



DOMESTIC & GENERAL

## **Domestic & General**

Interim Report 2006/2007



DOMESTIC & GENERAL

## We ...

- are the leading specialist provider of breakdown protection on household appliances
- operate across all categories of domestic appliances, consumer electronics and heating systems
- have strong relationships with manufacturers, retailers, service providers and financial services companies
- offer a full solution to clients through our integrated marketing, risk management, administration, telephony and mailing operations

## Contents

2	Report to the Shareholders	9	Consolidated Cash Flow Statement
7	Consolidated Income Statement	10	Notes to the Unaudited Financial Statements
7	Consolidated Statement of Recognised Income and Expenses	17	Financial Calendar 2006/2007
8	Consolidated Balance Sheet		

# Financial Highlights

---

## Total revenue

**up 11.5%**  
to **£138.9 million.**

---

## Profit before taxation

**up 4.4%**  
to **£18.9 million.**

---

## Warranty revenue

**up 7.3%**  
to **£121.2 million.**

---

## Interim dividend per share

**up 12.8%**  
to **11.00 pence.**

---

## Operating profit before investment return

**up 17.9%**  
to **£13.8 million.**

---

**Net investment return** of £5.1 million (2005: £6.4 million), including equity return of £0.6 million (2005: £2.4 million)

**Board confident** of good performance for year as a whole

# Report to the Shareholders

## Overview

The Board is pleased to report a record set of results for the six months to September 2006, with operating profit before investment return increasing by 17.9% to £13.8 million and profits before taxation up 4.4% to £18.9 million.

This report contains "forward-looking statements" with respect to the Group's plans and its current goals and expectations and a full explanation of the risk factors surrounding them is contained in Note 17.

	Six months to 30 September 2006	Six months to 30 September 2005	Year to 31 March 2006
	£m	£m	£m
<b>Revenue</b>			
Warranty	121.2	113.0	247.1
Support services	11.2	10.4	22.6
Pet healthcare	6.5	1.2	7.3
	<b>138.9</b>	124.6	277.0
<b>Earned revenue</b>			
Warranty	120.4	110.1	226.3
Support services	11.2	10.4	22.6
Pet healthcare	4.9	1.3	3.9
	<b>136.5</b>	121.8	252.8
<b>Operating profit before investment return</b>			
Warranty	13.8	11.8	21.5
Support services	0.5	0.3	0.8
Pet healthcare	0.4	0.4	0.7
Other charges	(0.9)	(0.8)	(1.8)
Operating profit before investment return	<b>13.8</b>	11.7	21.2
Net investment return	<b>5.1</b>	6.4	13.8
Profit before tax	<b>18.9</b>	18.1	35.0

Total Group revenue grew by 11.5% to £138.9 million, with growth in all significant areas, and earned revenue was up by 12.1% to £136.5 million. These include additional pet healthcare revenue of £5.3 million and earned income of £3.6 million, which reflect bringing underwriting back in-house from 1 October 2005.

Warranty profits are very strong, reflecting a continuing low claims ratio, and are up 16.9% to £13.8 million.

Support services revenue grew by 7.7% to £11.2 million with profits of £0.5 million (2005: £0.3 million).

The Group generated total operating profits before investment return of £13.8 million. Net investment returns are £5.1 million, down £1.3 million, reflecting lower returns from equities after the very strong returns of the last two years.

During the period we achieved an annualised return on capital employed (ROCE) of 23.3%, being profit after tax expressed as a percentage of opening shareholders' funds.

## Dividends

The Board is declaring an interim dividend of 11.00p (2005: 9.75p) per ordinary share, which is payable on 2 February 2007 to all shareholders on the Register at the close of business on 5 January 2007. This is an increase of 12.8%.

## Warranty

Our warranty business operates with clients across all categories of domestic appliances, consumer electronics and heating systems, predominantly outside the point-of-sale market and we have strong relationships with manufactures, retailers, service providers and financial services companies. We are able to offer a full solution to clients through our integrated marketing, risk management, administration, telephony and mailing operations.

