

DOMESTIC & GENERAL

PRESENTATION OF RESULTS
HALF YEAR ENDED 30 SEPTEMBER 2006



JOHN PEARMUND

CHIEF EXECUTIVE

Forward looking statements disclaimer

Example factors that could cause actual results to differ materially

- **Economic business conditions**
- **Monetary and interest rate policies**
- **Equity and property prices**
- **The impact of competition, inflation and deflation**
- **Changes to regulations, taxes or 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**

Financial highlights

- **Revenue growth 11.5% to £138.9 million**
- **Warranty revenue growth of 7.3% to £121.2 million**
- **Operating profit before investment return up 17.9% to £13.8 million**
- **Profit before tax up 4.4% to £18.9 million**
- **Earnings per share up 5.3% to 36.71p**
- **Interim dividend per share up 12.8% to 11.00p**

Trading segments

- **Warranty** - UK revenue up 4.5% to £115.4 million
 - European revenue up 123% to £5.8 million
 - Earned income up 9.4% to £120.4 million
 - Operating profit up 16.9% to £13.8 million
- **Support Services** - Revenue up 7.7% to £11.2 million
 - Operating profit up to £0.5 million
- **Pet Healthcare** - Operating profit of £0.4 million

Group strategy

- **To be the leading specialist provider of breakdown protection in our chosen markets**
- **Leader in the UK non point of sale extended warranty market**
- **Looking to develop related products and into other territories**

Key performance indicators

- Revenue
- Combined ratio of warranty business
- Operating profit before investment return
- Investment return
- Profit before tax
- Earnings per share
- Return on capital employed

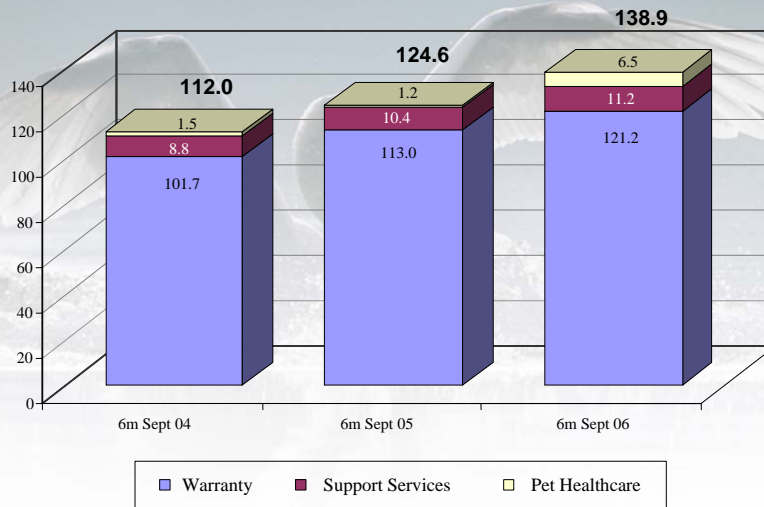
Important to shareholders

- Dividends and dividend cover
- Total shareholder return

Group focus

- Customers
- Business partners
- Employees
- Shareholders

Total revenue (£m)



Warranty – the core business

- **Warranty protection in non point of sale market for 6.0 million appliances and 4.4 million customers.**
- **Direct marketing through 50 million mailings, 6 million telephone calls, with over 15% of new mailing business through the web.**
- **Manage whole warranty proposition including underwriting, claims handling, outsourced repair networks, in-house administration, call centres and mailing.**



Developments in the warranty market

- Growth of monthly payment plans
- Strong growth in sales of digital and flat panel televisions
- Expected review of market by OFT in spring 2007

