
Research and development costs		1.6	1.2
Significant items		2.0	14.9
Impairment loss/(gain) on financial assets		0.3	(0.1)
Other costs		36.2	31.2
Total		862.5	821.7

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Significant items included in other operating costs:

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Restructuring costs	1.8	-
Brexit	0.2	12.0
COVID-19	-	2.7
Talbot St revaluation	-	(0.3)
Value Creation Plan	-	0.5
Total	2.0	14.9

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

A significant item charge of £1.8m has been recognised relating to restructuring costs primarily arising from the implementation of claims automation.

Brexit costs incurred this year primarily relate to 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.

As a result of the pandemic, additional costs were incurred in FY21 which were directly attributed to COVID-19. This included additional telephony costs due to home working and staff settlement costs.

10. 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 Deloitte LLP:

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Audit of the Group's financial statements	0.2	0.1
Audit of the subsidiary financial statements	0.5	0.4
Audit fees relating to prior year	0.1	-
Total audit fees	0.8	0.5
Audit related assurance	0.2	0.2
Total audit and audit related assurance fees	1.0	0.7

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Employee costs

A. Staff costs for the Group during the year

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Wages and salaries	98.5	94.7
Social security costs	11.9	11.1
Other pension costs	6.2	5.7
	116.6	111.5

Employee costs in 2021 included a benefit of £1.65m (2022: £nil) relating to COVID-19 government support received under the Coronavirus Job Retention Scheme (CJRS) in respect of furloughed employees.

Included in staff costs is £40.8m (31 March 2021: £38.7m) that is treated as acquisition costs.

B. Average number of employees during the year

	Year ended 31 March 2022	Year ended 31 March 2021
Directors	3	4
Sales and marketing	243	222
Commercial finance and claims	264	248
Finance and administration	522	520
Contact Centres and IT	1,905	1,972
	2,937	2,966

12. Taxation

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Current tax expense		
Current tax on profit for the year	(3.2)	(8.3)
Adjustment to tax charge in respect of prior years	0.9	(2.7)
Total current tax	(2.3)	(11.0)
Deferred tax (charge)/credit		
Origination/(reversal) of temporary differences	(2.1)	1.9
Tax effect of amortisation of intangible assets	3.2	4.1
Movement in DTA on disallowed interest attributes carried forward	0.9	(0.7)
Impact of rate change	(6.0)	-
Total deferred tax	(4.0)	5.3
Total income tax charge	(6.3)	(5.7)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Profit/(loss) on ordinary activities before tax	5.5	(5.9)
Standard rate of corporation tax in the UK	19%	19%
	£m	£m
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax	1.0	(1.1)
Effects of:		
Change in UK corporation tax rate on timing differences	6.0	-
Items disallowable for tax purposes	2.0	1.7
Adjustment to tax charge in respect of prior years	(0.9)	2.7
Movement in deferred tax and losses not recognised	(0.9)	0.6
Tax rate differences in branches	-	1.1
Tax rate differences in non UK subsidiaries	-	0.7
Movement in DTA on disallowed interest attributes carried forward	(0.9)	-
Total income tax charge	6.3	5.7

Factors that may affect future tax charges

On 3 March 2021, the Chancellor of the Exchequer announced that the rate of UK Corporation tax is expected to increase to 25% from 1 April 2023. The UK Corporation tax rate change is now substantively enacted and therefore UK deferred tax assets and liabilities expected to reverse after 1 April 2023 have been revalued from 19% to 25%.

13. Property, plant and equipment

	Note	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Other owned PPE	13 B	12.4	9.9
Other leased PPE	20	15.5	18.7
		27.9	28.6
Non-current assets held for sale	13 A	7.3	7.3
		35.2	35.9

A. Owner-occupied property measured at fair value reconciliation of carrying amount

Reconciliation of carrying amount

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Balance at 1 April	-	3.1
Net change in fair value	-	4.2
Reclassed to non-current assets held for sale	-	(7.3)
	-	-

In 2021 contracts were exchanged to sell our property in Talbot Street, Nottingham for £7.3m. This sale is conditional on planning permission being granted and is expected to complete on 30 April 2023. On the basis it is probable planning permission will be granted, the property is ready for sale and contracts have been exchanged, the property has been revalued to £7.3m and recognised as held for sale. The Directors consider the carrying value to be reflective of the valuation as at 31 March 2022.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

B. Other property and equipment owned

	Computer equipment £m	Fixtures, fittings and equipment £m	Total £m
Cost			
At 1 April 2021	11.0	12.1	23.1
Additions	0.5	7.6	8.1
Disposals	(0.5)	(2.3)	(2.8)
At 31 March 2022	11.0	17.4	28.4
Depreciation			
At 1 April 2021	6.1	7.1	13.2
Charge for the year	1.6	4.0	5.6
Disposals	(0.5)	(2.3)	(2.8)
At 31 March 2022	7.2	8.8	16.0
Carrying amount at 31 March 2022	3.8	8.6	12.4

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. Goodwill and intangible assets

	Goodwill £m	OEM relationships £m	Customer relationships & Other £m	Software £m	Total £m
Cost					
At 1 April 2021	278.5	260.9	251.3	91.9	882.6
Additions	-	-	-	29.8	29.8
Disposals	-	-	-	(12.5)	(12.5)
At 31 March 2022	278.5	260.9	251.3	109.2	899.9
Amortisation and impairment losses					
At 1 April 2021	-	126.7	251.3	32.2	410.2
Charge for the year	-	17.4	-	22.3	39.7
Disposals	-	-	-	(12.5)	(12.5)
At 31 March 2022	-	144.1	251.3	42.0	437.4
Carrying amount at 31 March 2022	278.5	116.8	-	67.2	462.5

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

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

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

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

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

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
UK	265.6	265.6
International	12.9	12.9
	278.5	278.5

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 three-year forecast. The main assumptions upon which the cash flow projections are based include sales volumes and prices, claims costs, revenue growth, operating margins, retention rates and cancellation rates.