	Six months to 30 September 2006	Six months to 30 September 2005	Year to 31 March 2006
	£m	£m	£m
UK	<b>115.4</b>	110.4	240.7
Other EU member states	<b>5.8</b>	2.6	6.4
Revenue	<b>121.2</b>	113.0	247.1
Earned income	<b>120.4</b>	110.1	226.3
Repair costs and claims	<b>(51.3)</b>	(47.3)	(101.0)
Incurred acquisition costs	<b>(34.5)</b>	(31.8)	(66.1)
Administrative expenses	<b>(20.8)</b>	(19.2)	(37.7)
Operating profit before investment return	<b>13.8</b>	11.8	21.5
Combined ratio	<b>88.5%</b>	89.3%	90.5%
Claims ratio	<b>42.6%</b>	43.0%	44.6%
Contribution	<b>11.5%</b>	10.7%	9.5%

UK revenue growth was 4.5% in the first half with sales of £115.4 million (2005: £110.4 million). This reflects lower growth in the volume of data available from clients compared to last year.

Other EU territories' revenue continues to grow significantly, with an increase of 123% to £5.8 million. We have seen good increases in all our markets with our retail clients and we are working on a number of schemes for manufacturers which are expected to grow in the second half.

Total warranty revenue increased by 7.3% (2005: 11.1%).

Earned income increased by 9.4% (2005: 10.9%) with the contribution rising to 11.5% (2005: 10.7%) consistent with our target range of 8–11% for the full year.

The combined ratio has improved to 88.5% (2005: 89.3%). This ratio is the cost incurred by the warranty business (comprising three elements: repairs and claims; acquisition costs; administrative expenses) expressed as a percentage of earned income. The claims ratio continues to run at the lower end of our expectations, acquisition costs have risen broadly in line with earned income at 8.5% and administrative costs have risen by 8.3%, including the incremental costs of the new head office building in Wimbledon.

Overall, the warranty division generated a profit of £13.8 million (2005: £11.8 million).

# Report to the Shareholders

## Support Services

Support services, in addition to providing the essential telephony and mailing requirement for the Group's warranty business, also provide telephony, mailing and warranty administration services to third parties. We provide a variety of contact centre services, including customer acquisition and customer service functions, running technical help-lines and providing overflow and out of hours cover. Our mailing capability provides printing, inserting, polywrapping, sortation and fulfilment services.

	Six months to 30 September 2006	Six months to 30 September 2005	Year to 31 March 2006
	£m	£m	£m
Telephony	8.9	8.1	18.3
Mailing and fulfilment	2.3	2.3	4.3
Revenue	11.2	10.4	22.6
Telephony	0.4	0.2	0.5
Mailing and fulfilment	0.1	0.1	0.3
Operating profits before investment return	0.5	0.3	0.8

Revenue relates to the sale of services to third parties.

Third party telephony revenue shows an increase of 9.9% to £8.9 million. Telephony operating profits increased to £0.4 million (2005: £0.2 million) reflecting the benefits of high utilisation of capacity. Mailing and fulfilment performance was consistent with the prior period, generating a profit of £0.1 million.

Overall, support services contribute an operating profit of £0.5 million, a 4.5% net profit margin. Margins remain under strong competitive pressure for telephony and further revenue is needed in the mailing operations to improve contribution.

## Pet Healthcare

	Six months to 30 September 2006	Six months to 30 September 2005	Year to 31 March 2006
	£m	£m	£m
Revenue	6.5	1.2	7.3
Earned revenue	4.9	1.3	3.9
Expenses	(4.5)	(0.9)	(3.2)
Operating profit before investment return	0.4	0.4	0.7

Underwriting of the Pet healthcare insurance product was brought back in-house on 1 October 2005 to provide and control the complete offer to customers. Expenses comprise claims, acquisitions costs and administrative expenses.

The underlying business is performing in line with our expectations and has produced an operating profit of £0.4 million, which represents a return of 8.2% against earned revenue.

## Investment Return

	Six months to 30 September 2006	Six months to 30 September 2005	Year to 31 March 2006
	£m	£m	£m
Interest income	4.5	4.1	8.9
Equity return	0.6	2.4	5.1
Interest payable	—	(0.1)	(0.2)
Net investment return	5.1	6.4	13.8

The investment return in the period was £5.1 million.