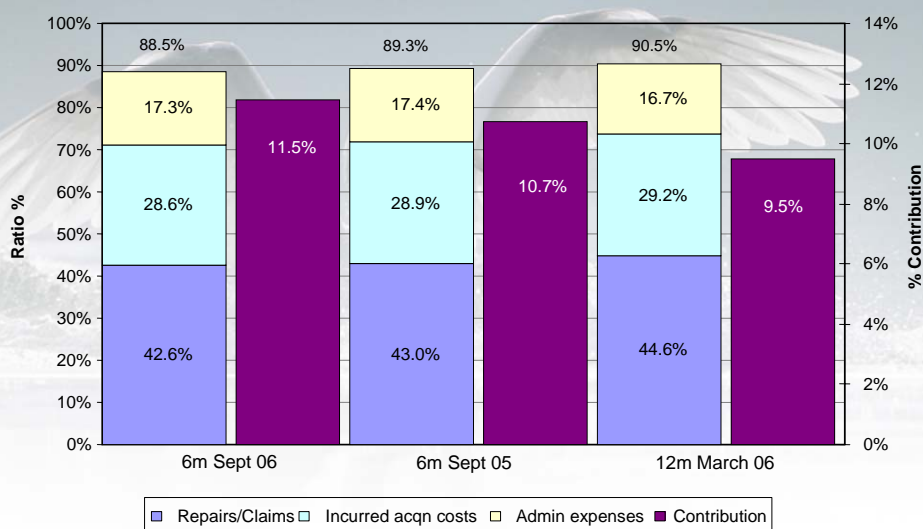
Warranty revenue

	Sept 2006 £m	Sept 2005 £m	Change %
UK and Ireland	115.4	110.4	+4.5
Other EU	5.8	2.6	+123.1
Total	121.2	113.0	+7.3

UK Warranty revenue growth

- Telephone sales of warranties from in bound calls
 - Repair +1
 - Multi appliance covers
- Reduced activity in first quarter
 - Mailing
 - Out bounding
- Changing client requirements
 - Data availability
 - In house schemes
 - Extended manufacturer guarantee periods
- Developing client relationships
- Renewals

Warranty combined ratio



Warranty performance

	Sept 2006 £m	Sept 2005 £m	Change %
Earned income	120.4	110.1	+9.4
Operating profit	13.8	11.8	+16.9
Key Ratios:	%	%	
Claims	42.6	43.0	
Acquisition	28.6	28.9	
Administration	17.3	17.4	
Combined ratio	88.5	89.3	

Warranty - Europe

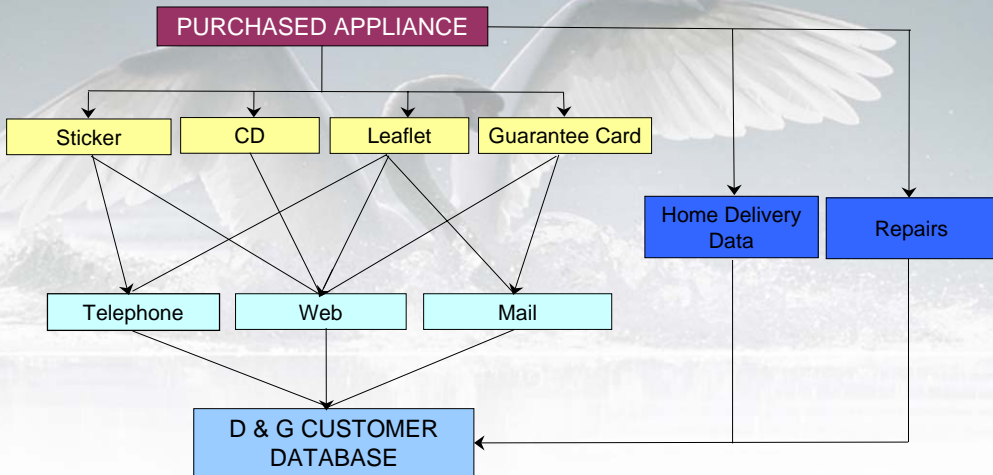
	Sept 2006	Sept 2005	
	£m	£m	
Revenue	5.8	2.6	+123.1%
Operating profit	0.2	0.2	
Investment Income	0.1	0.1	