The projected cash flows were discounted using a discount rate of 10.8% at 31 March 2022 for UK and 10.9% for International (10.4% for UK and 9.6% for International as at 31 March 2021), which reflects current market assessments of the time value of money and the increased risks specific to the CGUs around the future cash flows in the current environment. As per the IAS 36 guidance pre-tax cash flows and pre-tax discount rates have been used in our impairment assessment and 31 March 2021 comparatives have been recalculated based on the same basis. Ten-year rates have been used as the basis for estimating the future cost of debt for the Group after applying Company specific adjustments.

Long-term growth is based on the projected country growth rates for the next 4 years published by the International Monetary Fund. Management has used a long-term growth rate of 2.1% and 2.6% for UK and International respectively as at 31 March 2022 and 3.1% and 2.9% for UK and International respectively as at 31 March 2021 in extrapolating the forecasts beyond the period covered in the business plan model, reflecting the economic environment prevailing in the relevant markets. The growth rate in the forecast does not exceed the long-term average growth rate for the markets in which the UK and International CGUs operate.

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

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

Management have conducted a sensitivity analysis on the impairment test of each CGU's carrying value. A cut in the long term growth rate or a rise in the discount rate or a reduction in FY25 cash flows, taken in isolation, which would result in the recoverable amount being equal to the carrying amount (i.e. zero headroom), is presented below:

	Year ended 31 March 2022	Year ended 31 March 2021[2]
Cut in the long-term growth rate:		
UK	2.1% to -15.1%	3.1% to -14.1%
International	2.6% to > -50%[1]	2.9% to > -50%[1]
Rise in the discount rate from:		
UK	10.8% to 22.2%	10.4% to 20.5%
International	10.9% to >50%[1]	9.6% to >50%[1]
Reduction in 2025 Cash flows from:		
UK	£127.7m to £42.8m	£125.8m to £32.7m
International	£21.1 to £0.0m	£19.2m to £0.8m

[1] The International CGU value-in-use is insensitive to changes in the long-term growth rate and a rise in the discount rate in FY22, due to the phasing of forecast cash inflows and outflows. In both instances, changes in the available headroom become very small at a long-term growth rate >-50% and a discount rate >50%.

[2] The 2022 discount rate has been calculated using a pre-tax rate and the comparative for 2021 has been recalculated accordingly.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. Deferred acquisition costs

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Balance at the start of the year	258.5	250.9
Arising in the year	282.4	259.8
Amortisation for the year	(263.3)	(256.2)
Foreign exchange	(0.8)	4.0
Balance at the end of the year	276.8	258.5
Split between:		
Amounts expected to be amortised in 12 months	153.2	144.5
Amounts expected to be amortised after 12 months	123.6	114.0
	276.8	258.5

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

16. Deferred tax assets and liabilities

	Assets 2022 £m	Liabilities 2022 £m	Net 2022 £m
Intangible assets	-	(28.2)	(28.2)
Capital allowances	-	(1.7)	(1.7)
Disallowed interest attributes carried forward	8.4	-	8.4
Losses	2.0	-	2.0
Other temporary differences	0.8	(0.6)	0.2
	11.2	(30.5)	(19.3)

	Assets 2021 £m	Liabilities 2021 £m	Net 2021 £m
Intangible assets	-	(25.5)	(25.5)
Capital allowances	0.4	-	0.4
Disallowed interest attributes carried forward	7.6	-	7.6
Other temporary differences	1.6	(0.3)	1.3
	9.6	(25.8)	(16.2)

No deferred tax asset has been recognised in respect of German or US tax losses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. Financial investments

	FVOCI* Year ended 31 March 2022 £m	FVTPL** Year ended 31 March 2022 £m	Total 2022 £m
Money market funds	-	4.3	4.3
Investment in unlisted securities	-	55.9	55.9
Investments carried at fair value	42.5	-	42.5
	42.5	60.2	102.7

	FVOCI* Year ended 31 March 2021 £m	FVTPL** Year ended 31 March 2021 £m	Total 2021 £m
Money market funds	-	49.6	49.6
Investments 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 or loss include £55.9m 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.

The value of financial assets which are expected to be recovered in less than one year is £4.3m (31 March 2021: £49.6m) and those greater than one year is £98.4m (31 March 2021: £59.6m).

18. Derivative financial instruments

	Note	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Derivative asset	A	1.0	-
Derivative liability	B	(13.9)	(12.3)

A. Derivative asset

The Group has entered into GBP/AUD 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 assets were:

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Foreign exchange forward contracts	1.0	-

B. Derivative liability

In 2019, the Group entered into derivative financial instruments for the purpose of converting synthetically into GBP debt, €150m of the Group's total €200m EUR Floating Rate Senior Secured Notes issued in July 2019.

