

SAGA GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2019



SAGA GROUP LIMITED
Company information

Directors: L H L Batchelor
J S Hill (resigned 28 September 2018)
D Moore (appointed 25 September 2018)
J Quin (appointed 31 January 2019)

Secretary: V Haynes

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

Company Registration no: 00638891

Auditor: KPMG LLP, 15 Canada Square, London E14 5GL

SAGA GROUP LIMITED

Strategic Report

The Directors submit the annual report and the audited financial statements for Saga Group Limited ("the Company") for the year ended 31 January 2019.

Review of business developments and principal activity

Saga Group Limited is an indirectly held subsidiary of Saga plc. Saga plc and its subsidiaries are collectively referred to as the Saga Group (the "Group").

Saga Group Limited's principal activity is to provide central administrative functions to other companies in the Group. These services include IT, human resources, finance, group marketing, change management, property maintenance, training and development, internal audit, legal advice, risk management, company secretarial services and central management. The Group's principal activities are the provision of package holidays and escorted tours, cruises, insurance, financial services, domiciliary care and other services to people in the UK aged fifty and over.

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

	2019	2018	change
	£'000	£'000	%
Turnover	44,969	39,925	12.6
Cost of sales	(1,695)	(2,002)	15.3
Administrative and marketing expenses	(62,526)	(58,852)	(6.2)
Income from shares in group undertakings	90,000	90,000	-
Profit before taxation	70,621	41,430	70.5
Average number of employees	<u>596</u>	<u>494</u>	<u>20.6</u>

Administrative and marketing expenses have increased to £62,526k due to increased amortisation of new IT systems that have been implemented, such as a replacement call recording platform and Adobe Marketing Cloud, coupled with the centralisation of IT and corporate insurance costs, which previously resided in other Group companies, and increased property running costs whilst the Group dual-ran two London offices, before selling the Buckingham Gate property in December 2018.

The increase in Turnover is predominately due to an increase in recharges to the companies within the Group.

The profit for the year before taxation amounts to £70,621k (2018 - £41,430k). After taxation, a profit of £74,936k (2018 - £46,071k) has been taken to reserves. Dividends of £800,000k have been paid in the year (2018 - £nil).

Dividends received from group undertakings were £90,000k (2018 - £90,000k).

Principal risks and uncertainties

The Group has agreed systems and processes to govern our approach to risk management. These systems encompass: ensuring that an effective risk assessment and management system is in place; agreeing the principal risks and uncertainties the business should accept in pursuit of its strategic objectives and regularly reviewing the status of these; ensuring that a suitable risk culture is embedded throughout Saga.

Risk information is formally reviewed on a quarterly basis and is a standard agenda item at each of the core business forums.

The principal risks have been grouped into the following categories:

1. Legislative risks

The Group trades within regulated sectors of the economy such as financial services, package holidays and cruising, and domiciliary care. It is therefore required to comply with all relevant regulations.

2. Operational risks

The Group faces a number of operational risks which are fundamental to its carrying on business including suppliers not being able to provide contracted services through force majeure, the risk associated with operating holidays, motoring, shipping and domiciliary care businesses, and business disruption due to infrastructure failures. The Group has put in place contingency plans to mitigate the impact of these risks, which are tested on an ongoing basis, and implemented processes and procedures to reduce the likelihood of occurrence, including operational resilience of systems.

3. Market risk

The Group continues to operate in highly competitive markets with constant pressure on margins and market share. These risks are managed through promotion of the Group brands, continuing efforts to improve efficiency and reduce costs, and focus on customer service, quality and value for money. Appropriate information is utilised to monitor the external market.

4. Brand risk

The Group recognises that Saga is a quality brand and a source of competitive advantage, and has in place policies and procedures to protect them at all times. Legal protections for brands, trademarks and other points of differentiation are put in place where possible.

SAGA GROUP LIMITED
Strategic Report (continued)

Future developments

The Company will continue to provide administrative services to other Group companies.