Interest income reflects the higher level of bank deposits and cash liquidity funds and should increase further in the second half due to the rising interest rate environment. The overall interest return on the deposit and cash liquidity portfolio has been at an annual rate of 4.7%.

Our equity portfolio has performed marginally above market trends, having increased by £0.6 million, 2.6%, since the start of the year to £23.3 million, compared to the FTSE All Share Index increasing by 0.1% in the same period. We look to achieve a long-term return of 7% on our equity portfolio.

## Properties

The Group moved to its new Head Office in June 2006 and has a 15 year lease on the property. Fit-out costs of £2.1 million have been incurred and are included within plant and equipment in fixed assets. The Group sold its old Head Office building for £2.5 million and surrendered the operating lease on the adjoining building with no penalties or dilapidations.

## Cash Flow

Operations generated £19.7 million of cash which, together with £3.6 million of net interest, gave gross cash generated of £23.3 million. Taxes amounted to £5.5 million and £8.3 million was paid to shareholders in dividends. The net retained cash of £9.5 million was increased by a net £0.3 million from issue and purchase of shares, for employee incentive arrangements.

The total net cash increase of £9.8 million was used for investments.

# Report to the Shareholders

	<b>Six months to September 2006</b>	Six months to September 2005	Year to March 2006
	<b>£m</b>	£m	£m
Cash generated from operations	<b>19.7</b>	15.5	31.9
Net interest received	<b>3.6</b>	4.3	8.7
Gross cash generated	<b>23.3</b>	19.8	40.6
Taxes paid	<b>(5.5)</b>	(4.3)	(9.4)
Dividends paid	<b>(8.3)</b>	(6.6)	(10.1)
Cash retained	<b>9.5</b>	8.9	21.1
Share transactions	<b>0.3</b>	0.4	0.8
Amount invested	<b>9.8</b>	9.3	21.9
Proceeds from sale of property	<b>(2.5)</b>	—	—
Capital expenditure less proceeds	<b>3.4</b>	1.5	3.2
Acquisition of subsidiary	<b>—</b>	—	0.2
Movement in longer-term cash and liquidity funds	<b>5.2</b>	21.3	27.2
Repayment of bank loan	<b>3.9</b>	—	—
Movement in personal loans portfolio	<b>(3.4)</b>	(0.2)	(2.6)
Movement in shorter-term cash	<b>3.2</b>	(13.3)	(6.1)
	<b>9.8</b>	9.3	21.9

## Outlook

The UK warranty business is expected to see stronger revenue growth in the second half of the year and the progress in Europe is expected to continue. The combined ratio is expected to show the normal seasonal trend in the second half of the year, with higher claims ratios and higher costs to support business growth.

Overall, we expect another strong performance from our core warranty business and are confident of further good progress for the Group.



**Nicholas D Rochez**  
Chairman

23 November 2006

## Consolidated Income Statement

		<b>Six months to</b> <b>30 September 2006</b> <b>(unaudited)</b>	Six months to 30 September 2005 (unaudited)	Year to 31 March 2006
	Note	£m	£m	£m
<b>Revenue</b>	2	<b>138.9</b>	124.6	277.0
Deferred income movement		<b>(2.4)</b>	(2.8)	(24.2)
<b>Earned Income</b>		<b>136.5</b>	121.8	252.8
Claims and repair costs		<b>(54.8)</b>	(47.3)	(102.2)
Acquisition costs		<b>(34.5)</b>	(31.8)	(66.1)
Operating expenses		<b>(33.4)</b>	(31.0)	(63.3)
<b>Operating profit before investment return</b>		<b>13.8</b>	11.7	21.2
Investment return	3	<b>5.1</b>	6.5	14.0
<b>Operating profit including investment return</b>		<b>18.9</b>	18.2	35.2
Finance costs		<b>—</b>	(0.1)	(0.2)
<b>Profit before tax</b>	2	<b>18.9</b>	18.1	35.0
Taxation	4	<b>(5.6)</b>	(5.5)	(10.6)
<b>Profit for the period</b>		<b>13.3</b>	12.6	24.4
<b>Earnings per share</b>				
Basic	6	<b>36.71p</b>	34.86p	67.71p
Diluted	6	<b>36.49p</b>	34.60p	67.50p

