

Domestic & General Group Holdings Limited
Summary mid-year update for the six months ended 30 September 2008

The Directors of Domestic & General Group Holdings Limited (D&G) present their summary mid-year update for the Group for the six months ended 30 September 2008. The information is extracted from the unaudited management accounts.

Trading update

Domestic & General is the leading specialist provider of breakdown protection on domestic appliances in the UK with fast developing international operations.

The Group saw strong growth in the six months to September with total group revenue up 14%. Despite weakness in the retail electrical appliance market, UK warranty revenues were up 13% as initiatives targeted at obtaining higher volumes of data and improving conversion and renewal rates continue to bear fruit. We made further progress on improving the penetration of payments by direct debit which should help support future renewals. International warranty revenue is up 78% on prior year with continued growth in particular in Germany, Spain and Australia.

We have commenced on a programme to update our systems and IT infrastructure and have made good progress on its design and specification. Implementation is due from the summer of 2009.

In July, 2008 the Group disposed of its non-core Pet Protect business to Pethealth Inc., a Canadian company. We remain responsible for the run off of previously sold policies for approximately 14 months.

Market environment

UK market

The UK economy is entering a recession with most indicators showing weakening retail performance, fewer new house starts and lower appliance sales.

However D&G is resilient to a weakening of the UK retail sales of domestic electrical goods for a number of reasons. Firstly the majority of our revenues arise from the renewal of existing policies, rather than the sale of new business. Secondly, most of our new business is sourced from the Post Point of Sale market, where we direct market to owners of appliances bought over the last few years and not just the current period. We are increasing the amount of data we are receiving on purchases of product suitable for extended warranties and

continue to develop our Repair +1 product, effectively a new distribution channel, which is where a customer who has decided to repair rather than replace a faulty product is offered the opportunity to purchase an extended warranty.

Clearly prolonged weakness in the sale of domestic electrical goods will have an effect on us; however we have a business model that provides a level of insulation.

International market

Our International business has grown through retail Point-of-Sale activities. Growth is currently being driven by acquisition and development of new accounts in a number of countries. Like the UK the general economic environment is poor, but our penetration of the extended warranty business in these territories is low, providing ample opportunity for growth. At the same time, we are increasing our focus on the OEM post point-of-sale channel which is underdeveloped. We believe we are well placed to capitalise on the international opportunity as we have extensive experience of underwriting extended warranties and unique expertise in running OEM programmes.

Outlook

Whilst the overall economic environment remains challenging, we believe that we are well placed to continue to make good progress in all areas of our operations.