Domestic & General
Interim Report 2005

Financial Highlights

DOMESTIC & GENERAL

Revenue

up 11.25%
to **£124.6 million**.

Operating profits before investment return

up 14.71%
to **£11.7 million**.

Total profit

up 26.57%
to **£18.1 million**.

Interim dividend per share

up 14.70%
to **9.75p**.

Investment return up to £6.4 million, with a strong equity performance

Board confident of further profitable development of Group

Contents

Report to the Shareholders

Overview

The Board is pleased to announce that the Group has made excellent progress in the six months to 30 September 2005, demonstrating its inherent strengths in a difficult consumer market. The accounts and comparatives have been stated on an IFRS basis for the first time. The changes from UK GAAP are outlined in Note 16, but are not significant to the Group.

Total Group turnover grew by 11.25% to £124.6m with strong performances in all major areas of activity.

Warranty turnover increased by 11.11%, from a combination of successful initiatives to increase business and higher renewals. Warranty operating profit rose by 12.4%, reflecting a continuing low claims ratio.

Support Services turnover increased by 18.18% with telephony and mailing services both showing good increases. Operating profit increased to £0.3m reflecting the benefits of greater utilisation of capacity, particularly in telephony.

Net investment return at £6.4m includes a strong performance from our equity portfolio, which produced a return of 11.80% in the period.

Operating profit rose by 14.71% and profit before taxation by 26.57%.

	Six months to 30 September 2005 £m	Six months to 30 September 2004 £m	Year to 31 March 2005 £m
Revenue	**124.6**	112.0	241.9
Operating profit before investment return:			
Warranty	**11.8**	10.5	19.2
Support services	**0.3**	0.1	0.3
Pets	**0.4**	0.3	0.7
Other charges	**(0.8)**	(0.7)	(1.2)
Operating profit before investment return	**11.7**	10.2	19.0
Net investment return	**6.4**	4.1	10.3
Profit before tax	**18.1**	14.3	29.3

Dividends

The Board is declaring an interim dividend of 9.75p (2004: 8.50p) per ordinary share, which will be paid on 3 February 2006. This is an increase of 14.70%.

Warranty

	Six months to 30 September 2005 £m	Six months to 30 September 2004 £m	Year to 31 March 2005 £m
UK	**110.4**	100.0	216.6
Other EU member states	**2.6**	1.7	4.1
Warranty revenue	**113.0**	101.7	220.7
Earned income	**110.1**	99.3	204.5
Repair costs and claims	**(47.3)**	(44.7)	(93.0)
Incurred acquisition costs	**(31.8)**	(28.4)	(63.3)
Administrative expenses	**(19.2)**	(15.7)	(29.0)
Warranty operating profit before investment return	**11.8**	10.5	19.2

Report to the Shareholders

We are the leading provider of warranties in the UK market supporting manufacturers, retailers, utilities and financial services companies. We continue to develop our business, both with new and existing partners, by providing innovative products and services.

UK revenue grew by over 10% through a combination of successful trading initiatives with our trading partners and strong renewal income. We continue to benefit from new business from direct marketing using several years' appliance purchase data, which smooths the effects of fluctuations in annual appliance sales.

Operating profit has risen in line with turnover and earned income, benefiting from a continuing low claims ratio, but offset by higher payments to our trade partners.

In other EU territories, revenue grew by over 50%, particularly from Spain and France, reflecting greater interest in the warranty proposition. In aggregate, our European activities are profitable.

Support Services

	Six months to 30 September 2005 £m	Six months to 30 September 2004 £m	Year to 31 March 2005 £m
Telephony	**7.5**	6.5	13.9
Mailing and fulfilment	**2.9**	2.3	4.4
Support services revenue	**10.4**	8.8	18.3
Telephony	**0.2**	(0.3)	(0.2)
Mailing and fulfilment	**0.1**	0.4	0.5
Support services operating profit before investment return	**0.3**	0.1	0.3

Support services comprise sales to third parties of telephony, mailing, fulfilment and warranty administration services. In addition, these facilities provide the essential telephony and mailing requirement of the warranty division.

The performance of the telephony division has continued to improve with revenue up by 15.4% and a profit of £0.2m. Our strategy to develop the business into a high quality provider of inbound and outbound services is being rewarded in a highly competitive market, affected by the competition from offshore operators and the increased constraints on outbound calling.

Mailing and fulfilment turnover continues to increase following the move to our new mailing facility near Coventry in June last year and its increased capacity and capability in printing, inserting, sortation and polywrapping functions. The profitability remained similar to the previous six months with the benefit of revenue growth offset by the higher fixed costs of the larger operation.

Pets

	Six months to 30 September 2005 £m	Six months to 30 September 2004 £m	Year to 31 March 2005 £m
Pet revenue	**1.2**	1.5	2.9
Pet operating profit before investment return	**0.4**	0.3	0.7

Pet revenue shows a decline, with low levels of new business, because we have not chased turnover at the expense of margin. The operating profit grew to £0.4m.

We have brought pet underwriting in-house from 1 October 2005, to enable us to control the whole of our pet insurance offer. This is consistent with the Group's approach to both underwrite and administer its policies.

Investment Return

	Six months to 30 September 2005 £m	Six months to 30 September 2004 £m	Year to 31 March 2005 £m
Interest income	**4.4**	3.5	8.1
Gains on investments	**2.1**	0.7	2.4
Interest payable	**(0.1)**	(0.1)	(0.2)
Net investment income	**6.4**	4.1	10.3

The investment return has increased to £6.4m.

Interest income reflects the increased level of bank deposits and cash liquidity funds and the benefit of marginally higher rates in the early part of the year. The overall interest return on the deposit and cash liquidity portfolio has been at an annual rate of 4.7%. The personal loan market has become increasingly competitive and the risk profile of this sector has increased. Consequently, we have decided to run down our personal loans business as we consider it will no longer make an adequate return in our investment portfolio and will progressively reduce loan balances.

The equity portfolio has performed well, benefiting from the strong stock market performance in the first half of our year, and our portfolio has increased by 11.8%, which is in line with performance of the FTSE All Share Index. This represents a significant out-performance against our benchmark expected annual longer-term rate of return of 7%.

Cash flow

IFRS requires companies to classify increases in investments as cash outflows and to present a cash flow statement based on short-term cash balances, whereas UK GAAP required insurance groups to present their cash flow statements as movements in investment funds.

Operations generated £15.5m of cash and we also received £4.3m of net interest, giving gross cash generated of £19.8m. We paid taxes of £4.3m and £6.6m was paid to shareholders in dividends. The net retained cash of £8.9m was increased by a net £0.4m from issue and purchase of our shares.