## Consolidated Statement of Recognised Income and Expenses

		<b>Six months to</b> <b>30 September 2006</b> <b>(unaudited)</b>	Six months to 30 September 2005 (unaudited)	Year to 31 March 2006
	Note	£m	£m	£m
Revaluation of property, plant and equipment		<b>—</b>	—	(0.5)
Deferred tax on revaluation of property, plant and equipment		<b>—</b>	—	0.2
<b>Income and expenses recognised directly in equity</b>		<b>—</b>	—	(0.3)
Profit for the period		<b>13.3</b>	12.6	24.4
<b>Total recognised income and expenses for the period</b>	16	<b>13.3</b>	12.6	24.1

# Consolidated Balance Sheet

		<b>30 September 2006</b>	30 September 2005	31 March 2006
	Note	<b>(unaudited)</b>	(unaudited)	
		<b>£m</b>	£m	£m
<b>Assets</b>				
Property, plant and equipment	7	<b>15.9</b>	17.9	17.1
Intangible assets	8	<b>11.5</b>	11.2	11.4
Deferred acquisition costs	9	<b>64.4</b>	60.0	64.8
Deferred tax assets		<b>1.4</b>	1.5	1.3
Financial assets	10	<b>182.4</b>	174.7	180.9
Reinsurers' share of technical provisions		<b>0.5</b>	0.2	0.3
Assets held to cover linked liabilities		<b>2.7</b>	2.5	2.8
Trade and other receivables	11	<b>105.5</b>	95.0	106.4
Cash and cash equivalents	12	<b>34.8</b>	24.4	31.6
<b>Total assets</b>		<b>419.1</b>	387.4	416.6
<b>Liabilities</b>				
Deferred income	13	<b>243.5</b>	219.2	241.8
Claims and repair costs provision		<b>13.5</b>	11.1	11.0
Long-term business provision		<b>1.7</b>	1.7	1.7
Linked liabilities		<b>2.7</b>	2.5	2.8
Provisions		<b>0.2</b>	0.2	0.2
Deferred tax liabilities		<b>0.2</b>	0.6	0.5
Tax liabilities		<b>5.9</b>	5.9	5.4
Financial liabilities		<b>—</b>	3.9	3.9
Trade and other payables	14	<b>31.7</b>	37.1	35.3
<b>Total liabilities</b>		<b>299.4</b>	282.2	302.6
<b>Shareholders' equity</b>				
Called-up share capital		<b>3.6</b>	3.6	3.6
Share premium account		<b>10.5</b>	9.4	10.0
Revaluation reserve		<b>0.2</b>	0.5	0.2
Investment in own shares	15	<b>(0.5)</b>	(0.1)	(0.3)
Retained earnings		<b>105.9</b>	91.8	100.5
<b>Total shareholders' equity</b>	16	<b>119.7</b>	105.2	114.0
<b>Total equity and liabilities</b>		<b>419.1</b>	387.4	416.6

# Consolidated Cash Flow Statement

	Six months to 30 September 2006 (unaudited)	Six months to 30 September 2005 (unaudited)	Year to 31 March 2006
Note	£m	£m	£m
<b>Cash flows from operating activities</b>			
Cash generated from operations	19.7	15.5	31.9
Interest received	0.6	1.0	1.9
Interest paid	—	(0.1)	(0.2)
Income taxes paid	(5.5)	(4.3)	(9.4)
Net cash from operating activities	14.8	12.1	24.2
<b>Cash flows from investing activities</b>			
Interest received	3.0	3.4	7.0
Proceeds from sale of property, plant and equipment	2.5	—	0.1
Purchase of property	—	—	(0.1)
Purchase of plant and equipment	(3.0)	(1.2)	(2.6)
Purchase of software	(0.4)	(0.3)	(0.6)
Deposits with credit institutions	(4.6)	(20.3)	(24.3)
Cash liquidity funds	(0.6)	(1.0)	(2.9)
Personal loans	3.4	0.2	2.6
Acquisition of subsidiary — net of cash acquired	—	—	(0.2)
Net cash used in investing activities	0.3	(19.2)	(21.0)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital	0.5	0.5	1.1
Purchase of own shares	(0.2)	(0.1)	(0.3)
Dividends paid to shareholders	(8.3)	(6.6)	(10.1)
Repayment of bank loan	(3.9)	—	—
Net cash used in financing activities	(11.9)	(6.2)	(9.3)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>3.2</b>	<b>(13.3)</b>	<b>(6.1)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>31.6</b>	<b>37.7</b>	<b>37.7</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>34.8</b>	<b>24.4</b>	<b>31.6</b>
12			

# Notes to the Unaudited Financial Statements

## 1. Basis of preparation

The results for the 2006/07 and 2005/06 half years are unaudited.