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

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Current liability	3.8	2.1
Non-current liability	10.1	10.2
Cross Currency Interest Rate Swap	13.9	12.3

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

During the year we have made specific changes to our financing agreements to substitute LIBOR for SONIA including our cross-currency swaps. This change does not affect the EURIBOR, so the EUR leg of the swap and the EUR debt relationship will remain the same, only the interest on the GBP leg will change. This does not change the hedging relationship or the effectiveness assessment.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C. Hedge accounting

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

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

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

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

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

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

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Balance at 1 April	(2.4)	(0.4)
Amount recognised in equity in the year	(0.3)	(2.0)
Cash flow hedge reserves as at 31 March	(2.7)	(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.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. Financial assets and financial liabilities

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

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

The Group holds the following financial instruments:

Year ended 31 March 2022	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	42.5	60.2	-	-	102.7
Trade and other receivables	-	-	870.8	-	870.8
Cash and cash equivalents	-	-	33.9	-	33.9
Derivative financial instruments	-	(12.9)	-	-	(12.9)
Loans and borrowings	-	-	-	(793.0)	(793.0)
Trade and other payables	-	-	-	(211.9)	(211.9)
	42.5	47.3	904.7	(1,004.9)	(10.4)

Year ended 31 March 2021	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 derivatives other than options, and the option pricing model for options. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

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

Year ended 31 March 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments at fair value through profit and loss	-	4.3	55.9	60.2
Investments at fair value through other comprehensive income	42.5	-	-	42.5
Derivative financial instruments	-	(12.9)	-	(12.9)
	42.5	(8.6)	55.9	89.8

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

Level 3 Financial Instruments	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
At 1 April	59.6	55.7
Interest	2.8	4.2
Redemption of preference shares	(6.2)	-
Foreign exchange movements	(0.3)	(0.3)
At 31 March	55.9	59.6

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

During the year a partial unwind of this preference share structure was undertaken to manage the Group's AUD balance sheet exposure. The unwind was achieved via a redemption of AUD 10.5m preference shares (out of the original AUD 23.2m investment) plus accrued, unpaid dividends and the repayment of an equivalent amount of the GBP loan (£6.2m) due to Galaxy Finco 2 Limited.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. Leases

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

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

The Group also leases motor vehicles, IT equipment, fixtures and fittings. Rental contracts are typically made for fixed periods but may have extension options as described in v) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Leases are recognised as a right-of-use asset and a corresponding liability on 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 the income statement 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 the income statement. 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 on the next page.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

ii. Amounts recognised in the balance sheet right-of-use assets

	Note	Land and buildings £m	Motor vehicles £m	Fixtures, fittings and equipment £m	Total £m
At 31 March 2020		6.7	0.7	0.1	7.5
Additions		14.5	0.2	-	14.7
Depreciation		(2.4)	(0.3)	(0.1)	(2.8)
Disposals		(3.5)	-	-	(3.5)
Depreciation on Disposals		2.8	-	-	2.8
At 31 March 2021	13	18.1	0.6	-	18.7
Additions		0.8	0.2	-	1.0
Depreciation		(2.5)	(0.3)	-	(2.8)
Disposals		(4.8)	-	-	(4.8)
Depreciation on Disposals		3.4	-	-	3.4
At 31 March 2022	13	15.0	0.5	-	15.5

Lease liabilities

	Note	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Maturity analysis – contractual undiscounted cash flows			
Less than one year		1.6	2.5
One to five years		10.5	11.8
More than five years		6.7	8.8
Total undiscounted lease liabilities		18.8	23.1
Lease liabilities in balance sheet	25	16.2	20.2

iii. Amounts recognised in the income statement

	Note	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Sub-lease income	9	-	(0.2)
Interest on lease liabilities	8	0.7	0.2
Depreciation on leased assets	9	2.8	2.8
Expenses relating to short-term and low-value leases		-	0.2
		3.5	3.0

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

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Within one year	-	0.2
Between two and five years	-	-
	-	0.2

iv. Amounts recognised in the cash flow statement

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Total cash outflow for leases	3.8	4.5

v. Extension and termination options

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Trade and other receivables

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Trade receivables	755.7	685.3
Other receivables	35.7	30.6
Expected credit loss	(8.1)	(7.8)
Prepayments and accrued income	87.5	68.1
	870.8	776.2
Split between:		
Amounts expected to be received in 12 months	536.8	476.8
Amounts expected to be received after 12 months	334.0	299.4
	870.8	776.2

22. Cash and cash equivalents

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Bank and cash balances	29.8	64.4
Short term bank deposits	4.1	6.6
	33.9	71.0

23. Deferred income

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Balance at the start of the year	834.6	776.1
Amounts deferred during the year	973.2	934.6
Amounts recognised as revenue during the year	(923.8)	(872.0)
Foreign exchange	(0.7)	(4.1)
Balance as at the end of the year	883.3	834.6
Split between:		
Amounts expected to be recognised in 12 months	488.8	466.4
Amounts expected to be recognised after 12 months	394.5	368.2
	883.3	834.6

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.

The total deferred income recognised in relation to boiler service fees is £9.2m (31 March 2021: £7.9m). The total amount deferred during the year in relation to boiler service fees is £15.9m (31 March 2021: £13.6m) and the total amount recognised as revenue during the year is £14.9m (31 March 2021: £13.4m).