- Increase of 150% in Germany
- Increase of 143% in Spain
- Increase of 48% in France
- Greater interest from manufacturers

Warranty initiatives

- Maximising data volumes

Data acquisition



Warranty initiatives

- Maximising data volumes
- Effective campaign management

Typical campaign for appliance purchased

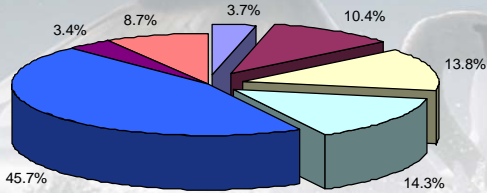
C D A T A S T O B A S E	MAILING	Initial Mailer	End Guarantee Mailer	Anniversary Mailer	Anniversary Mailer
	MAILING WITH TELEPHONY	Out bound		Out bound	
	TELEPHONY	Initial Out bound	End Guarantee Out bound	Anniversary Out bound	Anniversary Out bound
	WEB				

Warranty initiatives

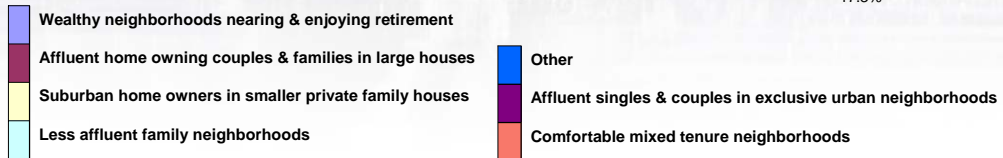
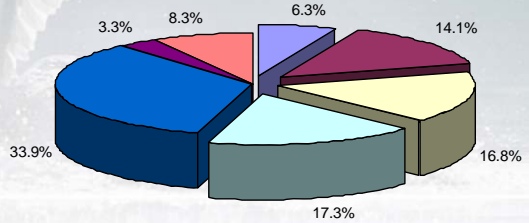
- Maximising data volumes
- Effective campaign management
- Database marketing

Geo-demographics White Goods

UK Population



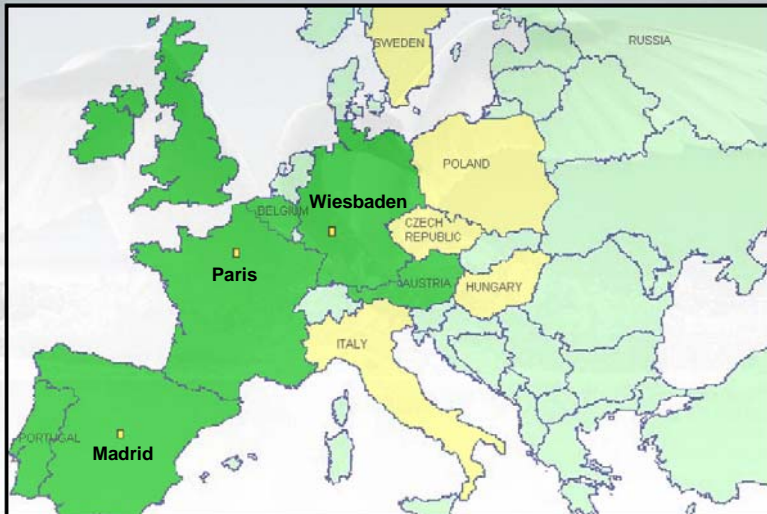
D & G Customer Database



Warranty initiatives

- Maximising data volumes
- Effective campaign management
- Database marketing
- Develop Europe

D & G Europe



Warranty outlook

- Improving underlying trends
- Improved effectiveness of direct marketing
- Further opportunities for European growth
- Confident of further progress