By order of the Board



J Quin
Director
29 August 2019

SAGA GROUP LIMITED

Directors' Report

The Directors submit the Directors' Report of the Company for the year ended 31 January 2019.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, Strategic Report and financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare the financial statements in accordance with United Kingdom accounting standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

It is the Group's policy to maintain indemnity insurance for Directors and officers.

SAGA GROUP LIMITED
Directors' Report (continued)

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 employee newsletter. Employee participation and involvement is encouraged. Regular employee engagement surveys are conducted to monitor employees' opinions and to help shape future development. A cultural model called 'The Saga Way' has been introduced to help guide the behaviour of employees in the pursuit of the Group's strategy. It is built around our extraordinary brand and our ability to understand and create what our customer needs in order to make the lives of our customers better.

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, qualifications and 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.

Going concern

The Directors believe that the Company is well placed to successfully manage its business risks and the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 auditor KPMG LLP is deemed re-appointed.

By order of the Board



J Quin
Director

29 August 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGA GROUP LIMITED

Opinion

We have audited the financial statements of Saga Group Limited ("the Company") for the year ended 31 January 2019 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGA GROUP LIMITED

(continued)

Strategic Report and Directors' Report

The Directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGA GROUP LIMITED
(continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.



Cheryl Mason (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

29 August 2019

SAGA GROUP LIMITED
Income statement for the year ended 31 January 2019

	Notes	2019 £'000	2018 £'000
Turnover	3	44,969	39,925
Cost of sales		(1,695)	(2,002)
Gross profit		<u>43,274</u>	<u>37,923</u>
Administrative and marketing expenses		(62,526)	(58,852)
Loss on disposal of subsidiaries	4	-	(27,350)
Operating loss	4	<u>(19,252)</u>	<u>(48,279)</u>
Income from shares in group undertakings		90,000	90,000
Profit on ordinary activities before interest and taxation		<u>70,748</u>	<u>41,721</u>
Interest receivable and similar income	5	1	6
Interest payable and similar costs		(128)	(97)
Other finance costs – defined benefit pension plans	20	-	(200)
Profit on ordinary activities before taxation		<u>70,621</u>	<u>41,430</u>
Taxation	8	4,315	4,641
Profit for the financial year		<u><u>74,936</u></u>	<u><u>46,071</u></u>

Notes 1 to 27 form an integral part of these financial statements.

SAGA GROUP LIMITED**Statement of comprehensive income for the year ended 31 January 2019**

	Notes	2019 £'000	2018 £'000
Profit for the financial year		74,936	46,071
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit and loss account in subsequent years			
Re-measurement gains on defined benefit plans	20	2,100	10,200
Tax on items relating to components of other comprehensive income	8	(357)	(1,734)
Total other comprehensive income, net of tax		<u>1,743</u>	<u>8,466</u>
Total comprehensive income for the year		<u><u>76,679</u></u>	<u><u>54,537</u></u>

Notes 1 to 27 form an integral part of these financial statements.

SAGA GROUP LIMITED
Balance sheet as at 31 January 2019

	Notes	2019 £'000	2018 (restated) £'000
Fixed assets			
Intangible assets	9	10,303	9,501
Tangible assets	10	5,286	5,480
Investments in subsidiaries	11	83,827	77,327
		<u>99,416</u>	<u>92,308</u>
Current assets			
Stocks		-	31
Debtors	12	855,782	1,284,763
Cash on deposit	13	76	76
Cash at bank and in hand		27,786	-
		<u>883,644</u>	<u>1,284,870</u>
Creditors - amounts falling due within one year	14	(609,497)	(247,007)
Net current assets		<u>274,147</u>	<u>1,037,863</u>
Total assets less current liabilities		373,563	1,130,171
Creditors - amounts falling due after more than one year	15	(137,568)	(167,134)
Provisions for liabilities	17	(1,490)	(1,706)
Retirement benefit scheme obligations	20	(2,800)	(7,000)
Net assets		<u>231,705</u>	<u>954,331</u>
Capital and reserves			
Called-up share capital	18	3,617	3,617
Capital contribution reserve	19	44,002	43,307
Share premium account		84	84
Retained earnings		184,002	907,323
Shareholders' funds		<u>231,705</u>	<u>954,331</u>

Signed for and on behalf of the Board by



J Quin
Director

29 August 2019

Notes 1 to 27 form an integral part of these financial statements.