24. Claims and repair costs provision

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Balance at the start of the year	30.9	28.9
Amounts incurred during the year	415.2	394.4
Amounts paid during the year	(413.1)	(392.4)
Balance at the end of the year	33.0	30.9

All claims and repair cost provisions are expected to be settled within the next 12 months. Claims approved but not yet settled are included within trade and other payables (note 26).

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. Cover is provided to policyholders on a reported basis i.e. the policyholder must report any claim within a valid period of cover. Provision is made at the balance sheet date for the expected ultimate cost of settlement of all claims incurred but not approved in respect of events up to the balance sheet date, whether reported or not. Up to date information is used to produce best estimates of the expected outcome. The sources of the data used as inputs for the assumptions are primarily internal, using regularly monitored statistics. There is a strong emphasis on current trends, and where, for new products, there is limited information to make a reliable best estimate of claims development, additional margins are included within assumptions used. Actual claims have been materially in line with previous estimates.

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

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

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

B. Change in assumptions and sensitivity analysis

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

A 10% change in outturn of the claims and repair costs provision would result in a change in the provision at 31 March 2022 of £3.3m (31 March 2021: £3.1m) which represents 0.8% (31 March 2021: 0.8%) of the total claims and repair costs for the year ended 31 March 2022 and is 5.3% (31 March 2021: 6.1%) of operating profit.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. Loans and borrowings

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

	Note	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
6.5% Senior Secured Notes due 2026		405.0	405.0
€200m Senior Secured Floating Rate Notes due 2026		169.0	170.4
9.25% Senior Notes due 2027		150.0	150.0
5.35% Loan due to Parent Company		8.1	7.7
5.25% Loans due to Fellow Subsidiary Company		59.5	62.6
Total		791.6	795.7
Transaction costs		(14.8)	(17.4)
Carrying amount		776.8	778.3
Lease liability	20 ii)	16.2	20.2
Loans and borrowings		793.0	798.5

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

Terms and debt repayment schedule:

	Nominal interest rate	Year of maturity	Principal £m	Carrying amount £m
6.5% Senior Secured Notes	6.5%	2026	405.0	398.0
€200m Senior Secured Floating Rate Notes	EURIBOR + 5.0%	2026	169.0	165.0
9.25% Senior Notes	9.25%	2027	150.0	146.2
5.35% Loan due to Parent Company	5.35%	2028	7.7	8.1
5.25% Loans due to Fellow Subsidiary Company	5.25%	2028	58.1	59.5
Amounts drawn under revolving credit facility	SONIA + 3%	2026	-	-

The entire balance of loans and borrowings, with the exception of the amounts drawn under the revolving credit 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 2022 and the year ended 31 March 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 Group has a revolving bank facility of £100.0m (31 March 2021: £100.0m) with a final maturity date of 1 May 2026, of which £30.0m (31 March 2021: £30.0m) 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. The RCF, inclusive of both the unused overdraft and uncalled letters of credit, was fully undrawn (at 31 March 2021, fully undrawn).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. Trade and other payables

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Trade payables	164.4	146.2
Accrued expenses	47.5	50.4
	211.9	196.6

Of the total payables, £2.5m (31 March 2021: £7.3m) is expected to be settled more than 12 months after the reporting date. Claims approved but not yet settled are included within trade payables.

27. Total equity

	Capital £m	Hedging reserves £m	Other reserves £m	Revaluation reserves 3m	Accumulated loss £m	Total £m
At 1 April 2021	89.9	(2.4)	(2.2)	3.4	(256.4)	(167.7)
Total comprehensive loss for the year	-	(0.3)	(1.5)	-	(0.8)	(2.6)
Balance as at 31 March 2022	89.9	(2.7)	(3.7)	3.4	(257.2)	(170.3)

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

Hedging reserves

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

Other reserves

The other reserves primarily relates to the cumulative (gain)/loss on investments in debt instruments classified as FVOCI, which are reclassified to the income statement on disposal, and foreign exchange differences on consolidation of foreign subsidiaries and branches.

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Ordinary share capital	0.9	0.9
Share premium	89.0	89.0
	89.9	89.9

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

Allotted, called up and fully paid

	Par Value	2022 No.	2021 No.
Class			
A ordinary	£0.01	89,871,070	89,871,070

Called up share capital

	Year ended 31 March 2022		Year ended 31 March 2021	
Allotted, called up and fully paid	**No.**	**£m**	**No.**	**£m**
Ordinary shares paid at £0.01p each	89,871,070	0.9	89,871,070	0.9

Share premium account

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Balance as at 1 April and 31 March	89.0	89.0

28. Commitments and contingencies

A. Capital commitments

At 31 March 2022, the Group had capital commitments contracted for but not provided of £3.8m (31 March 2021: £1.9m).