The total net cash increase of £9.3m was used for investments.

	Six months to 30 September 2005 £m	Six months to 30 September 2004 £m	Year to 31 March 2005 £m
Cash generated from operations	**15.5**	20.3	36.7
Net interest received	**4.3**	3.5	7.4
Gross cash generated	**19.8**	23.8	44.1
Taxes paid	**(4.3)**	(3.2)	(7.4)
Dividends paid	**(6.6)**	(6.3)	(9.4)
Cash retained	**8.9**	14.3	27.3
Share transactions	**0.4**	—	0.3
Amount invested	**9.3**	14.3	27.6
Capital expenditure less proceeds	**1.5**	4.6	6.4
Increase in longer-term cash	**21.1**	11.1	26.5
Reduction in shorter-term cash	**(13.3)**	(1.4)	(5.3)
	9.3	14.3	27.6

Report to the Shareholders

International Financial Reporting Standards ("IFRS")

Full details relating to the implementation of IFRS are shown in Note 16. The principal items relate to the "freezing" of goodwill and the timing of the recognition of dividends. The result of all the changes has been to increase the balance in retained earnings at 31 March 2005 by £6.7m to £85.8m, primarily due to later recognition of the final dividend in respect of the year to 31 March 2005.

There has been no impact on pensions accounting because the Group only operates defined contribution pension schemes.

Head Office

Our Head Office buildings in Wimbledon are no longer adequate to meet the needs of the business. We are looking to secure improved, larger accommodation to meet our needs in the future.

Outlook

Trading since the half-year has been good and warranty claims are expected to experience the normal seasonal increase, but remaining towards the low end of our historical range.

Overall, we have every confidence in the further profitable development of the Group.

Nicholas D Rochez
Chairman
28 November 2005

Consolidated Income Statement

	Note	Six months to 30 September 2005 (Unaudited) £m	Six months to 30 September 2004 (Unaudited) £m	Year to 31 March 2005 £m
Revenue	1	**124.6**	112.0	241.9
Deferred income movement		**(2.8)**	(2.2)	(16.0)
Earned income		**121.8**	109.8	225.9
Claims and repair costs		**(47.3)**	(44.9)	(93.1)
Acquisition costs		**(31.8)**	(28.4)	(63.3)
Operating expenses		**(31.0)**	(26.3)	(50.5)
Operating profit before investment return	1	**11.7**	10.2	19.0
Investment return	2	**6.5**	4.2	10.5
Operating profit including investment return		**18.2**	14.4	29.5
Finance costs		**(0.1)**	(0.1)	(0.2)
Profit before tax		**18.1**	14.3	29.3
Taxation	3	**(5.5)**	(4.1)	(8.1)
Profit for the period		**12.6**	10.2	21.2
Earnings per share — basic — pence	5	**34.86**	28.40	59.23
Earnings per share — diluted — pence	5	**34.60**	28.33	58.91

Consolidated Statement of Recognised Income and Expenses

	Note	Six months to 30 September 2005 (Unaudited) £m	Six months to 30 September 2004 (Unaudited) £m	Year to 31 March 2005 £m
Revaluation of property, plant and equipment		—	—	0.8
Deferred tax on revaluation of property, plant and equipment		—	—	(0.3)
Deferred tax on items taken directly to equity		—	—	0.1
Share-based payments		**0.1**	—	0.1
Income and expenses recognised directly in equity		**0.1**	—	0.7
Profit for the period		**12.6**	10.2	21.2
Total recognised income and expenses for the period	15	**12.7**	10.2	21.9

Consolidated Balance Sheet

	Note	**30 September 2005 (Unaudited) £m**	30 September 2004 (Unaudited) £m	31 March 2005 £m
Assets				
Intangible assets	6	**11.2**	11.1	11.1
Property, plant and equipment	7	**17.9**	17.5	18.2
Deferred tax assets		**1.5**	1.2	1.3
Financial assets	8	**174.7**	134.5	151.9
Reinsurers' share of technical provisions		**0.2**	0.2	0.2
Assets held to cover linked liabilities		**2.5**	2.2	2.3
Deferred acquisition costs	9	**60.0**	56.0	58.9
Trade and other receivables	10	**95.0**	86.4	93.7
Cash and cash equivalents	11	**24.4**	41.6	37.7
Total assets		**387.4**	350.7	375.3
Liabilities				
Provision for other risks and charges		**0.2**	0.2	0.2
Deferred income	12	**219.2**	202.7	216.2
Claims and repair costs provision		**11.1**	12.4	11.5
Long-term business provision		**1.7**	1.9	1.7
Linked liabilities		**2.5**	2.2	2.3
Deferred tax liabilities		**0.6**	0.3	0.6
Tax liabilities		**5.9**	4.6	4.5
Financial liabilities		**3.9**	3.9	3.9
Trade and other payables	13	**37.1**	32.6	35.6
Total liabilities		**282.2**	260.8	276.5
Shareholders' equity				
Called-up share capital		**3.6**	3.6	3.6
Share premium account		**9.4**	8.6	8.9
Retained earnings		**91.8**	77.7	85.8
Revaluation reserve		**0.5**	—	0.5
Investment in own shares	14	**(0.1)**	—	—
Total shareholders' equity	15	**105.2**	89.9	98.8
Total equity and liabilities		**387.4**	350.7	375.3

Consolidated Cash Flow Statement

	Note	Six months to 30 September 2005 (Unaudited) £m	Six months to 30 September 2004 (Unaudited) £m	Year to 31 March 2005 £m
Cash flows from operating activities				
Cash generated from operations		**15.5**	20.3	36.7
Interest received		**1.0**	0.9	1.8
Interest paid		**(0.1)**	(0.1)	(0.2)
Income taxes paid		**(4.3)**	(3.2)	(7.4)
Net cash from operating activities		**12.1**	17.9	30.9
Cash flows from investing activities				
Interest received		**3.4**	2.7	5.8
Proceeds from sale of property, plant and equipment		**—**	—	0.1
Purchase of property		**—**	(1.7)	(1.7)
Purchase of plant and equipment		**(1.5)**	(2.9)	(4.8)
Deposits with credit institutions		**(20.3)**	(4.9)	(19.5)
Cash liquidity funds		**(1.0)**	(4.9)	(5.9)
Personal loans		**0.2**	(1.3)	(1.1)
Net cash used in investing activities		**(19.2)**	(13.0)	(27.1)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		**0.5**	—	0.3
Purchase of own shares		**(0.1)**	—	—
Dividends paid to shareholders		**(6.6)**	(6.3)	(9.4)
Net cash used in financing activities		**(6.2)**	(6.3)	(9.1)
Decrease in cash and cash equivalents		**(13.3)**	(1.4)	(5.3)
Cash and cash equivalents at the beginning of the period		**37.7**	43.0	43.0
Cash and cash equivalents at the end of the period	11	**24.4**	41.6	37.7

Significant Accounting Policies

Domestic & General Group PLC is a company domiciled in England. The interim consolidated financial statements of the Company for the six months ended 30 September 2005 comprise the Company and its subsidiaries (together referred to as the "Group").

1. Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) as adopted by the European Commission for accounting periods beginning on or after 1 January 2005.

The unaudited financial information set out in note 16 establishes the comparative financial information to be included in the Group's first IFRS financial statements. IFRS 1, First-Time Adoption of International Financial Reporting Standards has been applied. The interim consolidated financial statements do not include all the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 16. This includes reconciliations of equity and profits for comparative periods reported under previous GAAP to those reported for the periods under IFRS.

2. Basis of Preparation

The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: available for sale investments; financial assets and liabilities held for trading; revalued land and buildings.

The preparation of financial statements in accordance with IFRS requires management to make judgments, 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 judgments 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 in the period to which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the Group, for the year ending 31 March 2006, be prepared in accordance with the accounting standards adopted for use in the European Union (EU) further to IAS Regulation (EC 1606/2002) ("accounting standards adopted by the EU").

The interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that either are adopted by the EU and effective (or available for early adoption) at 31 March 2006 or are expected to be adopted and effective (or available for early adoption) at 31 March 2006, the Group's first annual reporting date at which it is required to use accounting standards adopted by EU. Based on these recognition and measurements requirements management has made assumptions about the accounting policies expected to be applied, when the first annual financial statements are prepared in accordance with accounting standards adopted by the EU for the year ending 31 March 2006. The accounting standards adopted by the EU that will be effective (or available for adoption) in the annual financial statements for the year ending 31 March 2006 are still subject to change and to additional interpretations and therefore cannot be determined with absolute certainty. Additionally there may be changes in circumstances and assumptions in the period up to 31 March 2006. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 March 2006.

The accounting policies set out below have been applied consistently in these financial statements. They have also been applied in preparing an opening IFRS balance sheet at 1 April 2004 for the purpose of transition to IFRS, except as permitted by the transitional requirements of IFRS 1, First-Time Adoption of International Financial Reporting Standards.

3. Basis of Consolidation

The consolidated financial statements include the results of the Company and its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over financial and operating policies in order to gain economic benefits. The results of subsidiaries acquired are included from the date on which effective control is transferred to the Group and excluded from consolidation on the date of disposal.

Intra-group balances and transactions and any unrealised gains arising from the intra-group transactions are eliminated in preparing the consolidated financial statements.

4. Segment Reporting

Segments are distinguishable components of the Group that are engaged either in providing divisional products or services (business segments), or in providing products or services within a particular economic environment (geographical segments). Each segment is subject to different risks and rewards to those of other segments. The Group's primary segments are business segments.

5. Revenue

Revenue consists of Gross Premium income in respect of general insurance business, sales invoiced in respect of warranty service plans, commissions receivable and sales invoiced in respect of other support services, exclusive of VAT.

6. Premiums

Premiums comprise the premiums due on contracts entered into during the financial year. All premiums are shown gross of commission payable to intermediaries but exclude insurance premium taxes. Insurance premium taxes payable at the balance sheet date are included as a liability.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance.

7. Unearned Premiums and Deferred Income

The provision for unearned premiums comprises the amount representing that part of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance 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 earning pattern matches the risk profile.

Income relating to warranty service plans is earned over the period to which the services relate. Accordingly, invoiced services relating to future periods are deferred. The deferral 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 earning pattern matches the risk profile.

8. Acquisition Costs

Acquisition costs comprise the commission and other expenses of acquiring insurance and service plan business. Acquisition costs are charged in line with the period in which the related premium or service plan income is earned. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums and service plans written, which are unearned at the balance sheet date.

9. Claims and Repairs Outstanding

Outstanding claims and repairs comprise provisions for the estimated costs of settling 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.

10. Liability Adequacy Test — Unexpired Risks

An unexpired risk provision is made, where necessary, when the expected value of claims, repairs and administrative expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the provisions for unearned premiums and deferred income in relation to such policies and service plans after deduction of deferred acquisition costs. The provision for unexpired risks is calculated separately for each category of business but offsetting surpluses and deficits between categories that are managed together.

11. Commissions Receivable

Commissions are earned over the period to which the commissions relate. Accordingly, commissions relating to future periods are deferred.

12. Intangible Assets

(a) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment. In respect of business acquisitions that have occurred since 1 April 2004, goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 April 2004 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 April 2004 (see note 16). Purchased goodwill arising on consolidation in respect of acquisitions before 1 July 1998, remains eliminated against equity but under IFRS is not included in determining any subsequent profit or loss on disposal.

Negative goodwill arising on an acquisition is recognised directly in the Income Statement.

(b) Other Intangible Assets
Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

(c) Subsequent Expenditure
Subsequent expenditure on capitalised 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.

(d) Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software costs and licences	— 4 years
Patents and trademarks	— 10 years

13. Investment Income

Investment income comprises dividends, interest, realised and unrealised gains and losses on assets held at fair value through the profit or loss.

Investment income is accounted for on a receivable basis. Dividends are recognised on the 'ex dividend' date once the right to receive payment has been established. Interest is accrued up to the balance sheet date.

Fair value realised gains and losses are calculated as the difference between the net sales proceeds and fair value at acquisition.

Fair value unrealised gains and losses are calculated as the difference between the current fair value at the balance sheet date and fair value at acquisition or, if acquired previous to the last balance sheet date, the fair value at the last balance sheet date.

14. Financial Assets

All financial assets are held at fair value unless otherwise stated.

(a) Investments in debt and equity securities
Financial assets are classified as fair value through profit or loss. The fair value of quoted investments is their quoted bid price at the balance sheet date or the closest price to this where the bid price is not available. Realised gains and losses, and unrealised gains and losses arising from changes in the fair value of these financial assets are included in the income statement in the period in which they arise.

(b) Deposits with credit institutions
Deposits with credit institutions comprise term deposits with a term date of greater than one month.

(c) Loans
Loans are held at amortised cost.

15. Property, Plant and Equipment

Items of property, plant and equipment are stated at cost or valuation, less accumulated depreciation and any recognised impairment loss. Depreciation is charged on property, plant and equipment so as to write off the cost or valuation, after taking residual values into consideration, over their estimated useful lives, using a straight line method.