The comparative figures for the financial year ended 31 March 2006 are not the Company's statutory accounts for that financial year. These accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The financial information is presented in pounds Sterling, rounded to the nearest one hundred thousand pounds. It is prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: financial assets and liabilities held at fair value through the profit or loss; revalued land and buildings.

These consolidated interim financial statements have been prepared using the accounting policies that the Group expects to adopt for the 2007 year end, which are consistent with the principal accounting policies as set out in the Group's consolidated financial statements for the year ended 31 March 2006.

## 2. 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.

	Warranty	Pet Healthcare	Support Services	Group
	£m	£m	£m	£m
<b>Six months to 30 September 2006 (unaudited)</b>				
Total revenue	121.3	7.6	21.4	150.3
Internal revenue	(0.1)	(1.1)	(10.2)	(11.4)
External revenue	121.2	6.5	11.2	138.9
Segment result	13.8	0.4	0.5	14.7
Investment return	4.4	—	—	4.4
<b>Segment result including investment return</b>	<b>18.2</b>	<b>0.4</b>	<b>0.5</b>	<b>19.1</b>
Unallocated investment return				0.7
Other charges				(0.9)
Finance costs				—
<b>Profit before tax</b>				<b>18.9</b>

## 2. Segmental information continued

	Warranty	Pet Healthcare	Support Services	Group
	£m	£m	£m	£m
<b>Six months to 30 September 2005 (Unaudited)</b>				
Total revenue	113.0	1.2	20.0	134.2
Internal revenue	—	—	(9.6)	(9.6)
External revenue	113.0	1.2	10.4	124.6
Segment result	11.8	0.4	0.3	12.5
Investment return	5.9	—	—	5.9
<b>Segment result including investment return</b>	<b>17.7</b>	<b>0.4</b>	<b>0.3</b>	<b>18.4</b>
Unallocated investment return				0.6
Other charges				(0.8)
Finance costs				(0.1)
<b>Profit before tax</b>				<b>18.1</b>
	Warranty	Pet Healthcare	Support Services	Group
	£m	£m	£m	£m
<b>Year to 31 March 2006</b>				
Total revenue	247.1	8.4	43.4	298.9
Internal revenue	—	(1.1)	(20.8)	(21.9)
External revenue	247.1	7.3	22.6	277.0
Segment result	21.5	0.7	0.8	23.0
Investment return	12.5	0.1	—	12.6
<b>Segment result including investment return</b>	<b>34.0</b>	<b>0.8</b>	<b>0.8</b>	<b>35.6</b>
Unallocated investment return				1.4
Other charges				(1.8)
Finance costs				(0.2)
<b>Profit before tax</b>				<b>35.0</b>

## 3. Investment return

	Six months to 30 September 2006 (unaudited)	Six months to 30 September 2005 (unaudited)	Year to 31 March 2006
	£m	£m	£m
Interest income	4.5	4.1	8.9
Dividend income	0.3	0.3	0.5
Net gain on remeasurement of investments at fair value	0.3	2.1	4.6
<b>Total investment return</b>	<b>5.1</b>	<b>6.5</b>	<b>14.0</b>

Investment return includes all gains and losses on financial assets.