B. Contingent liabilities

There were no contingent liabilities at 31 March 2022 (31 March 2021: nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. Subsidiary companies

Name of subsidiary:	Country of incorporation	Nature of business	% of shares held by immediate parent Company (or by the Group where this varies)
Galaxy Bidco Limited	Jersey[1]	Holding company	100%
Domestic & General Group Holdings Limited	Jersey[1]	Holding company	100%
Domestic & General Finance 1 Limited	Jersey[1]	Holding company	100%
Domestic & General Finance 2 Limited	Jersey[1]	Holding company	100%
Domestic & General Acquisitions Holdings Limited	Jersey[1]	Holding company	100%
Domestic & General Acquisitions Limited	Jersey[1]	Holding company	100%
Domestic & General Acquisitions 1 Limited	England & Wales[2]	Holding company	100%
Domestic & General Group Limited	England & Wales[2]	Holding company	100%
Domestic & General Insurance plc	England & Wales[2]	General insurance	100%
Domestic & General Services Limited	England & Wales[2]	Appliance care service plans	100%
Domestic & General Insurance Services Limited	England & Wales[2]	Insurance broker	100%
Copleys Limited	England & Wales[2]	Dormant company	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 USA Midco LLC	USA[3]	Holding company	100%
Domestic & General Service GmbH	Germany[4]	Dormant company	100%
Domestic & General Insurance Europe AG	Germany[4]	Warranty insurance	100%
Domestic & General Services (Pty) Ltd	Australia[5]	Appliance care service plans	100%
Servicios Domestic & General Espana S.L	Spain[6]	Dormant company	100%
Servizi Domestic & General Italia S.r.l.	Italy[7]	Appliance care service plans	100%

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

All subsidiaries are included in the Group consolidation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. Related parties

A. Ultimate controlling party

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

B. Other related party transactions and balances

As at 31 March 2022, amounts owed to the immediate Parent undertaking Galaxy Midco 2 Limited totalled £7.7m (31 March 2021: £7.3m) and interest of £0.4m (31 March 2021: £0.4m) was charged on loans outstanding.

As at 31 March 2022 amounts owed to a fellow subsidiary of the immediate Parent undertaking, Galaxy Finco 2 Limited totalled £58.1m (31 March 2021: £61.1m). Interest of £1.4m (31 March 2021: £1.5m) was charged on this balance.

As at 31 March 2022 investments carried at fair value through profit or loss include £55.9m of investments in preference shares issued by Galaxy Finco 2 Limited, a fellow subsidiary of the Group's immediate Parent, Galaxy Midco 2 Limited (31 March 2021: £59.6m). This includes unpaid interest on these preference shares accrued at 5% coupon retranslated at the year-end exchange rate. At 31 March 2022, the cumulative balance of the unpaid interest was £6.4m (31 March 2021: £4.2m). During the year a partial unwind of this preference share structure was undertaken to manage the Group's AUD balance sheet exposure. The unwind was achieved via a redemption of AUD 10.5m preference shares (out of the original AUD 23.2m investment) plus accrued, unpaid dividends and the repayment of an equivalent amount of the GBP loan (£6.2m) due to Galaxy Finco 2 Limited.

During the year ended 31 March 2022, no fees were paid to CVC or ADIA (31 March 2021: £nil).

C. Transactions with key management personnel

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

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Wages and salaries and other social security costs	6.9	6.8
Other pension costs – defined contribution schemes	0.3	0.3
Total key management personnel compensation	7.2	7.1

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.

31. Dividends

No dividends were paid in 2022 (2021: nil).

32. Risk management of trading liabilities

Trading liabilities

The Group provides extended cover on domestic appliances in the UK through two companies; Domestic & General Services Limited, which is an appliance care service plan company and Domestic & General Insurance plc, which is an insurance company. Prior to 1 January 2021 internationally, the Group provided cover either through local service companies or through branches of Domestic & General Insurance plc and Domestic & General Insurance Europe AG ('DGIEU'). As part of the preparation for Brexit the Group established an insurance entity in Germany in November 2019 and has been writing all new European business from DGIEU since this date. On 31 December 2020, the Group successfully executed a Part VII transfer of it's EU businesses from it's UK entity, DGI, to DGIEU. Appliance care contracts, whether service plan or insurance, are accounted for under IFRS 4: Insurance Contracts, as the definition of an insurance contract under IFRS 4 extends to all trading products issued by the Group.

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

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

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

A. Sources of uncertainty in the estimation of future claims payments

Appliance care plans result in a high volume of low cost claims with a short claims tail that are usually settled within three months of reporting the incident. The nature of the core business is such that there are no latent risks, nor are there any material concentrations or aggregations of risk, and the business is not subject to catastrophe risk. Accordingly, the value of the claims and repair cost provision is low relative to the size of other assets and liabilities of the Company.

B. Development of claims provision (note 24)

The calculation of the claims and repair cost provision is management's estimate of claims that have been incurred at the balance sheet date and on which a liability exists but have either not been reported or have been reported but not approved. Management measures, on an on-going basis, the actual outturn compared to the claims and repair cost provision 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

33. Financial risk management

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

A. Interest rate risk

The Group's principal exposures to interest rate risk relate to its investment portfolio and borrowings, which are managed by the Group's Treasury function, with the investment portfolio being outsourced to a third-party specialist investment manager.

The interest rate exposure on forecast financial indebtedness is fixed or hedged with offsetting cash and investment balances at the following levels:

- For the next 12 months: a minimum of 91%
- For the next 13 to 24 months: a minimum of 93%
- For the next 25 to 36 months: a minimum of 99%
- For the next 37 to 48 months: 100%
- For the next 49 to 60 months: 100%

A 1.0% increase in interest rates would have a £1.6m (31 March 2021: £1.6m) negative annual impact on interest payable by the Group and a £0.7m (31 March 2021: £0.9m) positive annual impact on interest income, assuming other variables remain constant. Whilst an increase in interest rates would be expected to have a positive impact on interest income/yield on cash and investments, where the underlying investments are fixed income debt securities, any such interest rate increase would have a negative impact on valuation.