SAGA GROUP LIMITED
Statement of changes in equity for the year ended 31 January 2019

	Called- Share Capital £'000	Capital Contribution Reserve £'000	Retained Earnings £'000	Share Premium Account £'000	Total Shareholders Funds £'000
At 1 February 2017	3,617	42,383	852,786	84	898,870
Profit for the financial year	-	-	46,071	-	46,071
Other comprehensive income	-	-	8,466	-	8,466
Share based payment charge	-	924	-	-	924
At 31 January 2018	3,617	43,307	907,323	84	954,331
Profit for the financial year	-	-	74,936	-	74,936
Other comprehensive income	-	-	1,743	-	1,743
Dividends paid	-	-	(800,000)	-	(800,000)
Share based payment charge	-	695	-	-	695
At 31 January 2019	3,617	44,002	184,002	84	231,705

Notes 1 to 27 form an integral part of these financial statements.

SAGA GROUP LIMITED
Notes to the financial statements

1. General information

Saga Group Limited (the "Company") is a company incorporated and domiciled in the UK (Company No. 00638891) with a registered office: Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE.

2. Significant accounting policies

a) Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The Company's financial statements are presented in the Company's functional currency, sterling, and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Saga plc. These financial statements present information about the Company as an individual undertaking and not about its group.

The consolidated financial statements of Saga plc, within which this Company is included, can be obtained from the address given in note 25.

The Company has taken advantage of the following disclosure exemptions under FRS101:

- a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 "Share Based Payment" because the share based payment arrangement concerns the instruments of another group entity
- b) the requirements of IFRS 7 "Financial Instruments: Disclosures"
- c) the requirements of paragraphs 91 to 99 of IFRS 13 "Fair Value Measurement"
- d) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 "Revenue from Contracts with Customers"
- e) the requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
 - i) paragraph 79(a)(iv) of IAS 1;
 - ii) paragraph 73(e) of IAS 16 "Property, Plant and Equipment"; and
 - iii) paragraph 118(e) of IAS 38 "Intangible Assets"

2. Significant accounting policies (continued)

a) Basis of preparation (continued)

- f) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 40A-D, 111 and 134-136 of IAS 1 "Presentation of Financial Statements"
- g) the requirements of IAS 7 "Statement of Cash Flows"
- h) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- i) the requirements of paragraph 17 of IAS 24 "Related Party Disclosures"
- j) the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

b) Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year, that are not readily apparent from other sources. However, the nature of estimation means that actual outcomes may differ from those estimates, and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets and amortisation charge for intangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of tangible fixed assets, note 11 for the carrying amount of intangible fixed assets and notes 2e) and 2(f) for the useful economic lives for each class of asset.

i) Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

2. Significant accounting policies (continued)

b) Judgements and key sources of estimation uncertainty (continued)

ii) Valuation of pension benefit obligation

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

c) Financial instruments

The Company has adopted IFRS 9 Financial Instruments for the first time for the year ended 31 January 2019. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. As such, the Company has changed its accounting policy and applied it retrospectively, for financial instruments as detailed below.

i) Financial assets

On initial recognition, a financial asset is classified as either amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value Through Profit and Loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets at amortised cost

Initial Recognition

A financial asset is measured at amortised cost if it meets both of the following conditions and is not elected to be designated as a FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent Measurement

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss as they are incurred. Any gain or loss on derecognition is recognised in profit or loss immediately.

