Registered number
01970780

Domestic & General Services Limited

Report and Accounts

for the year ended 31 March 2019

Domestic & General Services Limited
Registered number: 01970780
Strategic Report

The Strategic Report provides a review of the business for the financial year and describes how we manage risks. The report outlines the developments and performance of Domestic and General Services Limited ("the Company") during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future.

Principal activity and review of the business

The Company is a wholly owned subsidiary of Domestic & General Acquisitions 1 Limited and operates as part of the Galaxy Finco Limited Group ("Domestic & General Group", "Group"), providing service-based appliance-care plans.

The principal activity of the Company is the provision of appliance-care and comprehensive product protection. The Company also provides central support services to other Companies and branches in the Domestic & General Group, as well as the operation of call centres and the provision of telemarketing services in support of the Group and also to a range of external customers covering various business sectors.

Results

As shown in the Company's profit and loss account revenue in the year was £485.9m (2018 : £460.9m). Sales in the year were £419.1m (2018 : £486.1m).

The Company's revenue has increased by £24.9m (2018: £37.5m), driven by the full year impact of a new client that was won in 2018 and consistent retention rates. Sales have declined in the year by 13.8%, reflecting the transition of discretionary service plans to insurance plans on Domestic and General Insurance PLC.

Profit before tax has increased in 2019 by £26.8m (2018: £(18.0)m), principally driven by a £13.5m reduction in significant items to £11.1m (2018: £24.6m). In 2019 £2.4m (2018: £24.6m) of product transition costs were recognised as discretionary service plans were transitioned to maintenance service plans and insurance based warranties.

The balance sheet shows that the Company's financial position at the year end continues to be strong with net assets of £304.1m (2018 : £276.0m).

Key performance indicators

We have identified key performance indicators (KPIs) measuring the financial performance and strength of the Company.

2019 performance against KPIs is:

	2019	**2018**
	%	%
Revenue growth	5.4	8.9
Sales growth/(decline)	(13.8)	13.0
Growth/(decline) in operating profit	250.0	(62.7)
Growth/(decline) in profit before taxation	248.6	(62.6)
Operating profit margin	7.7	2.3

Domestic & General Services Limited
Registered number: 01970780
Strategic Report

Strategy
The Group's aim, which is shared by DGS, is to be the leading appliance care specialist in all of our markets and to continue growing our business.

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

Our core strategy is:

- **Accelerate embedded growth: Continually improving customer service to accelerate growth and profitability**
  We aim to deliver digital and service initiatives, to further increase the value of our products to customers by providing high service levels and simplicity to drive cross-selling and encourage loyalty, whilst reducing costs. During the year, we have rolled out D&G@Home for all customers, with rich user content to support self-service and online repair bookings and replacement. We have also completed our Customer First transformation. Looking forward, we will focus on contact centre efficiencies through enhanced digitisation and speech analytics, as well as paperless communication.
- **Drive growth in UK penetration**
  We aim to drive retention and growth in household penetration through a continued focus on subscription business. During the year our data analytics based pricing engine launched to drive customer-centric pricing, retention/win back activity and cross-selling. Looking forward we will focus on using our customer data analytics to drive cross-selling and targeted acquisition marketing across prospects database.
- **Partner Collaboration: New products and partnership**
  We aim to leverage strong historic investment in partnership model and Customer First transformation to deliver new partnerships, open additional routes to market and launch new products. During the year we have completed contract renewals and extensions, launched a co-branded online presence and launched flexible monthly plans. Our future focus is on a pipeline of new retail and affinity partnerships.