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

B. Credit risk

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

i. Risk management

Credit risk is managed on a Group basis and the Group structures the levels of credit risk it accepts by placing limits on its exposure to counterparties.

Deposits placed with banks and financial institutions are subject to credit limits approved by Group's Investment Committee. Counterparty exposure is subject to regular 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 the Group has a number of contracts with major clients, with exposure on the monies owed at any given time. However, the Group closely monitors outstanding debt and maintains dialogue with clients, so it would be 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, the associated cover provided by the Group is cancelled.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Credit ratings of significant classes of financial assets:

	A rated (or above) Institutions 2022 £m	B rated (or below) Institutions 2022 £m	Unrated 2022 £m	Total 2022 £m
Cash and cash equivalents	33.9	-	-	33.9
Money market funds	4.3	-	-	4.3
Investments in unlisted securities	-	-	55.9	55.9
Investments carried at fair value	31.7	10.8	-	42.5
Trade and other receivables	18.8	8.2	843.8	870.8
	88.7	19.0	899.7	1,007.4

	A rated (or above) Institutions 2021 £m	B rated (or below) Institutions 2021 £m	Unrated 2021 £m	Total 2021 £m
Cash and cash equivalents	71.0	-	-	71.0
Money market funds	49.6	-	-	49.6
Investments in unlisted securities	-	-	59.6	59.6
Trade and other receivables	-	20.2	756.0	776.2
	120.6	20.2	815.6	956.4

The unrated investments in unlisted securities as at 31 March 2022 represent the investments in preference shares issued by Galaxy Finco 2 Limited, a fellow subsidiary of the Group's immediate Parent, Galaxy Midco 2 Limited.

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

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

ii. Impairment of financial assets

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

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

Trade receivables (appliance care plans) and other receivables

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and product types. The other receivables primarily relate to amounts due from either retailers or our OEM partners and have been considered separately based upon their relative credit strength and probability of default.

The loss allowance calculated at 31 March 2022 has been determined for trade receivables (appliance care plans) as the exposure to default, multiplied by the applicable probability of default and a loss given default percentage. The probability of default has been determined using historical data for payment collections and the corresponding credit losses experienced. The loss given default percentage represents the expected receivables loss in the event of customer default.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

Historical analysis of defaults has been utilised. However, an additional risk premium to these default rates has been maintained reflecting the fact that historical rates do not yet fully reflect the impact from inflationary pressures and the ability of customers to make their regular payments. At 31 March 2022, the expected credit loss allowance for trade and other receivables is £8.1m (2021: £7.8m), and the movement has been reported in the income statement.

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 Group's debt investments held 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 is considered to have 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.

Past due or impaired financial assets (Trade and other receivables)

The table below sets out an analysis of the Group's assets, showing those which are past due, or impaired. The Group considers notified disputes and collection experience in determining which assets should be impaired. Categories of financial assets for which there are neither past due or impaired balances have not been included below.

		Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Not past due		864.8	770.2
Past due (days)	0 – 30	14.1	7.1
	31 – 60	-	-
	61 – 90	-	5.6
	Greater than 90	-	1.1
Provision		(8.1)	(7.8)
Carrying amount		870.8	776.2

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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, marketing, commissions, 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, with additional liquidity available via the Group's RCF.

Contractual maturity analysis:

The table below summarises the maturity profile of the Group's financial liabilities based on remaining undiscounted contractual obligations where the maturity profile is an analysis by estimated timing of the amounts recognised in the balance sheet.

Year ended 31 March 2022	Claims & repair costs 2022 £m	Loans and borrowings[1] 2022 £m	Trade and other payables 2022 £m	Interest payable 2022 £m	Total 2022 £m
0 – 90 days	33.0	-	198.0	12.0	243.0
91 days – 1 year	-	-	11.4	36.7	48.1
1 – 3 years	-	-	2.5	97.3	99.8
3 – 5 years	-	574.0	-	77.8	651.8
Greater than 5 years	-	217.6	-	5.9	223.5
Total	33.0	791.6	211.9	229.7	1,266.2

Year ended 31 March 2021	Claims & repair costs 2021 £m	Loans and borrowings[1] 2021 £m	Trade and other payables 2021 £m	Interest payable 2021 £m	Total 2021 £m
0 – 90 days	30.9	-	178.5	12.0	221.4
91 days – 1 year	-	-	10.8	36.7	47.5
1 – 3 years	-	-	5.5	97.4	102.9
3 – 5 years	-	-	1.8	97.4	99.2
Greater than 5 years	-	795.7	-	62.7	858.4
Total	30.9	795.7	196.6	306.2	1,329.4

[1] Excluding transaction costs and lease liability

D. Foreign exchange risk

Foreign exchange risk arises when financial assets and liabilities are denominated in a currency other than the respective functional currencies of the Group entities. Most transactions are undertaken in functional currency, which minimises foreign exchange risk, and asset and liability matching profiles are reviewed regularly.

The €200m Senior Secured Floating Rate Note issued in July 2019 has been partially hedged with a €150m Cross Currency Interest Rate swap and the remaining €50m exposure has been hedged within the Galaxy Finco Group by investing in EUR denominated preference shares for the same amount issued by Galaxy Finco 2 Limited, a fellow subsidiary to Galaxy Finco Limited. The Group monitors net exposure to foreign exchange and will consider hedging implications if risk falls outside reasonable tolerances.