SAGA GROUP LIMITED
Notes to the financial statements (continued)

2. Significant accounting policies (continued)

c) Financial instruments (continued)

i) Financial assets (continued)

Financial assets at Fair Value through Other Comprehensive Income (FVOCI)
Initial Recognition

A debt investment is measured at FVOCI if it meets both of the following conditions and is not elected to be designated as FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Subsequent Measurement

Debt instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are recycled to profit or loss.

Equity investments are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets at Fair Value Through Profit and Loss (FVTPL)

Initial Recognition

All financial assets not classified as amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably elect to designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. This election is made on an investment-by-investment basis.

A financial asset is initially measured at fair value less, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

2. Significant accounting policies (continued)

c) Financial instruments (continued)

i) Financial assets (continued)

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or when the Company has transferred substantially all the risks and rewards relating to the asset to a third party.

ii) Impairment of financial assets

The IFRS 9 expected credit loss (ECL) impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI.

The Company measures loss allowances at an amount equal to 12-month ECLs, except for the following, which are measured as lifetime ECLs:

- Debt securities that are determined to have high credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has increased significantly since initial recognition.

The Company has elected to measure loss allowances for trade receivables at an amount equal to 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the definition of 'investment grade'. The Company considers this to be BBB or higher as per Standard & Poor's rating scale.

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Company's exposure. ECLs are recognised as a provision in the statement of financial position with a corresponding charge to the income statement or statement of other comprehensive income, in line with the recognition criteria of the underlying asset.

SAGA GROUP LIMITED

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

c) Financial instruments (continued)

ii) Impairment of financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. In such an event, the lifetime ECL will be recognised in lieu of the 12-month ECL.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include intercompany payables and loans and borrowings.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings and other payables are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest payable and costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

SAGA GROUP LIMITED
Notes to the financial statements (continued)

2. Significant accounting policies (continued)

d) Turnover

The Company has adopted IFRS 15 Revenue from Contracts with Customers for the first time in the year ended 31 January 2019. There was no impact on the financial statements as a result of adopting IFRS 15 and therefore prior periods have not been restated.

Turnover represents the invoiced amount of administration services supplied to other companies in the Group and revenue from the provision of canteen and crèche services to group employees.

All business is carried out in the UK and is stated net of VAT.

e) Intangible fixed assets

Computer software costs recognised as assets are amortised over their estimated useful lives, which does not ordinarily exceed three years.

Intangible computer software fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. The cost of computer software intangible fixed assets less their expected residual value is amortised by equal instalments over their useful economic lives.

Intangible assets capitalised as a result of development activities are amortised from the point in time when the asset is available for commercial use.

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

f) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes 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:

Land and buildings	5 – 15 years
Fixtures, fittings and equipment	3 – 15 years
Computers, plant and other equipment	3 – 15 years

2. Significant accounting policies (continued)

f) Tangible fixed assets (continued)

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the period of derecognition.

g) Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

h) Leases

Leases under which substantially all of the risk and rewards of ownership are transferred to the Company are finance leases. All other leases are operating leases.

Assets held under finance leases are recognised at the lower of the fair value of the asset and the present value of the minimum lease payments within property, plant and equipment on the statement of financial position and depreciated over the shorter of the lease term or their expected useful lives. The interest element of finance lease payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

Operating lease rentals are charged to the income statement on a straight-line basis over the lease term. Income arising from operating leases where the Company acts as lessor is recognised on a straight-line basis over the lease term and included in operating income due to its operating nature.

SAGA GROUP LIMITED

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

i) Cash and short-term deposits

Cash and short term deposits in the statement of financial position comprise cash at bank, on hand and short term deposits with a maturity of three months or less from their inception date.

j) Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

k) Retirement benefit schemes

The Company operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method.