Risk management
The Group has in place a risk management programme that seeks to limit the adverse effects of financial and other risks on the financial performance of the Group and its subsidiary companies. A summary of the principal risks and uncertainties facing the Company is shown below:

- **Service plan risk** is the potential adverse financial impact that combined repair and administration costs exceed the amount of income deferred. This risk is managed through pricing policies and controls, approval procedures for new products, regular review of performance and monitoring of emerging issues.
- **Operational risk** arises as a result of inadequately controlled internal processes or systems, human error or from external events. This definition is intended to include all other risks to which the Company is exposed, including for example, information technology, information security, human resources, project management, outsourcing, tax, legal, fraud, regulatory and compliance risks. This is mitigated through appropriate recruitment and training of staff and by adequate management.

- **Market risk** is the potential adverse financial impact of changes to interest rates. Interest rate risk is managed actively by the Group's Treasury Function. Interest rate risk on cash balances is not hedged unless of strategic importance to the underlying business.
- **Credit risk** is the potential adverse financial impact of loss in value of financial assets due to counterparties failing to meet all or part of their obligations. The Company structures the level of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties.
- **Liquidity risk** is the possibility that the Company does not have sufficient available liquid assets to meet its obligations as they fall due. This is managed through cash flow forecasting and holding cash and liquid deposits to meet demands on a daily basis.
- **Environmental risk** reflects the continuing challenging economic environment of the UK and its consequent impact on demand for the Company's services. This is mitigated by a resilient business model, expertise in chosen markets and product development and innovation.
- **Information systems risk** is the risk of failure of IT hardware and software, networks and communications, including failure to implement new systems effectively. This risk is mitigated by investment in appropriate technology and staff, and by business continuity planning.

Outlook

We have made significant progress in implementing our strategic priorities whilst maintaining financial discipline and delivering sales growth. Our strong partner relationships and distribution model place us at the centre of a virtuous ecosystem and underpin our confidence in the prospects for the business. We expect to deliver further progress in FY20 as we continue to focus on our customer experience and further optimise our digital capability. In the medium term, there remains considerable opportunity to grow the UK business.

Brexit

While there is a strong likelihood of transitional arrangements, we are preparing for a 'hard' Brexit to enable us to continue to meet our European contractual obligations. We have a dedicated team and detailed process focused on establishing an insurance entity in Germany where we have a good regulatory relationship and existing substance, into which we expect to migrate EU customers through a Part VII transfer. An exceptional one-off capitalisation of the new entity may be required, dependent upon the length of transitional arrangements but we do not expect aggregate capital requirements to increase significantly.

This report was approved by the Board on 3 October 2019 and signed on its behalf.

T. Hinton
Director

Domestic & General Services Limited
Registered number: 01970780
Directors' Report

The Directors present their report and accounts for the year ended 31 March 2019.

Dividends
The Directors do not propose the payment of a final dividend. Total dividends for the year amounted to £nil (2018 : £nil).

Environment
The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies, which are described in the consolidated accounts of Galaxy Finco Limited, which do not form part of this report.

Employees
Details of employee numbers and related costs can be found in note 7 to the financial statements.

The Company aims to be a friendly and professional company with a strong work ethic, and a fundamental belief in quality and good performance throughout the organisation. The Company participates in the Group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings, intranet reports and newsletters. This includes published codes, policies and procedures being made available to all employees on matters such as discrimination, harassment, ethics, whistleblowing, behavioural standards and other key topics. Staff are reminded regularly of their responsibilities.

An annual staff survey provides information on staff views on a variety of issues, such as the quality of the Group's products and services, quality at work, leadership, the work environment, morale, recognition, training and performance reviews. Results are compared to previous surveys and benchmarked against comparable organisations' data.

The Company communicates to its staff the key factors, including financial and economic, that affect its performance and other information that may be of concern to employees.

All staff are eligible to participate in an applicable bonus scheme subject to length of service and the relevant performance criteria.

The Company:
- gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities;
- continues the employment of, and arranges appropriate training for, employees who have become disabled persons during the period when they were employed by the Company; and
- provides for the training, career development and promotion of disabled persons.