34. Capital management

The Board's primary objectives in respect of capital management are to ensure the Group maintains an appropriate level of capital to support the business, including holding sufficient financial resources to meet obligations as they fall due; and comply with regulatory requirements.

The total amount of debt and equity capital of the Group comprises shareholders' deficit of £170.3m (31 March 2021: £167.7m), Senior Secured Notes (net of financing costs) of £398.0m (31 March 2021: £396.7m), Senior Secured Floating Rate Notes of £165.0m (31 March 2021: £165.6m), Senior Notes of £146.2m (31 March 2021: £145.7m) and amounts owed to parent and fellow subsidiary undertakings (including accrued interest) of £67.6m (31 March 2021: £70.3m). As at 31 March 2022, the Group's RCF was undrawn (31 March 2021: undrawn).

The Group's insurance business is regulated by the UK Financial Conduct Authority ('FCA') and Prudential Regulation Authority ('PRA') and it is required to comply with the requirements of the Solvency II Framework Directive, as adopted by the PRA, including in relation to the measurement and management of capital. There are certain valuation differences between the IFRS Balance Sheet and the Solvency II Balance Sheet, which affect the measurement of capital, for example between IFRS insurance liabilities and Solvency II technical provisions. The UK insurance business ('DGI') uses the Solvency II Standard Model as adjusted for Undertaking Specific Parameters ('USP') to determine the level of regulatory capital that needs to be maintained. Furthermore, it has implemented an Own Risk and Solvency Assessment ('ORSA') process which considers the various risks faced by the insurance business and includes stress tests applied to business plan financial projections, to ensure that its projected level of capital can withstand shocks. The insurance business is well capitalised for Solvency II purposes and has complied with the capital requirements under Solvency II throughout the year.

DGI has a subsidiary in Germany ('DGIEU') and a branch in Australia which are regulated, respectively, by BaFin and the Australian Prudential Regulation Authority ('APRA') and are required to hold capital to cover their respective liabilities. DGIEU, which now underwrites the Group's EEA risks, received its regulatory approval from BaFin on 5 April 2019 and also uses the Solvency II Standard Model, also adjusted for USPs, to determine an appropriate level of regulatory capital.

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

OTHER INFORMATION

Alternative Performance Measures

In order to fully explain the performance of the Group, management discuss and analyse the results in terms of financial measures which include a number of alternative performance measures ('APMs'). APMs are non-GAAP measures which are used to supplement the disclosures prepared in accordance with other regulations such as IFRS. Management believe these measures provide useful information to enhance the understanding of the Group's financial performance. However, APMs should be viewed as complementary to, rather than as a substitute for, the figures determined according to other regulations.

The APMs utilised by the Group may not be the same as those used by other companies and may change over time. The calculation of APMs is consistent with previous periods unless otherwise stated.

APMs derived from IFRS measures

A number of APMs relating to IFRS are utilised to measure and monitor the Group's performance. Definitions and additional information, including reconciliations to the relevant amounts in the IFRS Financial Statements and, where appropriate, commentary on the material reconciling items are included within this section.

Adjusted EBITDA

Definition

Profit or loss from operating activities, adding back depreciation, amortisation, finance costs and significant items.

Relevance to strategy

The adjusted measure is considered relevant to assessing the underlying performance of the Group against its strategy and plans. The rationale for excluding certain items is as follows:

- **Depreciation**: a non-cash item which fluctuates depending on the timing of capital investment. Management believe that a measure which removes this volatility improves comparability of the Group's results period on period.
- **Amortisation:** a non-cash item which varies depending on the timing of and nature of acquisitions, and on the timing of and extent of investment in internally generated intangibles such as software. Management believe that a measure which removes this volatility improves comparability of the Group's results period on period. Where applicable, impairment of intangible assets is also excluded as a significant item.
- **Significant items**: these items represent amounts which result from unusual transactions or circumstances and at a significance which warrants individual disclosure. Management believe that adjusting for such significant items improves comparability period on period. Significant items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. See note 9 for further detail of amounts disclosed as significant in the year.

OTHER INFORMATION

Reconciliation of adjusted EBITDA to loss for the year

	Note	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Revenue	6	924.4	872.4
Other operating costs	9	(814.1)	(780.4)
Impairment (loss)/gain on financial assets	9	(0.3)	0.1
Significant items	9	2.0	14.9
Net investment expense	7	(0.3)	(0.5)
Adjusted EBITDA		111.7	106.5
Significant items	9	(2.0)	(14.9)
EBITDA		109.7	91.6
Depreciation and amortisation	9	(48.1)	(41.4)
Finance costs	8	(56.1)	(56.1)
Profit/(loss) before tax		5.5	(5.9)
Tax	12	(6.3)	(5.7)
Loss for the year		(0.8)	(11.6)

Reconciliation of Group operating profit to adjusted EBITDA ex US

	Note	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Operating profit		61.9	50.7
Adjusted for:			
Significant items	9	2.0	14.9
Depreciation and amortisation	9	48.1	41.4
Net investment expense	7	(0.3)	(0.5)
Adjusted EBITDA		111.7	106.5
Adjusted for:			
US loss		5.7	0.6
Adjusted EBITDA ex US		117.4	107.1