Actuarial gains and losses arising in the year are credited/charged to other comprehensive income and comprise the effects of changes in actuarial assumptions and experience adjustments due to differences between the previous actuarial assumptions and what has actually occurred. In particular, the difference between the interest income and the actual return on plan assets is recognised in other comprehensive income.

Other movements in the net surplus or deficit, which include the current service cost, any past service cost and the effect of any curtailment or settlements, are recognised in the income statement. Past service costs are recognised in the income statement on the earlier of the date of plan curtailment and the date that the Company recognises restructuring-related costs. The interest cost less interest income on assets held in the plans is also charged to the income statement.

The defined benefit scheme is funded, with assets of the scheme held separately from those of the Company, in a separate trustee administered fund. Scheme assets are measured using market values, and scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Full actuarial valuations are obtained at least triennially and are updated at each reporting date. The resulting defined benefit asset or liability is presented separately after other net assets and liabilities on the face of the statement of financial position. The value of a pension benefit asset is restricted to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

For the defined contribution scheme, the amount charged to the income statement is the total contributions payable in the year.

SAGA GROUP LIMITED
Notes to the financial statements (continued)

2. Significant accounting policies (continued)

l) Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

m) Income from shares in group undertakings

Interim dividend revenue is recognised when paid and final dividends are recognised when approved.

n) Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting 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 taxable profit will be available in future periods against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is dealt with in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

SAGA GROUP LIMITED

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

o) Stock

Stocks are stated at the lower of cost and net realisable value. Costs include all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

p) Share-based payments

Saga plc, the parent company of the Saga group provides benefits to employees of the Company (including Directors) in the form of long term incentives whereby employees render services in consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is measured at fair value and is recognised as an expense over the relevant vesting period, ending on the date on which the employee becomes fully entitled to any award.

In valuing equity settled transactions, assessment is made of any vesting conditions to categorise these into market performance conditions, non-market performance conditions, and service conditions.

Where the equity settled transactions have market performance conditions (that is, performance which is directly or indirectly linked to the share price of Saga plc), the fair value of the award is assessed at the time of grant and is not changed, regardless of the actual level of vesting achieved, except where an employee ceases to be employed prior to the vesting date.

For service conditions and non-market performance conditions, the fair value of the award is assessed at the time of grant and is reassessed at each reporting date to reflect updated expectations for the level of vesting. No expense is recognised for awards that ultimately do not vest.

The Company records the cost of share options granted to employees by Saga plc during the year as a capital contribution from Saga plc within Shareholders' funds. Upon exercise, the cost of the share options is transferred from the capital contribution reserve to retained earnings.

q) Non-trading items

Items which derive from events or transactions that fall outside of the ordinary activities of the Company and which are material, or if of a similar type are material in aggregate, are treated as non-trading. Non-trading items are charged or credited to the income statement as appropriate.

r) Interest income

Interest on the Company's investment and current accounts is recognised as interest accrues.

SAGA GROUP LIMITED

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

s) Gains and losses on financial investments

Realised and unrealised gains and losses on financial investments are recorded as finance income in the income statement. Realised gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on the date of sale. Unrealised gains and losses, arising on financial assets measured at fair value through profit and loss which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or the purchase value for investments acquired during the year, net of the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

3. Turnover

Turnover represents the invoiced amount of administrative services supplied to other companies in the Group amounting to £43.6m (2018 - £38.1m), and the remaining revenue of £1.4m (2018 - £1.8m) mainly relates to the provision of canteen and crèche services to employees of the Group. All business is carried out in the UK and is stated net of VAT.

SAGA GROUP LIMITED**Notes to the financial statements (continued)****4. Operating loss**

This is stated after charging:-

	2019 £'000	2018 £'000
Depreciation of owned tangible fixed assets	2,276	2,751
Depreciation of leased tangible fixed assets	-	5
Amortisation of intangible fixed assets	4,460	1,952
Operating lease rentals – land and buildings	4,414	4,824
Operating lease rentals – plant and machinery	280	967
Auditor's remuneration – audit of financial statements	49	48
Loss on disposal of fixed asset investments	-	27,350

Non-trading items:

Operational restructuring and other costs	904	2,032
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Any fees paid to the Company's auditor, KPMG 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, Saga plc, are required to disclose non-audit fees on a consolidated basis.