The estimated useful economic lives are as follows:

Owner-occupied property	50 years
Computer equipment	3 – 4 years
Motor vehicles	4 years
Fixtures, fittings and office machinery	4 – 7 years

Owner-occupied properties are held at open market value, as determined by independent professionally qualified valuers at least every three years. In the intervening years, these valuations are reviewed by the directors on the basis of independent professional advice and are adjusted if the valuation differs materially from its carrying amount. Depreciation is provided on the difference between carrying value and the expected residual value.

The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

The residual value, if not insignificant, is reassessed annually.

16. Foreign Currencies

The results of overseas branches and subsidiaries are translated into sterling at the average rate of exchange during the period. Assets and liabilities of overseas branches are translated at the rate of exchange ruling at the balance sheet date. Exchange differences resulting from the translation of the results and balance sheets are charged or credited to equity.

Other exchange differences arising from foreign currency transactions are included in the income statement.

17. Taxation

Taxation on the profit or loss for the period comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using taxation 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 taxation rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset 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.

18. Impairment

The carrying amounts of the Group's assets, other than financial assets, deferred tax assets and deferred acquisition costs, 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.

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 surplus for the asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that asset.

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

An impairment loss in respect of other assets 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.

19. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits and term deposit with a term date of less than one month. Bank overdrafts that form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

20. Pension Costs

The Group only operates defined contribution pension schemes. Consequently, there is no liability for final salary based pension schemes. The costs of providing pensions for employees are charged in the income statement in the year to which they relate.

21. Operating Leases

Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

22. Share Based Payments

The group has applied the requirements of IFRS 2 Share-Based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002.

The group issues equity-settled share based payments to certain employees. Equity settled-share based payments are measured at the fair value at the date of the grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. In line with IFRS 2, the compensating credit is offset in the profit or loss reserve. Fair value is measured using a stochastic model, which simulates a large number of possible share price movements and calculates a resulting value for each share price run. These resulting values are then averaged over all the simulations to produce an estimated value of the option.

Notes to the Unaudited Financial Statements

1. Segmental information

Segmental information is presented in respect of the Group's business segments, which are the primary basis of reporting. The business segment reporting format reflects the Group's management and internal reporting structure. Inter-segment pricing is based on fully absorbed cost. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Six months to 30 September 2005 (Unaudited)	Six months to 30 September 2004 (Unaudited)	Year ended 31 March 2005
Revenue by Primary Segment	**£m**	£m	£m
Warranty			
Gross UK revenue	**110.4**	100.0	216.6
Gross other EU revenue	**2.6**	1.7	4.1
Less internal revenue	**—**	—	—
External warranty revenue	**113.0**	101.7	220.7
Support services			
Gross telephony revenue	**15.5**	13.1	27.2
Gross other services revenue	**4.5**	3.7	7.0
Less internal revenue	**(9.6)**	(8.0)	(15.9)
External support services revenue	**10.4**	8.8	18.3
Pets			
Gross revenue	**1.2**	1.5	2.9
Less internal revenue	**—**	—	—
Total pet external revenue	**1.2**	1.5	2.9
Total revenue			
Gross UK revenue	**131.6**	118.3	253.7
Gross other EU revenue	**2.6**	1.7	4.1
Less internal revenue	**(9.6)**	(8.0)	(15.9)
Total external revenue	**124.6**	112.0	241.9

Result by Primary Segment	**£m**	£m	£m
Warranty	**11.8**	10.5	19.2
Telephony	**0.2**	(0.3)	(0.2)
Other support services	**0.1**	0.4	0.5
Pets	**0.4**	0.3	0.7
Other charges	**(0.8)**	(0.7)	(1.2)
Operating profit before investment return	**11.7**	10.2	19.0

2. Investment return

	Six months to 30 September 2005 (Unaudited) £m	Six months to 30 September 2004 (Unaudited) £m	Year ended 31 March 2005 £m
Investment income	**4.4**	3.5	8.1
Unrealised gains on investments	**2.1**	0.7	2.9
Realised gains/(losses) on investments	**—**	—	(0.5)
	6.5	4.2	10.5

3. Taxation

	Six months to 30 September 2005 (Unaudited) £m	Six months to 30 September 2004 (Unaudited) £m	Year ended 31 March 2005 £m
Current tax on profits for the period	**5.5**	4.3	8.6
Adjustments in respect of prior periods	**0.1**	(0.1)	(0.4)
Deferred tax	**(0.1)**	(0.1)	(0.1)
	5.5	4.1	8.1

4. Dividends

	Six months to 30 September 2005		Six months to 30 September 2004		Year to 31 March 2005	
	£m	**pence**	£m	pence	£m	pence
Amounts recognised as distributions to equity holders in the period						
Final dividend for the nine months ended 31 March 2004	**—**	**—**	3.6	10.14	3.6	10.14
Interim dividend for the year ended 31 March 2005	**—**	**—**	—	—	3.1	8.50
Final dividend for the year ended 31 March 2005	**6.7**	**18.50**	—	—	—	—
	6.7	**18.50**	3.6	10.14	6.7	18.64

The board has declared on interim dividend of 9.75p per ordinary 10p share payable on 3 February 2006 to shareholders who are on the Register at the close of business on 6 January 2006. This has not been included as a liability as at 30 September 2005.

5. Earnings per share

	Six months to 30 September 2005 £m	Six months to 30 September 2004 £m	Year to 31 March 2005 £m
Profit for the period	**12.6**	10.2	21.2
Weighted average number of ordinary shares in issue during the period	**36.04**	35.94	35.95
Dilutive effect of options outstanding	**0.27**	0.09	0.19
Diluted weighted average number of ordinary shares in issue during the period	**36.31**	36.03	36.14
Basic earnings per share — pence	**34.86**	28.40	59.23
Diluted earnings per share — pence	**34.60**	28.33	58.91

6. Intangible assets

	30 September 2005 (Unaudited) £m	30 September 2004 (Unaudited) £m	31 March 2005 £m
Goodwill	**10.1**	10.1	10.1
Software	**1.1**	1.0	1.0
	11.2	11.1	11.1

Notes to the Unaudited Financial Statements

7. Property, plant and equipment

	30 September 2005 (Unaudited) £m	30 September 2004 (Unaudited) £m	31 March 2005 £m
Freehold land and buildings	**10.5**	9.8	10.5
Plant and equipment	**7.4**	7.7	7.7
	17.9	17.5	18.2

