

SAGA GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2009



Company Registration Number: 638891

SAGA GROUP LIMITED

Directors' report

Directors: J A Goodsell
S M Howard

Secretary: J Davies

Registered Office: Enbrook Park, Folkestone, Kent CT20 3SE

The Directors submit their report together with the audited financial statements for the year ended 31 January 2009.

Results and dividends

The profit for the year before taxation amounts to £86,534,000 (2008 - £161,300,000). After taxation, a profit of £87,749,000 (2008 - £164,160,000) has been taken to reserves. No dividends have been paid in the year (2008 - £4,963,000).

Principal activity and review of business developments

The Company's principal activity is to provide administrative services to other group companies. The Group's principal activities are the provision of inclusive holidays, cruises and travel services, and insurance and financial services, to people aged fifty and over.

The Company's key financial and other performance indicators during the year were as follows:

	2009	2008	change
	£'000	£'000	%
Total administrative and marketing expenses	7,952	11,666	31.8
Income from shares in group undertakings	91,500	108,000	(15.3)
Profit on ordinary activities before taxation	86,534	161,300	(46.4)
Average number of employees	<u>325</u>	<u>395</u>	17.7

Due to the nature of the Company's activities meaningful comparison of year on year movements is not possible.

SAGA GROUP LIMITED
Directors' report continued

Principal Risks And Uncertainties

The Company follows a structured risk identification and assessment process that involves all of its Directors and which is updated on an ongoing basis.

The principal risks have been grouped into the following categories:

Market Risk

The Company's subsidiaries continue to operate in highly competitive markets with increasing numbers of competitors realising that the over 50's is an attractive market segment. This could lead to increased price competition with the effect of reduced margins or reduced market share. These risks are managed through promotion of the group brand and continuing efforts to improve efficiency and reduce costs.

Brand Risk

The Company recognises that the Saga brand is a key differentiator and source of competitive advantage, and brand damage from low quality products or services could have an adverse impact on the Company.

Operational Risk

Key operational risks the Company's subsidiaries face include call centre disruption through loss of telephony or IT infrastructure, loss of physical infrastructure (such as building loss or access restrictions) or insufficient staff being available to handle call volumes.

In order to manage these risks, the Company has put in place rigorous procedures and controls designed to prevent these risks occurring or, where this is not possible, to mitigate their effects. These controls are monitored both by the Compliance and Internal Audit functions to ensure they are working effectively.

Future developments

The Company will continue to act as an intermediate holding company.

Employee involvement

During the year the Company has maintained the practice of keeping employees informed about current activities and progress by various methods including a regular staff newsletter. Employee participation and involvement is encouraged.

Employment of disabled persons

It is the policy of the Company to develop a working environment and to offer terms and conditions of service to provide disabled persons, with the appropriate skills and qualifications, equal opportunities to seek and maintain employment with the Company. It is the Company's policy to retain in employment, whenever practicable, employees who become disabled and give all such employees equal consideration for training and career development to enable them to fulfil their promotion potential.

SAGA GROUP LIMITED
Directors' report continued

Statement of Directors' responsibilities

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for the year.

The Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Directors confirm that the accounting policies are appropriate to the Company's business and have been applied consistently. In preparing the financial statements for the year, the Directors have made reasonable and prudent judgements, have ensured that applicable accounting standards have been followed, and confirm that it is appropriate to prepare the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

Each current Director has made enquiries of their fellow directors and the Company's auditor and taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Relevant audit information is that information needed by the auditor in connection with preparing its report. So far as each director approving this report is aware, and based on the above steps, there is no relevant audit information of which the auditor is unaware.

Auditors

In accordance with section 487(2) of the Companies Act 2006, the Auditors Ernst & Young LLP are deemed re-appointed.

By order of the Board



S M Howard
Director
9 July 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAGA GROUP LIMITED

We have audited the Company's financial statements for the year ended 31 January 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Shareholders' Funds, the Balance Sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:- (a) the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2009 and of its profit for the year then ended; (b) the financial statements have been properly prepared in accordance with the Companies Act 1985; and (c) the information given in the Directors' Report is consistent with the financial statements.



Ernst & Young LLP
Registered Auditor
London
9 July 2009

SAGA GROUP LIMITED**Profit and loss account for the year ended 31 January 2009**

	Note	2009 £'000	2008 £'000
Administrative and marketing expenses		(7,736)	(9,328)
Exceptional items	3	(216)	(2,338)
Total administrative and marketing expenses		<u>(7,952)</u>	<u>(11,666)</u>
Other operating income	2	3,400	518
Operating loss	3	<u>(4,552)</u>	<u>(11,148)</u>
Profit on disposal of subsidiaries		-	64,154
		<u>(4,552)</u>	<u>53,006</u>
Income from shares in group undertakings		91,500	108,000
Interest payable and similar charges	4	(414)	294
Profit on ordinary activities before taxation		<u>86,534</u>	<u>161,300</u>
Taxation	8	1,215	2,860
Profit on ordinary activities after taxation	19	<u>87,749</u>	<u>164,160</u>

There were no recognised gains or losses other than the amounts included above.