# Notes to the Unaudited Financial Statements

## 4. Taxation

	<b>Six months to</b> <b>30 September 2006</b> <b>(unaudited)</b> <b>£m</b>	Six months to 30 September 2005 (unaudited) £m	Year to 31 March 2006 £m
Current tax on profits for the period	<b>6.0</b>	5.5	10.4
Adjustments for prior periods	—	0.1	0.1
Deferred tax	<b>(0.4)</b>	(0.1)	0.1
	<b>5.6</b>	5.5	10.6

## 5. Dividends

	<b>Six months to</b> <b>30 September 2006</b> <b>(unaudited)</b> <b>£m      pence</b>		Six months to 30 September 2005 (unaudited) £m      pence		Year to 31 March 2006 £m      pence	
<b>Amounts recognised as distributions to equity holders in the period</b>						
Final dividend for the year ended						
31 March 2005	—	—	6.7	18.50	6.7	18.50
Interim dividend for the year ended						
31 March 2006	—	—	—	—	3.4	9.75
Final dividend for the year ended						
31 March 2006	<b>8.2</b>	<b>22.75</b>	—	—	—	—
	<b>8.2</b>	<b>22.75</b>	6.7	18.50	10.1	28.25

The Board is declaring an interim dividend of 11.00p per ordinary 10p share payable on 2 February 2007 to shareholders who are on the Register at the close of business on 5 January 2007. This has not been included as a liability at 30 September 2006.

## 6. Earnings per share

	Six months to <b>30 September 2006</b> (unaudited) £m	Six months to 30 September 2005 (unaudited) £m	Year to 31 March 2006 £m
Profit attributable to ordinary shareholders	<b>13.3</b>	12.6	24.4
Weighted average number of ordinary shares in issue during the period	<b>36.20</b>	36.04	36.07
Dilutive effect of options outstanding	<b>0.21</b>	0.27	0.11
Diluted weighted average number of ordinary shares in issue during the period	<b>36.41</b>	36.31	36.18
Basic earnings per share	<b>36.71p</b>	34.86p	67.71p
Diluted earnings per share	<b>36.49p</b>	34.60p	67.50p

## 7. Property, plant and equipment

	Six months to <b>30 September 2006</b> (unaudited) £m	Six months to 30 September 2005 (unaudited) £m	Year to 31 March 2006 £m
Freehold land and buildings	<b>7.5</b>	10.5	10.0
Plant and equipment	<b>8.4</b>	7.4	7.1
	<b>15.9</b>	17.9	17.1

Following the move to a new Group Head Office in June 2006, the Group sold its old Head Office building, for its book value of £2.5 million.

## 8. Intangible assets

	Six months to <b>30 September 2006</b> (unaudited) £m	Six months to 30 September 2005 (unaudited) £m	Year to 31 March 2006 £m
Goodwill	<b>10.3</b>	10.1	10.3
Software	<b>1.2</b>	1.1	1.1
	<b>11.5</b>	11.2	11.4

Goodwill is subject to annual impairment review and software is amortised over four years on a straight-line basis.

# Notes to the Unaudited Financial Statements

## 9. Deferred acquisition costs

	<b>Commission</b>	<b>Other</b>	<b>Total</b>
	<b>(unaudited)</b>	<b>Expenses</b>	<b>(unaudited)</b>
	<b>£m</b>	<b>(unaudited)</b>	<b>£m</b>
		<b>£m</b>	<b>(unaudited)</b>
		<b>£m</b>	<b>£m</b>
At 1 April 2006	26.9	37.9	64.8
Arising in the period	14.4	19.7	34.1
Charge for the period	(14.0)	(20.5)	(34.5)
At 30 September 2006	27.3	37.1	64.4

## 10. Financial assets

	<b>Six months to</b>	Six months to	
	<b>30 September 2006</b>	30 September 2005	Year to
	<b>(unaudited)</b>	(unaudited)	31 March 2006
	<b>£m</b>	£m	£m
Cash liquidity funds	<b>25.9</b>	23.6	25.5
Shares and unit trusts	<b>23.3</b>	19.8	22.8
Debt securities and other fixed income securities	<b>1.3</b>	1.3	1.3
Personal loans	<b>8.5</b>	15.3	12.5
Deposits with credit institutions	<b>123.4</b>	114.7	118.8
	<b>182.4</b>	174.7	180.9

## 11. Trade and other receivables

	<b>Six months to</b>	Six months to	
	<b>30 September 2006</b>	30 September 2005	Year to
	<b>(unaudited)</b>	(unaudited)	31 March 2006
	<b>£m</b>	£m	£m
Warranty operations	<b>89.2</b>	79.2	91.0
Trade receivables	<b>10.2</b>	10.5	10.3
Prepayments and accrued income	<b>6.1</b>	5.3	5.1
	<b>105.5</b>	95.0	106.4