8. Financial assets

	30 September 2005 (Unaudited) £m	30 September 2004 (Unaudited) £m	31 March 2005 £m
Cash liquidity funds	**23.6**	21.6	22.6
Shares and unit trusts	**19.8**	15.6	17.7
Debt securities and other fixed income securities	**1.3**	1.3	1.3
Personal loans	**15.3**	16.1	15.8
Deposits with credit institutions	**114.7**	79.9	94.5
	174.7	134.5	151.9

9. Deferred acquisition costs

	Commission (Unaudited) £m	Other expenses (Unaudited) £m	Total (Unaudited) £m
At 1 April 2005	**21.6**	**37.3**	**58.9**
Arising in period	**13.3**	**16.1**	**29.4**
Charge for period	**(11.8)**	**(16.5)**	**(28.3)**
At 30 September 2005	**23.1**	**36.9**	**60.0**

10. Trade and other receivables

	30 September 2005 (Unaudited) £m	30 September 2004 (Unaudited) £m	31 March 2005 £m
Warranty operations	**79.2**	70.6	79.2
Trade debtors	**10.5**	11.7	10.6
Prepayments and accrued income	**5.3**	4.1	3.9
	95.0	86.4	93.7

11. Cash and cash equivalents

	30 September 2005 (Unaudited) £m	30 September 2004 (Unaudited) £m	31 March 2005 £m
Bank balances	**2.5**	1.9	1.9
Call deposits	**20.4**	35.7	34.7
Bank deposits	**3.1**	4.5	2.4
Overdrafts	**(1.6)**	(0.5)	(1.3)
	24.4	41.6	37.7

12. Deferred income

	30 September 2005 (Unaudited) £m	30 September 2004 (Unaudited) £m	31 March 2005 £m
Warranty	**218.0**	201.2	214.8
Pets	**1.2**	1.5	1.4
	219.2	202.7	216.2

Deferred income relates to unearned premium reserves, unearned service plan fees and commissions relating to risk periods after the balance sheet date.

13. Trade and other payables

	30 September 2005 (Unaudited) £m	30 September 2004 (Unaudited) £m	31 March 2005 £m
Trade payables	**28.7**	24.1	28.7
Accruals	**5.1**	4.7	4.4
Other	**3.3**	3.8	2.5
	37.1	32.6	35.6

14. Investment in own shares

On 10 June 2005, the Domestic & General Employee Shareholder Trust purchased 19,000 shares for a total consideration of £145,703. It is intended that the shares will be used partially to satisfy awards under the Domestic & General Group PLC Performance Share Plan and awards of deferred shares made under the Annual Bonus Incentive Plan.

Notes to the Unaudited Financial Statements

15. Statement of changes in equity

	Share capital £m	Share Premium £m	Revaluation reserve £m	Investment in own shares £m	Retained earnings £m	Shareholders' Equity £m
Balance at 31 March 2005	3.6	8.9	0.5	—	85.8	98.8
Total recognised income and expense for the period	—	—	—	—	12.7	12.7
Dividends paid	—	—	—	—	(6.7)	(6.7)
Purchase of own shares	—	—	—	(0.1)	—	(0.1)
Issue of share capital	—	0.5	—	—	—	0.5
Balance at 30 September 2005	3.6	9.4	0.5	(0.1)	91.8	105.2
Balance at 31 March 2004	3.6	8.6	—	—	71.1	83.3
Total recognised income and expense for the period	—	—	—	—	10.2	10.2
Dividends paid	—	—	—	—	(3.6)	(3.6)
Balance at 30 September 2004	3.6	8.6	—	—	77.7	89.9
Balance at 31 March 2004	3.6	8.6	—	—	71.1	83.3
Total recognised income and expense for the period	—	—	0.5	—	21.4	21.9
Dividends paid	—	—	—	—	(6.7)	(6.7)
Issue of share capital	—	0.3	—	—	—	0.3
Balance at 30 March 2005	3.6	8.9	0.5	—	85.8	98.8

16. Transition to IFRS

Basis of preparation

The financial information contained in this statement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

These financial statements have been prepared on the basis of all applicable International Financial Reporting Standards (IFRS) and International Financial Interpretations Committee (IFRIC) interpretations that are expected to be in force and endorsed by the European Commission as at 31 March 2006.

At this stage of the development of IFRS, matters such as the interpretation and application surrounding it are continuing to evolve. In addition, IFRS currently in issue and adopted by the EU are subject to interpretation issued from time to time by the International Financial Reporting Interpretations Committee (IFRIC) and further standards may be issued by the IASB that will be adopted by the EU during 2005. Given these uncertainties, the financial information is subject to possible change when applied in the Group's first financial reporting under IFRS, the period 1 April 2005 to 31 March 2006.

IFRS 1: First-Time Adoption of International Financial Reporting Standards

IFRS 1, First-Time Adoption of International Financial Reporting Standards, sets out the rules and procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Group is required to establish its IFRS accounting policies and, in general, apply these retrospectively. IFRS 1, First-Time Adoption of International Financial Reporting Standards, permits companies adopting IFRS for the first time to take exemptions from the full requirements of IFRS in the transition period. The Group has taken advantage of the following transitional exemptions:

Business Combinations (IFRS 3): The Group has elected not to apply IFRS 3, Business Combinations, retrospectively to acquisitions that took place before the date of transition.

Share-based payments (IFRS 2): The Group has elected not to apply the requirements of IFRS 2, Share-based payments, to share-based transactions granted before 7 November 2002.

Property, plant and equipment (IAS 16): IAS 16, Property, plant and equipment, requires initial measurement of property, plant and equipment at cost. IFRS 1 allows an entity to use a value that is not depreciated cost as deemed cost on the transition to IFRS. The Group has elected to use this exemption for owner-occupied properties, with deemed cost at 1 April 2004 being the revalued amount at that date.

16. Transition to IFRS

Estimates: IFRS 1, First-Time Adoption of International Financial Reporting Standards, requires mandatory exception from full retrospective application of the IFRS in the area of estimates. Hindsight cannot be used either at the balance sheet date of transition or at any point during the comparative period, including the end of the comparative period.

Presentation of financial information: The format of the primary financial statements has been amended in accordance with IAS 1, Presentation of Financial Statements, from those previously prepared under UK GAAP in accordance with Section 255a of, and Schedule 9 A to, the Companies Act 1985. This format and presentation may change in response to industry consensus and further guidance.

To comply with the requirements of reporting the Group's results under IFRS for the first time, we are required to provide reconciliations of the Group's position as previously reported under UK GAAP to the position under IFRS. These reconciliations are set out below.