Reconciliation of shareholders' funds	Note	2009 £'000	2008 £'000
Total recognised gains and losses relating to the year		87,749	164,160
Dividend paid	9	-	(4,963)
Net movement in shareholders' funds		<u>87,749</u>	<u>159,197</u>
Shareholders' funds brought forward		399,826	240,629
Shareholders' funds carried forward		<u>487,575</u>	<u>399,826</u>

SAGA GROUP LIMITED**Company balance sheet as at 31 January 2009**

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	10	5,546	4,733
Investments in subsidiaries	11	62,372	62,372
		<u>67,918</u>	<u>67,105</u>
Current assets			
Stock		14	11
Debtors	12	993,436	624,922
Cash on deposit	13	118,774	44,963
Cash at bank and in hand		83	7
		<u>1,112,307</u>	<u>669,903</u>
Creditors - amounts falling due within one year	14	(690,405)	(334,958)
Net current assets		<u>421,902</u>	<u>334,945</u>
Total assets less current liabilities		489,820	402,050
Creditors - amounts falling due after more than one year	15	(2,145)	(2,092)
Provisions for liabilities	17	(100)	(132)
Net assets		<u>487,575</u>	<u>399,826</u>
Capital and reserves			
Called up share capital	18	3,617	3,617
Share premium account	19	84	84
Profit and loss account	19	483,874	396,125
Shareholders' funds		<u>487,575</u>	<u>399,826</u>

Signed for and on behalf of the Board by



S M Howard
Director
9 July 2009

SAGA GROUP LIMITED

Notes to the financial statements

1 Accounting policies

a Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards as defined in the Companies Act 1985 s.256.

The Company has taken advantage of the exemption under section 228 of the Companies Act 1985 not to prepare and deliver group financial statements as it is a wholly owned subsidiary of the ultimate holdings company Acromas Holdings Limited. As such, these financial statements show only the results of the individual company and not the group.

Investments in subsidiaries are accounted for at the lower of cost and net realisable value

b Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. The cost of fixed assets less their expected residual value is depreciated by equal instalments over their useful economic lives. These lives are as follows:

Leasehold properties	over the period of the lease.
Fixtures & fittings	3 - 10 years
Plant and Machinery	3 - 10 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

c Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

d Stocks

Stocks are valued at the lower of cost and net realisable value.

e Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the Directors consider it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

f Pension benefits

Annual contributions are made to the UK defined benefit pension Scheme on the advice of actuaries for funding of retirement benefits in order to build up reserves for participating employees during the employee's working life to pay to the employee or dependent a pension after retirement.

The Company is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company accounts for its pension expense on a defined contribution basis in accordance with FRS 17 (Retirement benefits). The costs of providing these benefits are charged to the profit and loss account on a regular basis. Amounts charged to operating profit represent the contributions payable to the scheme in the year.

SAGA GROUP LIMITED

Notes to the financial statements continued

g Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

h Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

i Cash flow statement

The Directors have taken advantage of the exemption available under FRS 1 (Cash flow statements) of the requirement to prepare a cash flow statement as a consolidated cash flow statement has been presented in the financial statements of the ultimate parent undertaking, Acromas Holdings Limited.

j Interest income

Revenue is recognised as interest accrues.

2. Other operating income	2009	2008
	£'000	£'000
Interest on deposits	3,398	495
Interest on overpaid tax	-	19
Other interest receivable	2	4
	<u>3,400</u>	<u>518</u>
3. Operating loss	2009	2008
Operating loss is stated after charging/(crediting):	£'000	£'000
Depreciation of owned tangible fixed assets	1,399	1,130
Depreciation of leased tangible fixed assets	315	297
Deferred government grant release	(131)	(52)
Fees for the audit of the Company	15	15
Operating lease rentals – land and buildings	1,323	1,100
Operating lease rentals – plant and machinery	708	663
Exceptional item – remedial works	<u>216</u>	<u>2,338</u>

The remedial works exceptional item relates to costs associated with a major one-off programme of remedial works to an office building.

Any fees paid to the Company's auditor, Ernst & Young LLP, for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated financial statements of the ultimate parent undertaking, Acromas Holdings Limited, are required to disclose non-audit fees on a consolidated basis.