Directors
The Directors, who served during the year, were as follows:

T. Hinton
I. Mason

Domestic & General Services Limited
Registered number: 01970780
Directors' 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 abide by the terms of the payment. Trade creditors of the Company at 31 March 2019 were equivalent to 32 (2018 : 26) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Directors' and Officers' insurance and Directors' indemnities
On behalf of the Company, the Group has purchased and maintained throughout the year 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.

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the *financial statements in accordance with applicable law and regulations.*

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under Company law, 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company'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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Domestic & General Services Limited
Registered number: 01970780
Directors' Report

Political contributions

Neither the Company nor its subsidiary has made any disclosable political contribution or political donations or incurred any political expenditure during the year.

Disclosure of information to 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 he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

Auditors

Pursuant to Section 487 of the companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

T Hinton
Director

Registered Office
Swan Court
11 Worple Road
Wimbledon
London SW19 4JS

Independent auditor's report
to the members of Domestic & General Services Limited

Opinion

We have audited the financial statements of Domestic & General Services Limited ("the company") for the year ended 31 March 2019 which comprise profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

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

Going concern

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

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

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Kushan Tikkoo

Kushan Tikkoo (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

03 October 2019

Domestic & General Services Limited
Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2019

	Notes	2019 £ 000	2018 £ 000
Revenue	2	485,881	460,943
Direct costs		(301,747)	(294,452)
Gross profit		184,134	166,491
Administrative expenses		(135,608)	(131,144)
Significant items	4	(11,060)	(24,642)
Operating profit	3	37,466	10,705
Interest receivable	5	84	66
Profit before tax		37,550	10,771
Tax on profit	8	(9,465)	(1,980)
Profit for the financial year		28,085	8,791

Turnover and operating profit are all derived from continuing operations.

The total comprehensive income for the year is attributable to the owners of the Company.

The notes on pages 12 to 23 form part of these financial statements.

Domestic & General Services Limited
Balance Sheet
as at 31 March 2019

	Notes		2019 £ 000		2018 £ 000
Fixed assets					
Tangible assets	9		50,406		40,827
Current assets					
Deferred acquisition costs	10	83,481		112,179	
Trade and other receivables	11	553,382		567,906	
Cash at bank and in hand		8,615		10,742	
		645,478		690,827	
Creditors: amounts falling due within one year	12	(376,323)		(417,274)	
Net Current Assets			269,155		273,553
Total assets less current liabilities			319,561		314,380
Creditors: amounts falling due after more than one year	13		(15,444)		(38,348)
Net Assets			304,117		276,032
Capital and reserves					
Called up share capital	15		1,001		1,001
Share premium			-		-
Revaluation reserve			-		-
Capital redemption reserve			-		-
Profit and loss account			303,116		275,031
Shareholders' funds			304,117		276,032

These financial statements were approved by the Board of Directors on 3 October 2019 and were signed on its behalf by:

T. Hinton
Director
Company registration number 01970780

The notes on pages 12 to 23 form part of these financial statements.

Domestic & General Services Limited
Statement of Changes in Equity
as at 31 March 2019

	Share capital	Profit and loss account	Total
	£	£	£
At 1 April 2018	1,001	275,031	276,032
Profit for the financial year	-	28,085	28,085
At 31 March 2019	1,001	303,116	304,117
At 1 April 2017	1,001	266,240	267,241
Profit for the financial year	-	8,791	8,791
At 31 March 2018	1,001	275,031	276,032

The notes on pages 12 to 23 form part of these financial statements.

1 Accounting policies

Domestic and General Services Limited (the "Company") is a private Company incorporated, domiciled and registered in England in the UK. The registration number is 01970780 and the registered office address is Swan Court, 11 Worple Road, Wimbledon, London SW19 4JS.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as endorsed by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company's intermediate parent undertaking, Galaxy Finco Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Galaxy Finco Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from www.domesticandgeneral.com.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and meet its liabilities as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

IFRS 15 establishes principles that an entity should apply to report information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Appliance care contracts are accounted for under IFRS4: Insurance Contracts, as the definition of an insurance contract under IFRS 4 extends to all trading products issued by the company. As IFRS 4 currently applies to the company, IFRS 15 does not have an impact on the financial statements of the company.