Principal changes arising from adoption of IFRS

Share-based payments: Under UK GAAP, no cost is incurred for share options or Save as you Earn (SAYE) schemes in periods prior to 1 January 2005, unless FRS 20, Share-based payments is adopted early. However, under IFRS 2, the Group is required to recognise a charge to the Income Statement, which represents the fair value of outstanding share-based payments granted to employees. Share-based payments comprise SAYE schemes, share options available for grant under the Performance Share Plan and the share award element of the Annual Incentive Bonus Plan. The fair value of share-based payments is determined at the grant date, using a stochastic model and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. In line with IFRS 2, the compensating credit is offset in retained earnings.

Goodwill: UK GAAP required goodwill to be amortised over its expected useful economic life. Under IFRS, goodwill is no longer amortised but held at carrying value on the balance sheet and tested annually for impairment. £0.4m of unamortised purchased goodwill, relating to the 1999 acquisition of Teega, has been written off as at 1 April 2004. In the period since the acquisition, divisional restructurings have meant that it has become increasingly difficult to identify, with certainty, the revenue streams associated with this goodwill. In light of this, and taking a prudent view, the balance of goodwill has been written off as an IFRS opening balance sheet adjustment.

Dividends: Under UK GAAP, the dividend charge was recognised in the profit and loss account in respect of the period to which the dividend related. IAS 10, Events after the balance sheet date, requires that dividends are given effect only in the period in which they are approved. The effect of this change is that the final dividend in relation to the nine months to March 2004 and the year to 31 March 2005, which were accrued at the balance sheet dates are reversed and accounted for in years to 31 March 2005 and 31 March 2006, respectively. Under IFRS, the dividend charge is not recognised in the income statement but is recognised directly in equity in the period it is declared.

Commission income: Under UK GAAP, commission income earnings were recognised in the period in which the commissions arose, after adjusting for movements in the provisions for costs. Under IFRS, IAS 18 — Revenue, commission is earned over the life of the policy to which the service relates. Accordingly, commissions relating to future periods are deferred.

Revaluation of owner-occupied property: Under UK GAAP, revaluation changes arising from assets held by insurance companies and insurance groups are included in the profit and loss account. Under IAS 16, Property, Plant and Equipment, a revaluation surplus is credited directly to equity in the revaluation reserve, unless it reverses a revaluation decrease on the same asset previously recognised as an expense, when it is credited to the income statement to that extent. The revaluation surplus included in equity is transferred to retained earnings when the surplus is realised. Thus this transfer is made through reserves and not through the income statement. Under IAS 16, Property, Plant and Equipment, a revaluation decrease is charged against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance of the decrease is then recognised as an expense in the income statement.

Deferred Tax: Under UK GAAP, provision is made for deferred tax assets and liabilities, arising from the timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. Deferred tax is recognised as a liability or an asset if the transactions or events that give the entity an obligation to pay more tax in future or a right to pay less tax in future have occurred by the balance sheet date. Under IAS 12, Income Taxes, deferred taxes are provided for all relevant temporary differences, being the difference between the carrying amount of an asset or liability in the balance sheet and its value for tax purposes. Deferred tax has been provided where appropriate on the adjustments to profits, which result from adopting the IFRS balance sheet approach to deferred tax.

Foreign Exchange: UK GAAP required the results of overseas operations to be translated into sterling at the closing rate. Under IAS 21, Foreign Exchange Translation, the results of overseas operations are translated at actual rates or average rates.

Cash and Cash Equivalents: Previously under UK GAAP all term deposits were included in financial investments. Under IFRS, cash and cash equivalents comprise cash balances, call deposits and term deposits with a term date of less than one month. Bank overdrafts that form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Computer Software: Under UK GAAP, capitalised computer software is included within tangible fixed assets on the balance sheet. Under IFRS, only computer software that is integral to a related item of hardware is included as property, plant and equipment. All other computer software is included as an intangible asset.

Comparative data restated in accordance with the transition to IFRS

Income Statement — Year to 31 March 2005

	UK GAAP £m	Dividends £m	Goodwill £m	Commission income £m	Revaluation Transfer £m	Deferred Tax £m	Life £m	Total IFRS Adjust-ment £m	IFRS £m
Revenue	241.9	—	—	—	—	—	—	—	241.9
Deferred income movement	(16.1)	—	—	0.1	—	—	—	0.1	(16.0)
Earned income	225.8	—	—	0.1	—	—	—	0.1	225.9
Claims and repair costs	(93.1)	—	—	—	—	—	—	—	(93.1)
Acquisition costs	(63.3)	—	—	—	—	—	—	—	(63.3)
Operating expenses	(51.5)	—	0.7	—	0.1	—	0.2	1.0	(50.5)
Operating profit before investment return	17.9	—	0.7	0.1	0.1	—	0.2	1.1	19.0
Investment return	11.3	—	—	—	(0.8)	—	—	(0.8)	10.5
Operating profit including investment return	29.2	—	0.7	0.1	(0.7)	—	0.2	0.3	29.5
Finance costs	(0.2)	—	—	—	—	—	—	—	(0.2)
Profit before tax	29.0	—	0.7	0.1	(0.7)	—	0.2	0.3	29.3
Taxation	(8.5)	—	—	—	—	0.4	—	0.4	(8.1)
Profit for the period	20.5	—	0.7	0.1	(0.7)	0.4	0.2	0.7	21.2
Dividends	(9.7)	3.0	—	—	—	—	—	3.0	(6.7)
Profit retained	10.8	3.0	0.7	0.1	(0.7)	0.4	0.2	3.7	14.5

Dividends
There is a credit of £3.0m due to the change in the timing of the recognition of the dividend charge under IFRS. IAS 10, Events after the balance sheet date, requires that dividends are given effect only in the period in which they are approved.

Goodwill
£0.7m goodwill amortisation previously charged under UK GAAP has been reversed under IFRS.

Commission income
The change in revenue recognition for commission income has resulted in a £0.1m credit to the Income Statement. This credit reflects the in year movement on the broking commission deferred income account.

Revaluation reserve transfer
The property revaluation gain previously credited to the Income Statement under UK GAAP of £0.7m has been reversed under IFRS and transferred to the revaluation reserve.

Deferred tax
The adoption of IFRS results in a £0.4m credit to deferred tax in the Income Statement. £0.3m of this credit is the impact on deferred tax from the adjustments above. Additionally there is a further credit of £0.1m reflecting the use of indexed cost rather than historic cost for properties under IFRS.

Life
There is a £0.2m credit in respect of a transfer of life fund surplus to the Income Statement to ensure that the surplus is admissible for life fund solvency.