## 12. Cash and cash equivalents

	Six months to <b>30 September 2006</b> (unaudited) £m	Six months to 30 September 2005 (unaudited) £m	Year to 31 March 2006 £m
Bank balances	5.2	2.5	1.7
Call deposits	28.0	20.4	27.9
Short-term bank deposits	2.8	3.1	2.0
Overdrafts	(1.2)	(1.6)	—
	<b>34.8</b>	24.4	31.6

## 13. Deferred income

	Six months to <b>30 September 2006</b> (unaudited) £m	Six months to 30 September 2005 (unaudited) £m	Year to 31 March 2006 £m
Warranty	236.9	218.0	236.0
Pet healthcare	6.6	1.2	5.8
	<b>243.5</b>	219.2	241.8

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

## 14. Trade and other payables

	Six months to <b>30 September 2006</b> (unaudited) £m	Six months to 30 September 2005 (unaudited) £m	Year to 31 March 2006 £m
Trade payables	23.4	28.7	28.6
Accruals	4.7	5.1	3.6
Reinsurance payables	0.1	—	0.1
Other	3.5	3.3	3.0
	<b>31.7</b>	37.1	35.3

## 15. Investment in own shares

During the period the Domestic and General Employee Shareholder Trust purchased 20,000 shares for a total consideration of £192,974. In total the Trust now holds 59,000 shares, purchased for a total consideration of £499,474. 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

## 16. Shareholders' equity

### Reconciliation of movement in capital and reserves

	Investment					Total equity
	Share Capital	Share Premium	Revaluation Reserve	in own shares	Retained earnings	
	£m	£m	£m	£m	£m	
Balance at 1 April 2006	3.6	10.0	0.2	(0.3)	100.5	114.0
Total recognised income and expense for the period	—	—	—	—	13.3	13.3
Share-based payments, net of deferred taxation	—	—	—	—	0.3	0.3
Dividends declared	—	—	—	—	(8.2)	(8.2)
Purchase of own shares	—	—	—	(0.2)	—	(0.2)
Issue of share capital	—	0.5	—	—	—	0.5
Balance as at 30 September 2006	3.6	10.5	0.2	(0.5)	105.9	119.7

	Investment					Total equity
	Share Capital	Share Premium	Revaluation Reserve	in own shares	Retained earnings	
	£m	£m	£m	£m	£m	
Balance at 1 April 2005	3.6	8.9	0.5	—	85.8	98.8
Total recognised income and expense for the period	—	—	(0.3)	—	24.4	24.1
Share-based payments, net of deferred taxation	—	—	—	—	0.4	0.4
Dividends declared	—	—	—	—	(10.1)	(10.1)
Purchase of own shares	—	—	—	(0.3)	—	(0.3)
Issue of share capital	—	1.1	—	—	—	1.1
Balance as at 31 March 2006	3.6	10.0	0.2	(0.3)	100.5	114.0

## 17. Forward-looking statements

The report to shareholders contains "forward-looking statements" with respect to the Group's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events that are beyond the Group's control. Factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to:

- Economic business conditions
- Monetary and interest rate policies
- Equity and property prices
- The impact of competition, inflation and deflation
- Changes to regulations, taxes or UK and foreign legislation
- Changes to consumer saving or spending habits
- Changes to product reliability and repair costs
- Foreign exchange rates
- The Group's success in managing the above factors.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Group's forward-looking statements. The Group undertakes no obligation to update the forward-looking statements contained within this review or any other forward-looking statements we make.

# Financial Calendar 2006/2007

## Dividends

---

Interim 2006/2007	Ex dividend	3 January 2007
	Record date	5 January 2007
	Payment	2 February 2007
Final 2006/2007	Ex dividend	11 July 2007
	Record date	13 July 2007
	Payment	3 August 2007

## Announcements

---

Preliminary results for the year ended 31 March 2007	24 May 2007
Annual General Meeting	27 July 2007



DOMESTIC & GENERAL