IFRS 9 addresses the classification, measurement, recognition and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Due to the fact the company reports under IFRS 4, it has taken the available exemption to not apply IFRS 9 in the current year.

1 Accounting policies (continued)

IFRS 16 Leases effective for periods beginning on or after 1 January 2019
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will result in almost all leases being recognised on the balance sheet for lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

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

In applying IFRS 16 for the first time, the company will apply the following practical expedients permitted by the standard:
- to 'grandfather' the assessment of which transactions are leases
- expensing operating leases that are short term leases i.e. with a term of 12 months or less and low value leases.

Measurement convention
The financial statements are prepared on the historical cost basis and in accordance with applicable United Kingdom Accounting Standards.

Sales
Sales consist of amounts invoiced in respect of appliance care service plans, commissions receivable and sales invoiced in respect of other support services, net of cancellations and exclusive of Value Added Tax.

Deferred income on appliance care service plans 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.

Revenue
Revenue represents the amounts recognised in the current year relating to appliance care service plans, net of cancellations, in accordance with the earnings patterns described above. Revenue recognition commences 'when cover starts'.

Significant Items
Significant items are those items that are material and not indicative of underlying trading due to the nature of the costs and/or their non-recurring nature and are disclosed separately to assist in the understanding of the financial performance of the Company.

Impairment
The carrying amounts of the Company'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.

1 Accounting policies (continued)

(a) Non-financial assets
An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised directly in the income statement unless they relate to previously revalued assets, in which case the impairment loss is recognised directly against any revaluation reserve for the asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that asset.

An impairment loss in respect of other assets is reversed if there has been a change in the estimates to determine the recoverable amount. The recoverable amount is the greater of value in use and fair value less costs to sell. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the recoverable amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(b) Financial assets
A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Impairment losses in respect of financial assets measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Tangible and intangible fixed assets
Fixed assets are measured at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Fixtures, fittings, tools and equipment	14% - 25% per annum
Software	14% - 25% per annum

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 Company'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.

Non-derivative financial instruments
Trade and other debtors
Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1 Accounting policies (continued)

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 Company has control of the timing of any disposal. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

Provisions
The claims and repair costs provision comprise provisions for the estimated costs of paying all claims and repairs incurred up to but not paid at the balance sheet date, whether reported or not, together with related claims and repairs handling expenses. Estimation techniques and assumptions are periodically reviewed with any changes in estimates reflected in the income statement as they occur.

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

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

Foreign currency translation
Transactions in foreign currencies are initially recognised at the rate of exchange ruling at the date of the transaction.

Pensions
Contributions to defined contribution pension plans are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

1 Accounting policies (continued)

Investment income
Investment income is accounted for on a receivable basis. Dividends are recognised on the date on which the related investment goes 'ex dividend'. Interest is accrued up to the balance sheet date. Realised gains or losses represent the difference between net sales proceeds and purchase price or, if previously valued, the valuation at the last balance sheet date. Unrealised gains or losses are credited or charged to the profit and loss account.

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

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.

Dividends
Dividend distributions to the Company's ordinary shareholders are recognised in the Company financial statements in the period in which the dividends are declared and appropriately approved.

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.

Leases
Operating lease payments
Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and Interest payable
Interest payable and similar expenses include interest payable, finance expense on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1 Accounting policies (continued)

Critical estimates and Judgements

The preparation of financial statements in accordance with endorsed IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised prospectively.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are highlighted below:

i. Judgement: Receivables

Material 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.

ii. Judgement relating to earning patterns

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

2 Revenue

Sales represents gross amounts receivable for appliance care service plans sold during the year, exclusive of VAT.