Income Statement — Six months to 30 September 2004

	UK GAAP £m	Dividends £m	Goodwill £m	Commission income £m	Life £m	Total IFRS Adjust-ment £m	IFRS £m
Revenue	112.0	—	—	—	—	—	112.0
Deferred income movement	(2.3)	—	—	0.1	—	0.1	(2.2)
Earned income	109.7	—	—	0.1	—	0.1	109.8
Claims and repair costs	(44.9)	—	—	—	—	—	(44.9)
Acquisition costs	(28.4)	—	—	—	—	—	(28.4)
Operating expenses	(26.7)	—	0.3	—	0.1	0.4	(26.3)
Operating profit before investment return	9.7	—	0.3	0.1	0.1	0.5	10.2
Investment return	4.2	—	—	—	—	—	4.2
Operating profit including investment return	13.9	—	0.3	0.1	0.1	0.5	14.4
Finance costs	(0.1)	—	—	—	—	—	(0.1)
Profit before tax	13.8	—	0.3	0.1	0.1	0.5	14.3
Taxation	(4.1)	—	—	—	—	—	(4.1)
Profit for the period	9.7	—	0.3	0.1	0.1	0.5	10.2
Dividends	(3.1)	(0.5)	—	—	—	(0.5)	(3.6)
Profit retained	6.6	(0.5)	0.3	0.1	0.1	—	6.6

Dividends
There is a charge of £0.5m due to the change in the timing of the recognition of the dividend charge under IFRS. IAS 10, Events after the balance sheet date, requires that dividends are given effect only in the period in which they are approved.

Goodwill
£0.3m goodwill amortisation previously charged under UK GAAP has been reversed under IFRS.

Commission income
The change in revenue recognition for commission income has resulted in a £0.1m credit to the Income Statement. This credit reflects the in year movement on the broking commission deferred income account.

Life
There is a £0.1m credit in respect of a transfer of life fund surplus to the Income Statement to ensure that the surplus is admissible for life fund solvency.

Comparative data restated in accordance with the transition to IFRS

Balance Sheet — 31 March 2005

	UK GAAP £m	Share based payment £m	Dividends £m	Goodwill £m	Com-mission income £m	Re-valuation Transfer £m	Deferred Tax £m	Life £m	Total IFRS Adjust-ment	IFRS Reclassifi-cations £m	IFRS £m
Assets											
Intangible assets	9.8	—	—	0.3	—	—	—	—	0.3	1.0	11.1
Property, plant and equipment	19.2	—	—	—	—	—	—	—	—	(1.0)	18.2
Deferred tax assets	—	—	—	—	—	—	0.4	—	0.4	0.9	1.3
Financial assets	189.0	—	—	—	—	—	—	—	—	(37.1)	151.9
Reinsurers' share of technical provisions	0.2	—	—	—	—	—	—	—	—	—	0.2
Assets held to cover linked liabilities	2.3	—	—	—	—	—	—	—	—	—	2.3
Deferred acquisition costs	58.9	—	—	—	—	—	—	—	—	—	58.9
Trade and other receivables	93.7	—	—	—	—	—	—	—	—	—	93.7
Cash and cash equivalents	1.9	—	—	—	—	—	—	—	—	35.8	37.7
Total assets	375.0	—	—	0.3	—	—	0.4	—	0.7	(0.4)	375.3
Liabilities											
Provisions for other risks and charges	0.5	—	—	—	(0.4)	—	—	—	(0.4)	0.1	0.2
Deferred income	214.9	—	—	—	1.3	—	—	—	1.3	—	216.2
Claims and repair costs provision	11.5	—	—	—	—	—	—	—	—	—	11.5
Long-term business provision	2.2	—	—	—	—	—	—	(0.5)	(0.5)	—	1.7
Linked liabilities	2.3	—	—	—	—	—	—	—	—	—	2.3
Deferred tax liabilities	—	—	—	—	—	—	(0.2)	—	(0.2)	0.8	0.6
Tax liabilities	4.5	—	—	—	—	—	—	—	—	—	4.5
Financial liabilities	5.2	—	—	—	—	—	—	—	—	(1.3)	3.9
Trade and other payables	35.7	(0.1)	—	—	—	—	—	—	(0.1)	—	35.6
Dividends payable	6.6	—	(6.6)	—	—	—	—	—	(6.6)	—	—
Total liabilities	283.4	(0.1)	(6.6)	—	0.9	—	(0.2)	(0.5)	(6.5)	(0.4)	276.5
Shareholders' equity											
Called up share capital	3.6	—	—	—	—	—	—	—	—	—	3.6
Share premium account	8.9	—	—	—	—	—	—	—	—	—	8.9
Retained earnings	79.1	0.1	6.6	0.3	(0.9)	(0.7)	0.8	0.5	6.7	—	85.8
Revaluation reserve	—	—	—	—	—	0.7	(0.2)	—	0.5	—	0.5
Total shareholders' equity	91.6	0.1	6.6	0.3	(0.9)	—	0.6	0.5	7.2	—	98.8
Total equity and liabilities	375.0	—	—	0.3	—	—	0.4	—	0.7	(0.4)	375.3

Balance Sheet as at 31 March 2005 restated under IFRS

Share-based payments

IFRS 2, Share-based payments, and the UK equivalent FRS 20, requires a charge to the Income Statement which represents the fair value of outstanding share-based payments granted to employees. The Group applied the principles of FRS 20 in the year to 31 March 2005, thus no resulting Income Statement adjustment arises from adopting IFRS. However, there is a £0.1m IFRS reclassification in the Balance Sheet between Trade and other payables and Retained Earnings.

Dividends

Retained Earnings are increased by £6.6m due to the change in the timing of the recognition of the dividend charge under IFRS. IAS 10, Events after the balance sheet date, requires that dividends take effect only in the period in which they are approved. This adjustment reverses the March 2005 year end dividend accrual.

Goodwill

Goodwill amortisation has been reversed.

Commission income

Under IFRS, IAS 18 — Revenue, commissions are required to be earned over the life of the policy to which the service relates. Accordingly, commissions relating to future periods are deferred. The impact of this on the balance sheet is that the provision for costs of £0.4m has been released and replaced by a provision for unearned commissions of £1.3m with the balance set against Retained Earnings.

Revaluation transfer

£0.7m has been transferred from Retained Earnings to the Revaluation Reserve reflecting the change in the treatment of revaluations on properties under IFRS.

Deferred tax

There is a net deferred tax credit to reserves of £0.6m, which reflects the deferred tax implications of the adjustments made above.

Life

There is a £0.5m credit to reserves in respect of a transfer of life fund surplus to the Income Statement to ensure that the surplus is admissible for life fund solvency.

Reclassifications

Software

£1.0m of software previously shown as fixed assets has been reclassified as intangible assets.