The audit fee that the Company has paid on behalf of other Group entities is £19k (2018 - £18k).

The non-trading operational costs primarily relate to restructuring costs.

5. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest on deposits	1	6

SAGA GROUP LIMITED**Notes to the financial statements (continued)****6. Directors' remuneration**

The remuneration of the directors of the company during the year was £Nil (2018: £Nil).

7. Staff costs

	2019	2018
	£'000	£'000
Wages and salaries	20,314	18,694
Social security costs	2,193	1,975
Pension costs	2,022	6,662
	<u>24,529</u>	<u>27,331</u>
Current pension service cost (note 20)	<u>8,000</u>	<u>14,600</u>
Average number of persons employed during the year was:	<u>596</u>	<u>494</u>

Included in wages and salaries is a total expense of share-based payments of £695k (2018: £924k).

8. Taxation**Tax credited in the income statement****Current tax**

UK corporation tax at 19.00% (2018 – 19.17%)	(4,298)	(4,681)
Adjustment in respect of prior periods	(269)	(304)
Total current income tax	<u>(4,567)</u>	<u>(4,985)</u>

Deferred tax

Origination and reversal of timing differences	30	(25)
Retirement benefit scheme liabilities	357	(595)
Adjustment in respect of prior periods	(135)	964
Total deferred tax	<u>252</u>	<u>344</u>
Tax credit on profit on ordinary activities	<u>(4,315)</u>	<u>(4,641)</u>

SAGA GROUP LIMITED
Notes to the financial statements (continued)

8. Taxation (continued)

Tax relating to items charged or credited to other comprehensive income

Deferred tax

Actuarial gains on defined benefit pension plans

Total deferred tax

Tax expense in the statement of other comprehensive income

2019	2018
£'000	£'000

357	1,734
357	1,734

357	1,734
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2019	2018
£'000	£'000

Pre-tax profit at 19.00% (2018 – 19.17%)

Non-taxable dividend income

Permanent differences

Adjustments relating to prior years

Rate change adjustment on temporary differences

Exercise of share options

Total tax credit for the year

13,461	7,942
(17,100)	(17,250)
19	5,356
(404)	660
(46)	106
(245)	(1,455)
(4,315)	(4,641)

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

Recognition of company deferred tax assets is based on profitability of other group companies and anticipated group relief claims.

The company has capital losses of £641k. These losses can only be utilised against future capital gains that the company might generate. As such capital gains are not anticipated no deferred tax asset has been recognised.

SAGA GROUP LIMITED
Notes to the financial statements (continued)

9. Intangible fixed assets

	Software £'000
Cost	
At 1 February 2018	15,879
Additions	5,648
Transfer	(214)
At 31 January 2019	<u>21,313</u>
Amortisation	
At 1 February 2018	6,378
Charge for year	4,460
Transfer	172
At 31 January 2019	<u>11,010</u>
Net book value	
At 31 January 2019	<u>10,303</u>
At 31 January 2018	<u>9,501</u>

Intangible assets amortisation is recorded in administrative expenses in the income statement.