Revenue represents the amounts recognised in the year in accordance with earning patterns.

	2019 £ 000	2018 £ 000
Sales		
Repair services	418,590	485,244
Administrative services	489	827
	419,079	486,071
Deferred income movement		
Repair services	66,802	(25,128)
	66,802	(25,128)
Revenue		
Repair services	485,392	460,116
Administrative services	489	827
	485,881	460,943

3 Operating profit

	2019 £ 000	2018 £ 000
Operating profit is stated after charging:		
Employee costs (note 7)	82,027	77,681
Depreciation of tangible fixed assets (note 9)	11,184	8,734
Operating lease rentals - land and buildings	3,517	3,340
Fees payable to the Company's auditors for the audit of the Company's annual accounts	74	75
Research and development costs	4,190	3,091

4 Significant items

	2019 £ 000	2018 £ 000
Strategic Review project	(8,679)	-
Product transition costs	(2,381)	(24,203)
Business re-structure costs	-	(439)
	(11,060)	(24,642)

In the year ended 31 March 2019, the Company incurred significant expenditure totalling £11.1m which relates primarily to strategic review. The Strategic Review project is a formal project following the decision by the Group's shareholders (funds managed and advised by CVC Advisors Limited) to review their ownership options. The Group has incurred advisory and corporate costs in continuing to review the strategic options for the Group. Product transition costs relate to the one-off costs incurred in transitioning our discretionary service plan business to maintenance service plans and insurance-based warranties.

5 Interest receivable

	2019 £ 000	2018 £ 000
Interest receivable	84	66
	84	66

6 Directors' emoluments

Some of the Directors are Directors of other group companies, including acting as executives of The Group. It is not considered practicable to allocate emoluments between their services as executives of The Group and their services as Directors of the Company.

During the year the executive Directors received £1,468,060 (2018: £1,019,267) of salary including benefits in kind, and pension contributions of £84,560 (2018: £94,053) for their services to the Group. The highest paid Director received £983,280 (2018: £815,802) in salary including benefits in kind, and pension contributions of £75,000 (2018: £75,000). The number of Directors accruing retirement benefits during the year was 2 (2018: 2).

7 Staff numbers and costs

Average number of employees during the year

The average number of persons employed by the company (including Directors) during the year, analysed by category was as follows:

	Number	Number
Sales and Marketing	167	143
Commercial Finance and Claims	146	228
Finance and Administration	407	396
Contact Centres and IT	1,847	1,615
	2,567	2,382

Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	71,439	67,736
Social security costs	6,912	6,487
Other pension costs	3,676	3,458
	82,027	77,681

8 Taxation

	2019 £ 000	2018 £ 000
Analysis of charge in period		
Current tax:		
UK corporation tax on profit for the period	8,171	1,543
Adjustments in respect of previous periods	882	92
	9,053	1,635
Deferred tax (note 14):		
Origination and reversal of timing differences	412	345
Tax on profit	9,465	1,980

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2019 £ 000	2018 £ 000
Profit for the year	37,550	10,771
Standard rate of corporation tax in the UK	19%	19%
	£ 000	£ 000
Profit multiplied by the standard rate of corporation tax	7,135	2,046
Effects of:		
Expenses not deductible for tax purposes	1,432	38
Adjustment in respect of prior period	882	92
Amount claimed as group tax relief from another group Company	-	-
Group relief received for no payment	-	(446)
Impact of rate change	-	-
Other	16	250
Total tax expense	9,465	1,980

Factors that may affect future tax charges

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

9 Tangible fixed assets

	Software £ 000	Fixtures, fittings and equipment £ 000	Total £ 000
Cost			
At 1 April 2018	48,795	28,458	77,253
Additions	17,859	2,904	20,763
Disposals	(432)	(4,437)	(4,869)
At 31 March 2019	66,222	26,925	93,147
Depreciation			
At 1 April 2018	17,607	18,819	36,426
Charge for the year	8,153	3,031	11,184
On disposals	(432)	(4,437)	(4,869)
At 31 March 2019	25,328	17,413	42,741
Net book value			
At 31 March 2019	40,894	9,512	50,406
At 31 March 2018	31,188	9,639	40,827