Cash and cash equivalents

Under IFRS Cash and cash equivalents comprise cash balances, call deposits and term deposits with a term date of less than one month. Therefore, £37.1m previously classified in Financial Investments and £1.3m of overdrafts that are deemed integral to the Group's cash management have been reclassified to cash and cash equivalents.

Deferred tax

Deferred tax liabilities and assets are shown gross under IFRS thus these balances are greater than previously disclosed under UK GAAP.

Comparative data restated in accordance with the transition to IFRS

Balance Sheet — 30 September 2004

	UK GAAP £m	Dividends £m	Goodwill £m	Commission income £m	Deferred Tax £m	Life £m	Total IFRS Adjustment £m	IFRS Reclassifications £m	IFRS £m
Assets									
Intangible assets	10.2	—	(0.1)	—	—	—	(0.1)	1.0	11.1
Property, plant and equipment	18.5	—	—	—	—	—	—	(1.0)	17.5
Deferred tax assets	—	—	—	—	0.4	—	0.4	0.8	1.2
Financial assets	174.6	—	—	—	—	—	—	(40.1)	134.5
Reinsurers' share of technical provisions	0.2	—	—	—	—	—	—	—	0.2
Assets held to cover linked liabilities	2.2	—	—	—	—	—	—	—	2.2
Deferred acquisition costs	56.0	—	—	—	—	—	—	—	56.0
Trade and other receivables	86.4	—	—	—	—	—	—	—	86.4
Cash and cash equivalents	1.9	—	—	—	—	—	—	39.7	41.6
Total assets	350.0	—	(0.1)	—	0.4	—	0.3	0.4	350.7
Liabilities									
Provisions for other risks and charges	0.2	—	—	(0.4)	—	—	(0.4)	0.4	0.2
Deferred income	201.2	—	—	1.5	—	—	1.5	—	202.7
Claims and repair costs provision	12.4	—	—	—	—	—	—	—	12.4
Long-term business provision	2.3	—	—	—	—	(0.4)	(0.4)	—	1.9
Linked liabilities	2.2	—	—	—	—	—	—	—	2.2
Deferred tax liabilities	—	—	—	—	(0.1)	—	(0.1)	0.4	0.3
Tax liabilities	4.6	—	—	—	—	—	—	—	4.6
Financial liabilities	4.3	—	—	—	—	—	—	(0.4)	3.9
Trade and other payables	32.6	—	—	—	—	—	—	—	32.6
Dividends payable	3.1	(3.1)	—	—	—	—	(3.1)	—	—
Total liabilities	262.9	(3.1)	—	1.1	(0.1)	(0.4)	(2.5)	0.4	260.8
Shareholders' equity									
Called up share capital	3.6	—	—	—	—	—	—	—	3.6
Share premium account	8.6	—	—	—	—	—	—	—	8.6
Retained earnings	74.9	3.1	(0.1)	(1.1)	0.5	0.4	2.8	—	77.7
Total shareholders' equity	87.1	3.1	(0.1)	(1.1)	0.5	0.4	2.8	—	89.9
Total equity and liabilities	350.0	—	(0.1)	—	0.4	—	0.3	0.4	350.7

Balance Sheet as at 30 September 2004 restated under IFRS

Dividends
Retained Earnings are increased by £3.1m due to the change in the timing of the recognition of the dividend charge under IFRS. IAS 10, Events after the balance sheet date, requires that dividends take effect only in the period in which they are approved. This adjustment reflects the impact of the dividend charge for the nine months to March 2004.

Goodwill
Goodwill amortisation has been reversed.

Commission income
Under IFRS, IAS 18 — Revenue, commissions are required to be earned over the life of the policy to which the service relates. Accordingly, commissions relating to future periods are deferred. The impact of this on the balance sheet is that the provision for costs of £0.4m has been released and replaced by a provision for unearned commissions of £1.5m with the balance set against Retained Earnings.

Deferred tax
There is a net deferred tax credit to retained earnings of £0.5m, which reflects the deferred tax implications of the adjustments made above.

Life
There is a £0.4m credit to reserves in respect of a transfer of life fund surplus to the Income Statement to ensure that the surplus is admissible for life fund solvency.

Reclassifications

Software
£1.0m of software previously shown as fixed assets has been reclassified as intangible assets.

Cash and cash equivalents
Under IFRS Cash and cash equivalents comprise cash balances, call deposits and term deposits with a term date of less than one month. As such £40.1m previously classified in Financial Investments and £0.4m of overdrafts that are deemed integral to the Group's cash management have been reclassified to cash and cash equivalents.

Deferred tax
Deferred tax liabilities and assets are shown gross under IFRS, thus these balances are greater than previously disclosed under UK GAAP.

Comparative data restated in accordance with the transition to IFRS

Reserves movement — 1 April 2004

	Share Capital £m	Share Premium £m	Retained earnings £m	Shareholders' Equity £m
UK GAAP	3.6	8.6	68.3	80.5
IFRS adjustments:				
Dividends	—	—	3.6	3.6
Commission income	—	—	(1.2)	(1.2)
Goodwill	—	—	(0.4)	(0.4)
Life	—	—	0.3	0.3
Deferred tax	—	—	0.5	0.5
IFRS	3.6	8.6	71.1	83.3

Dividends
Retained Earnings are increased by £3.6m due to the change in the timing of the recognition of the dividend charge under IFRS. IAS 10, Events after the balance sheet date, requires that dividends take effect only in the period in which they are approved.

Commission income
Under IFRS, IAS 18 — Revenue, commissions are required to be earned over the life of the policy to which the service relates. Accordingly, commissions relating to future periods are deferred. The impact of this on the balance sheet is that the provision for costs of £0.4m has been released and replaced by a provision for unearned commissions of £1.6m with the balance set against Retained Earnings.

Goodwill
Purchased goodwill of £0.4m relating to the acquisition of Teega in 1999 has been written off at 1 April 2004.

Life
There is a £0.3m credit to reserves in respect of a transfer of life fund surplus to the Income Statement to ensure that the surplus is admissible for life fund solvency.

Deferred tax
Retained earnings increase by £0.5m which reflects the deferred tax implications of the adjustments made above.

Financial Calendar 2006

Dividends

Interim 2005/2006	Ex dividend	4 January 2006
	Record date	6 January 2006
	Payment	3 February 2006
Final 2005/2006	Ex dividend	12 July 2006
	Record date	14 July 2006
	Payment	4 August 2006

Announcements

Preliminary results for the year ended 31 March 2006	31 May 2006
Annual General Meeting	28 July 2006

DOMESTIC & GENERAL

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