SAGA GROUP LIMITED
Notes to the financial statements (continued)
10. Tangible fixed assets

	Short Leasehold Land & Buildings £'000	Fixtures & Fittings £'000	Computer s Plant & Machinery equipment £'000	Total £'000
Cost				
At 1 February 2018	5,723	19,119	8,287	33,129
Additions	-	423	1,272	1,695
Transfer	(689)	847	718	876
At 31 January 2019	<u>5,034</u>	<u>20,389</u>	<u>10,277</u>	<u>35,700</u>
Depreciation				
At 1 February 2018	4,591	16,935	6,123	27,649
Charge for year	95	816	1,365	2,276
Transfer	67	222	200	489
At 31 January 2019	<u>4,753</u>	<u>17,973</u>	<u>7,688</u>	<u>30,414</u>
Net book value				
At 31 January 2019	<u>281</u>	<u>2,416</u>	<u>2,589</u>	<u>5,286</u>
At 31 January 2018	<u>1,132</u>	<u>2,184</u>	<u>2,164</u>	<u>5,480</u>

11. Investment in subsidiaries

	2019 £'000	2018 £'000
Cost		
At 1 February	77,327	104,677
Additions	6,500	-
Disposals	-	(27,350)
At 31 January	<u>83,827</u>	<u>77,327</u>
Provision for impairment		
At 1 February and 31 January	<u>-</u>	<u>-</u>
Net book amount		
At 31 January	<u>83,827</u>	<u>77,327</u>

A list of the subsidiary undertakings of Saga Group Limited is included in note 27 to the accounts.

SAGA GROUP LIMITED
Notes to the financial statements (continued)

12. Debtors

	2019	2018
	£'000	£'000
Trade debtors	329	244
Amounts owed by group undertakings	846,858	1,276,466
Other debtors	1,571	1,519
Prepayments and deferred expenditure	3,676	2,577
Deferred tax	3,348	3,957
	<u>855,782</u>	<u>1,284,763</u>

Deferred tax comprises short term timing differences of £814k (2018 - £512k) and an excess of depreciation over capital allowances of £2,058k (2018 - £2,255k) and retirement benefit scheme liabilities of £476k (2018 - £1,190k).

Recognition of Company deferred tax assets is based on profitability of other group companies and anticipated group relief claims. All amounts above are due in less than one year, except for deferred tax.

13. Cash on deposit

	2019	2018
	£'000	£'000
Deposits with financial institutions	<u>76</u>	<u>76</u>

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

14. Creditors - amounts falling due within one year

	2019	2018
	£'000	£'000
Bank overdraft	-	5,531
Trade creditors	1,599	1,223
Finance leases	631	-
Amounts due to group undertakings	595,483	228,729
Other taxes and social security	2,597	2,745
Other creditors	-	981
Accruals	9,187	7,798
	<u>609,497</u>	<u>247,007</u>

15. Creditors - amounts falling due after more than one year

	2019	2018
	£'000	(restated) £'000
Finance leases	111	-
Amounts due to group undertakings	<u>137,457</u>	<u>167,134</u>
	<u>137,568</u>	<u>167,134</u>

For the prior year, amounts due to group undertakings have been restated to clarify amounts expected to be settled after more than one year. In total, amounts due to group undertakings in the prior year remains at £395,863k.

SAGA GROUP LIMITED
Notes to the financial statements (continued)

16. Lease commitments

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

	2019	2018
	£'000	£'000
Land and buildings		
Within one year	4,349	4,824
Between two and five years	16,082	18,320
After five years	36,913	43,806
	<u>57,344</u>	<u>66,950</u>

	2019	2018
	£'000	£'000
Plant and machinery		
Within one year	791	594
Between two and five years	992	859
	<u>1,783</u>	<u>1,453</u>

17. Provisions for liabilities

	Property Dilapidatio Provisions £'000	Employer Liability Provisions £'000	Total Provisions £'000
Balance as at 1 February 2018	246	1,460	1,706
Utilised during the year	-	(247)	(247)
Funded during the year	31	-	31
Balance as at 31 January 2019	<u>277</u>	<u>1,213</u>	<u>1,490</u>

The employer liability provision relates to various group related, self-funded insurance arrangements. The outflow from this provision depends on the timing of the settlement of claims.