SAGA GROUP LIMITED**Notes to the financial statements continued**

4. Interest payable and similar charges	2009	2008
	£'000	£'000
Intercompany interest	407	-
Other interest payable	7	(294)
	<u>414</u>	<u>(294)</u>

5. Directors' emoluments	2009	2008
	£'000	£'000
Aggregate emoluments in respect of qualifying services	<u>2,337</u>	<u>2,235</u>
Members of defined benefit pension scheme	<u>2</u>	<u>2</u>

The amounts paid in respect of the highest paid Director were as follows:-

	2009	2008
	£'000	£'000
Aggregate emoluments in respect of qualifying services	<u>1,492</u>	<u>1,271</u>
Defined benefit pension scheme:	2009	2008
	£'000	£'000
Accrued pension at end of year	<u>66</u>	<u>56</u>

6. Staff costs	2009	2008
	£'000	£'000
Wages and salaries	15,888	12,600
Social security costs	1,563	1,236
Pension costs	764	659
	<u>18,215</u>	<u>14,495</u>
Average number of persons employed during the year was:	<u>325</u>	<u>395</u>

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Notes to the financial statements continued

7. Pension benefits

The Company is a member of the Saga Group Pension and Life Assurance Scheme which is a defined benefit scheme.

The Company is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company is accounting for its pension expense on a defined contribution basis in accordance with FRS 17 (Retirement benefits). The FRS17 surplus (gross of deferred taxation) of the Scheme at 31 January 2009 was £11.5 million (2008 - £20.3 million).

Further details of the Scheme can be found in the financial statements of the ultimate holding company, Acromas Holdings Limited.

8. Taxation

	2009 £'000	2008 £'000
UK corporation tax at 28.33% (2008 - 30%) – current year	(761)	(3,799)
Adjustments relating to prior years	(454)	939
Current tax	<u>(1,215)</u>	<u>(2,860)</u>
Reconciliation of Current Tax Credit:-	2009 £'000	2008 £'000
Pre-tax profit at 28.33% (2008 - 30%)	24,515	48,390
Non taxable dividend income	(25,920)	(32,400)
Decelerated capital allowances	446	417
Capital gain qualifying for substantial shareholding exemption	-	(19,246)
Provisions against capital investments and loans	439	4
Permanent differences	145	(636)
Other timing differences	(386)	(328)
Adjustments relating to prior years	(454)	939
Current tax credit for the year	<u>(1,215)</u>	<u>(2,860)</u>

The tax credit relating to the exceptional items amounts to £61,000 (2008 - £701,000).

The tax credit for the current year is entirely made up of receipts from other group companies for group relief.

A deferred tax asset of £2,307,000 (2008 - £1,691,000) has not been recognised in these financial statements as, on the basis of the evidence available, there will not be sufficient taxable profits in the future against which the deferred tax would be offset.

The UK corporation tax rates have decreased from 30% to 28% from 1 April 2008. This rate change will affect the amount of future tax receipts by the Company for group losses surrendered.

Other than this, there are no circumstances foreseen that are expected to materially impact future tax charges.

SAGA GROUP LIMITED**Notes to the financial statements continued****9. Dividend**

No dividend (2008 - £0.27439) per share has been paid during the year (2008 total cost - £4,962,666).

10. Tangible fixed assets

	Freehold Land & Buildings £'000	Short Leasehold Land & Buildings £'000	Fixtures & Fittings £'000	Plant & Machinery £'000	Total £'000
Cost					
At 1 February 2008	-	4,385	8,730	11,436	24,551
Additions	3,708	255	1,335	937	6,235
Disposals	(3,708)	-	-	-	(3,708)
At 31 January 2009	-	4,640	10,065	12,373	27,078
Depreciation					
At 1 February 2008	-	1,546	7,876	10,396	19,818
Charge for year	-	315	616	783	1,714
Disposal	-	-	-	-	-
At 31 January 2009	-	1,861	8,492	11,179	21,532
Net book amounts					
At 31 January 2009	-	2,779	1,573	1,194	5,546
At 31 January 2008	-	2,839	854	1,040	4,733

The freehold land and buildings addition and disposal of £3,708,000 relates to the acquisition and fit-out of a new office building which was subsequently disposed of to Acromas Insurance Company Limited, a subsidiary undertaking of the Company.