Reported solvency ratio analysis

Year ended 31 March 2022	DGI solo[1] £m	DGIEU solo[2] £m	Total £m	Consol adj. £m	DGA group[3] £m
Eligible own funds	143.4	21.8	165.2	(24.6)	140.6
Solvency capital requirements (SCR)	75.6	8.6	84.2	(1.7)	82.5
Capital surplus	67.8	13.2	81.0	(22.9)	58.1
Ratio of eligible own funds to the SCR	**190%**	**252%**	**196%**		**170%**

Year ended 31 March 2021	DGI solo[1] £m	DGIEU solo[2] £m	Total £m	Consol adj. £m	DGA group[3] £m
Eligible own funds	128.4	30.7	159.1	(27.4)	131.7
Solvency capital requirements (SCR)	67.8	12.2	80.0	(5.2)	74.8
Capital surplus	60.6	18.5	79.1	(22.2)	56.9
Ratio of eligible own funds to the SCR	**189%**	**252%**	**199%**		**176%**

[1] Domestic & General Insurance Plc, the most senior insurance undertaking in the regulated group

[2] Domestic & General Insurance Europe AG, a subsidiary insurance undertaking of DGI

[3] Domestic & General Acquisitions Limited, the most senior insurance holding company within the Group, and therefore the most senior entity of the regulated group. Group supervision from the PRA applies at this level

GLOSSARY OF TERMS

Acquisition costs	Commission and other expenses incurred on acquiring appliance care protection plan business
ADIA	Abu Dhabi Investment Authority, the Group's minority shareholder, via Luxinva S.A. (an entity wholly owned by ADIA) holds a stake of approximately 30%.
Adjusted EBITDA	Group's operating profit for a particular period adjusted for amortisation of acquisition intangibles, depreciation and amortisation, significant items and net investment income/(expense)
Adjusted EBITDA ex US	Group Adjusted EBITDA excluding the results of our US business
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')
CAGR	Compound annual growth rate
Cash-generating unit ('CGU')	A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets
Churn	Also referred to as 'customer churn' or attrition rate of customers. It represents the cyclical nature of customers changing their coverage.
Clients	Business partners (for example manufacturers, retailers and financial service companies) for whom we provide appliance care services including design, arrangement, pricing, selling, administration and distribution of appliance care service plans and policies for customers
COVID-19	The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing pandemic of coronavirus disease 2019 (COVID-19), caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
Customers	Individuals who have purchased appliance care service plans or policies
CVC	CVC, the Group's majority shareholder, via CVC Fund VII, with a stake of approximately 70%.
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
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

GLOSSARY OF TERMS CONTINUED

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
ESG	Environmental, Social and Governance. It is a collective term for measuring a business's impact on social and environmental issues and its governance beyond simply generating revenue or making a profit.
First or second fix	Percentage of repairs completed within the first or second visit to a customer
Free cash flow	Defined as the sum of: (i) free cash flow of the non-regulated business; plus (ii) changes in distributable earnings from the regulated business over the amount of capital to be held for regulatory purposes determined in accordance with Solvency II principles
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FY	Financial Year
General Data Protection Regulation ('GDPR')	The GDPR is a regulation in EU law on data protection and privacy for all individuals citizens of the European Union ('EU') and the European Economic Area ('EEA')
Group	The Domestic & General group of companies, comprising Galaxy Finco Limited and all subsidiaries as set out in note 29 in the notes to the Financial Statements
IAS	International Accounting Standards
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')	The net promoter score ('NPS') measures the loyalty of a company's customer base with a score from -100 to +100, which comes from customers answering the question "How likely are you to recommend this company?"
OCI	Other comprehensive income
OEM	Original Equipment Manufacturer
Part VII transfer	A Part VII transfer, also known as insurance business transfer scheme, is a transfer of business or parts of a business under Part VII of the Financial Services & Markets Act 2000 in the United Kingdom. Part VII transfers are a common tool used by insurance businesses to address required business transformation in preparation for or in response to Brexit
Point-of-need ('PoN')	An appliance care plan sold at the point at which an appliance breaks down. The plan includes a repair, plus an extended appliance care cover
Post-point-of-sale ('PPoS')	An appliance care plan sold after the appliance has been purchased

GLOSSARY OF TERMS CONTINUED

PRA	The Prudential Regulation Authority ('PRA') is a United Kingdom financial services regulatory body, formed as one of the successors to the Financial Services Authority ('FSA'). The authority is structured as a limited company wholly owned by the Bank of England and is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. It sets standards and supervises financial institutions at the level of the individual firm
RCF	Revolving credit facility
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
SECR	Streamlined Energy and Carbon Reporting
Section 172	Section 172 of the Companies Act 2006 requires directors to explain how they have considered certain interests when performing their duty to promote the success of the company.
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
Solvency ratio	The solvency ratio is based upon the aggregation of the individual solo DGI and DGIEU eligible own funds and capital requirements respectively.
TCFD	Task Force on Climate-Related Financial Disclosures
Underlying revenue	Represents revenue after the reversal of any fair value adjustments to deferred acquisition costs and deferred income associated
Unrestricted cash	Defined as the cash and cash equivalents balance of the unregulated business and the excess distributable reserves of the regulated business over and above regulatory capital requirements
USP	Undertaking Specific Parameters as defined by EIOPA to adjust standard formula
VCP	Value Creation Plan
Value in Use ('VIU')	The present value of the future cash flows expected to be derived from an asset or cash-generating unit.