Support Services - telephony

	Sept 2006 £m	Sept 2005 £m	%
Revenue	8.9	8.1	+9.9
Operating profit	0.4	0.2	+100.0

- Further growth in third party income
- High capacity utilisation
- Market remains very competitive, with greater restrictions on outbounding
- Aim to maximise value to warranty operations and maintain capacity utilisation

Support Services – mailing & fulfilment

	Sept 2006 £m	Sept 2005 £m	%
Revenue	2.3	2.3	-
Operating profit	0.1	0.1	-

- Further utilisation needed for Coventry mailing centre
- Investment in sales capability to grow revenue

Pet Healthcare

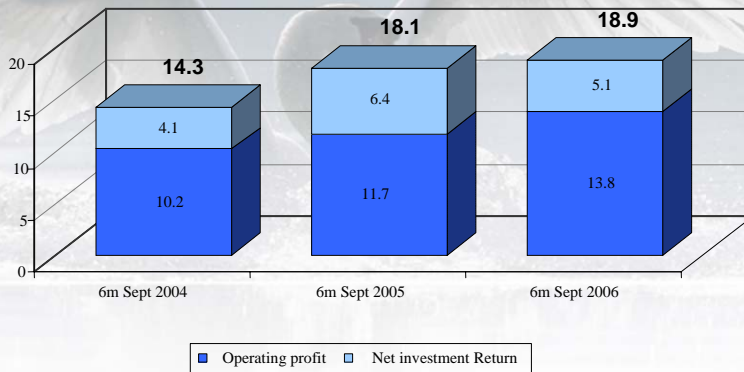
	Sept 2006 £m	Sept 2005 £m
Revenue	<u>6.5</u>	<u>1.2</u>
Earned income	4.9	1.3
Expenses	<u>-4.5</u>	<u>-0.9</u>
Operating profit	<u>0.4</u>	<u>0.4</u>

- Underwriting brought back in house in October 2005
- Premium income at run rate of approximately £12 million and contribution target of 8% – 12%