A total of £4.2m (2018: £3.1m) internal staff costs have been capitalised and included within the Software Additions figure of £17.9m (2018: £14.2m)

10 Deferred acquisition costs

	2019 £ 000	2018 £ 000
Deferred acquisition costs	83,481	112,179
Split between:		
Amounts expected to be amortised within one year	78,472	98,718
Amounts expected to be amortised in greater than one year	5,009	13,461
	83,481	112,179

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.

11 Trade and other receivables

	2019 £ 000	2018 £ 000
Amounts due under service plans	255,764	283,831
Amounts owed by group undertakings	284,556	270,994
Trade debtors	115	90
Prepayments and accrued income	12,947	12,991
	553,382	567,906

12 Creditors: amounts falling due within one year

	2019 £ 000	2018 £ 000
Trade creditors	39,747	42,944
Amounts owed to group undertakings	14,533	5,055
Corporation tax	1,107	(183)
Other taxes and social security costs	34,466	40,513
Deferred income	242,108	289,450
Deferred tax	226	(186)
Accruals	44,136	39,681
	376,323	417,274

Claims and repair costs provision

	2019 £ 000	2018 £ 000
Balance at the start of the year	8,662	9,513
Movement during the year	2,472	(851)
Balance at the end of the year	11,134	8,662

Claims and repair costs provision is presented within accruals

13 Creditors: amounts falling due after more than one year

	2019 £ 000	2018 £ 000
Deferred income	15,444	38,348
	15,444	38,348

The Company also has in place a £10m standby letter of credit ("LoC") (2018: £23m), pledged as an asset to a trust for UK service plan customers in line with British Retail Consortium guidelines, expiring 18 March 2022.

14 Deferred taxation

	2019 £ 000	2018 £ 000
Accelerated capital allowances	(266)	147
Other timing differences	39	39
Undiscounted deferred tax asset	(227)	186

	2019 £ 000	2018 £ 000
At 1 April	186	531
Adjustment to prior year balance	-	-
Deferred tax charge in profit and loss account	(412)	(345)
At 31 March	(226)	186

15 Share capital

	2019 No	2018 No	2019 £ 000	2018 £ 000
Allotted, called up and fully paid:				
Ordinary shares of £1 each	1,001,000	1,001,000	1,001	1,001

16 Capital commitments

	2019 £ 000	2018 £ 000
Amounts contracted for but not provided in the accounts	1,259	2,747

17 Financial commitments

Operating lease commitments

At the year end, the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2019 £ 000	Land and buildings 2018 £ 000
Payable:		
within one year	2,355	2,355
between two to five years	2,077	4,432
	4,432	6,787

Other

Under the terms of the Group's borrowing facilities, the Company is subject to a charge over its assets.

18 Related parties

Key management personnel include all Domestic & General Services Limited and subsidiary Directors, and direct reports to the Executive Directors. Details of their remuneration are included in note 6.
Amounts owed by and to group undertakings are not secured and no guarantees were received in respect thereof. The receivables will be settled in accordance with normal credit terms.

At the year end the Company had net intercompany balances due of £270.0m (2018: £262.8m).

19 Controlling party

The Company is a subsidiary undertaking of Domestic & General Acquisitions 1 Limited which is the immediate parent Company incorporated in UK. Galaxy Topco Limited is the ultimate parent Company incorporated in Jersey.

The largest and smallest group in which the results of the Company are consolidated is that headed by Galaxy Finco Limited, incorporated in Jersey. The consolidated financial statements of Galaxy Finco Limited are available to the public and may be obtained from the website at www.domesticandgeneral.com.

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