SAGA GROUP LIMITED**Notes to the financial statements continued****11. Investment in subsidiaries**

	Subsidiary Undertakings £'000
Cost	
At 1 February 2008 and 31 January 2009	<u>63,616</u>
Provision	
At 1 February 2008 and 31 January 2009	<u>1,244</u>
Net book amount	
At 1 February 2008 and 31 January 2009	<u>62,372</u>

The main operating subsidiary undertakings of Saga Group Limited, all of which whose ordinary shares are directly held with the exception of Saga Cruises Limited, Saga Cruises II Limited & Saga Cruises III Limited, which are held by Acromas Shipping Limited (formerly Saga Shipping Company Limited) which is in turn held by Acromas Holidays Limited (formerly Saga Holidays Limited), are listed below:

Company	Country of registration	Nature of business
Acromas Holidays Limited (formerly Saga Holidays Limited)	England	Tour Operating
Acromas Transport Limited (formerly Saga Tours Limited)	England	Tour Operating
Acromas Travel Limited (formerly Inter-Church Travel Limited)	England	Tour Operating
Acromas Shipping Limited (formerly Saga Shipping Company Limited)	England	Cruising
Saga Cruises Limited	England	Cruising
Saga Cruises II Limited	England	Cruising
Saga Cruises III Limited	England	Cruising
Saga Services Limited	England	Financial services
Acromas Insurance Company Limited (formerly Saga Insurance Company Limited)	Gibraltar	Insurance underwriting
Saga Personal Finance Limited	England	Regulated investment products
Saga Publishing Limited	England	Publishing
MetroMail Limited	England	Mailing house

SAGA GROUP LIMITED**Notes to the financial statements continued**

12. Debtors	2009	2008
	£'000	£'000
Trade debtors	44	131
Amount owed by group undertakings	990,156	623,428
Other debtors	793	488
Prepayments and deferred expenditure	2,443	875
	<u>993,436</u>	<u>624,922</u>

13. Cash on deposit	2009	2008
	£'000	£'000
Deposits with financial institutions	<u>118,774</u>	<u>44,963</u>

There are no deposits with maturity dates in excess of one year.

14. Creditors - amounts falling due within one year	2009	2008
	£'000	£'000
Bank overdraft	10	312
Trade creditors	965	852
Due to group undertakings	681,355	326,779
Corporation tax	-	681
Other taxes and social security	1,581	1,465
Deferred government grants	65	52
Other creditors	37	275
Accruals and deferred income	6,392	4,542
	<u>690,405</u>	<u>334,958</u>

15. Creditors - amounts falling due after more than one year	2009	2008
	£'000	£'000
Deferred government grants	<u>2,145</u>	<u>2,092</u>

16. Lease commitments

The annual commitment under non-cancellable operating leases is as follows:

	2009	2008
	£'000	£'000
Land and buildings		
Leases expiring:		
Within one year	-	80
Between two and five years	231	231
After five years	1,170	786
	<u>1,401</u>	<u>1,097</u>
Plant and machinery		
Leases expiring:		
Within one year	57	119
Between two and five years	498	361
	<u>555</u>	<u>480</u>

SAGA GROUP LIMITED**Notes to the financial statements continued****17. Provisions for liabilities**

	Other Provisions £'000
Balance at 1 February 2008	132
Utilised during the year	(132)
Charge for the year	100
Balance at 31 January 2009	<u>100</u>

The provision brought forward related to transmission and other costs arising in future years in respect of an onerous contract relating to a subsidiary sold in the prior year, Smooth Radio NE Limited, whose termination results in a break fee calculated as three times the annual fee. This contract was taken on by Saga Group Limited as part of the disposal agreement. This provision has been fully utilised during the year.

The charge for the current year relates to a liability for costs which may crystallise under one of the company's contracts if a specific event occurs within the next twelve months.

18. Called up share capital

	2009 £'000	2008 £'000
Authorised		
27,000,000 ordinary shares at 20p each	<u>5,400</u>	<u>5,400</u>
Allotted and fully paid up		
18,086,076 ordinary shares at 20p each	<u>3,617</u>	<u>3,617</u>

19. Reserves

	Share Premium		Profit and Loss	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Balance at beginning of the year	84	84	396,125	236,928
Profit for the year	-	-	87,749	164,160
Dividend paid	-	-	-	(4,963)
Balance at the end of the year	<u>84</u>	<u>84</u>	<u>483,874</u>	<u>396,125</u>

20. Related party transactions

The Company has taken advantage of the exemption within FRS 8 (Related party disclosures) in not disclosing transactions with other entities in the Acromas group of companies.

SAGA GROUP LIMITED

Notes to the financial statements continued

21. Ultimate parent undertaking

The Company is wholly owned by its immediate parent undertaking, Saga Leisure Limited, a company which is registered in England. The financial statements of the Company have been consolidated in the group financial statements of Acromas Holdings Limited, a company which is registered in England.

22. Cross company guarantees

The Company, along with certain of its fellow subsidiaries, acts as Obligor on bank loans made to Acromas Mid Co Limited. At the balance sheet date the principal, accrued interest, guarantees and other facilities outstanding on these bank loans was £5,164.0 million (2008 - £4,978.8 million)

23. Ultimate controlling party

The Directors consider the ultimate controlling party to be funds advised by Charterhouse General Partners, CVC Capital Partners and Permira Advisers acting in concert.