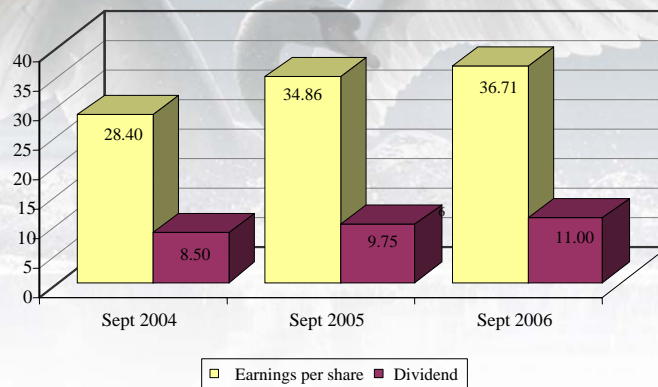
JOHN RITCHIE

DEPUTY CHIEF EXECUTIVE

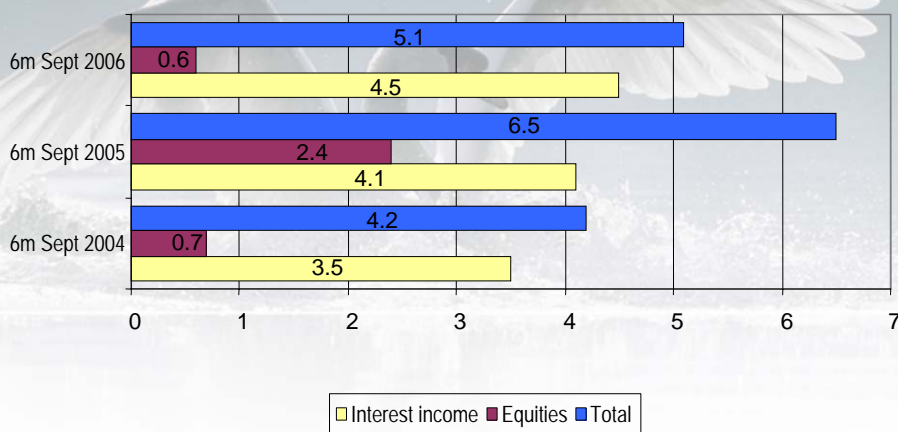
Group profit before taxation



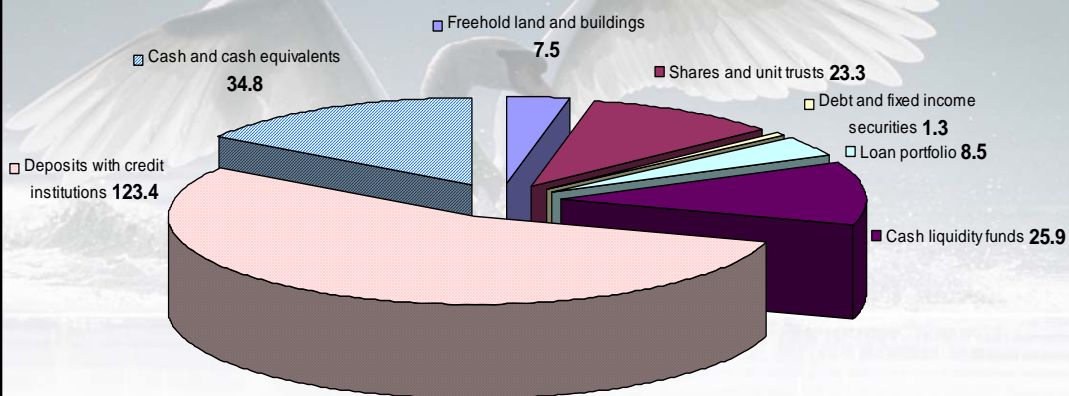
Earnings and interim dividend (pence per share)



Investment return (ex property) (£m)



Investment portfolio (£m)



Investment portfolio

	Sept 2006	March 2006
	£m	£m
Freehold land and buildings	7.5	10.0
Shares and unit trusts	23.3	22.8
Debt and fixed income securities	1.3	1.3
Cash liquidity funds	25.9	25.5
Loan portfolio	8.5	12.5
Deposits with credit institutions	123.4	118.8
Cash and cash equivalents	34.8	31.6
Properties, financial assets and cash	224.7	222.5
Bank loans	-	-3.9
Net investments	224.7	218.6

Warranty & insurance liabilities

	Sept 2006	March 2006
	£m	£m
Deferred income		
- Unearned premiums (net)	132.6	136.5
- Unearned service plans	110.7	104.1
- Unearned commissions	-	1.1
Claims and repair costs	13.5	11.0
Long-term business, net of reinsurance	1.5	1.5
	258.3	254.2
Provision for linked liabilities	2.7	2.8
Deferred acquisition costs	-64.4	-64.8
Net warranty and insurance liabilities	196.6	192.2

Cash Flow

	Sept 2006	Sept 2005
	£m	£m
Cash generated from operations	19.7	15.5
Net interest received	3.6	4.3
Taxes and dividends paid	-13.8	-10.9
Share transactions	0.3	0.4
Amount invested	9.8	9.3
Proceeds from sale of property	-2.5	-
Net capital expenditure and subsidiary acquisition	3.4	1.5
Movement in longer term cash and liquidity funds	5.2	21.3
Repayment of Bank loan	3.9	-
Movement in personal loans portfolio	-3.4	-0.2
Movement in short term cash	3.2	-13.3
Increase in investments	9.8	9.3

Capital resources

- Regulatory capital
- Dividend cover
- Business expansion
 - UK growth
 - Overseas growth

Summary

- Strong revenue growth with improving underlying trends
- Strong earnings and profitability
- Clear areas for further development
- Confident of continued progress

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