18. Called up share capital

	2019	2018
	£'000	£'000
Allotted, called up and fully paid		
18,086,076 ordinary shares at 20p each	<u>3,617</u>	<u>3,617</u>

19. Capital contribution reserve

The capital contribution reserve is in respect of contributions from the ultimate parent company, Saga plc, in relation to share-based awards made by it to the Company's employees. Further information can be found in the financial statements of Saga plc.

20. Retirement benefit scheme

The Company is a sponsoring employer of two pension retirement benefit schemes for the employees of the Group consisting of a defined contribution plan and defined benefit plan.

a. Defined contribution plan:

The total charge for the year in respect of the employer's contributions for the defined contribution scheme was £1.8m (2018: £0.6m). The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

b. Defined benefit plan

The Saga Pension Scheme ("Saga Scheme") is open to new members who accrue benefits on a career average salary basis. The assets of the scheme are held separately from those of the Group in independently administered funds.

These plans are governed by the employment laws of the UK, which require final salary payments to be adjusted for the consumer price index once in payment during retirement. The level of benefits provided depends on the member's length of service and salary at retirement age. The defined benefit pension plan requires contributions to be made to a separately administered fund. The fund is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the management of the investment strategy.

The long-term investment objectives of the Trustees and the Group are to limit the risk of the assets failing to meet the liabilities of the schemes over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the schemes. To meet those objectives, each scheme's assets are invested in different categories of assets, with different maturities designed to match liabilities as they fall due. The investment strategy will continue to evolve over time and is expected to match to the liability profile increasingly closely. The pension liability is exposed to inflation rate risks and changes in the life expectancy for pensioners. As the plan assets include investments in quoted equities, the Group is exposed to equity market risk.

	2019	2018
	£'000	£'000
Fair value of scheme assets	312,400	307,300
Present value of defined benefit obligation	(315,200)	(314,300)
Defined benefit scheme liability	<u>(2,800)</u>	<u>(7,000)</u>

SAGA GROUP LIMITED**Notes to the financial statements (continued)****20. Retirement benefit scheme (continued)**

a. The assets and liabilities of the scheme as at 31 January are:

	2019	2018
	£'000	£'000
Scheme assets at fair value		
Equities	58,100	61,400
Bonds	171,000	160,300
Property	16,800	17,900
Hedge funds	61,900	63,000
Insured Annuities	3,400	1,200
Cash and other	1,200	3,500
Fair value of scheme assets	<u>312,400</u>	<u>307,300</u>
Present value of scheme liabilities	<u>(315,200)</u>	<u>(314,300)</u>
Defined benefit pension plan deficit	<u>(2,800)</u>	<u>(7,000)</u>

Equities, government bonds and corporate bonds are all quoted in active markets whilst property and insurance policies are not.

The pension scheme has not invested in any of the Group's own financial instruments.

SAGA GROUP LIMITED
Notes to the financial statements (continued)
20. Retirement benefit scheme (continued)

- b. The amounts recognised in the income statement and in the statement of comprehensive income for the year are analysed as follows:

	2019	2018
	£'000	£'000
<i>Pension cost charge to the Income Statement</i>		
Current service cost	(8,000)	(14,600)
Past service cost	(100)	-
Net interest cost	-	(200)
Net cost	<u>(8,100)</u>	<u>(14,800)</u>

The past service cost above includes the Company's estimate of the cost of equalising Guaranteed Minimum Pensions, which served to increase the scheme liabilities by £0.1m.

	2019	2018
	£'000	£'000
<i>Net interest cost recognised in the Income Statement</i>		
On scheme assets	8,100	8,200
On defined benefit obligation	(8,100)	(8,400)
Net interest cost	<u>-</u>	<u>(200)</u>

	2019	2018
	£'000	£'000
<i>Taken to the Statement of Comprehensive Income</i>		
Return on scheme assets	(5,800)	17,200
Actuarial changes arising from demographic assumptions	1,900	4,000
Actuarial changes arising from changes in financial assumptions	7,500	(6,100)
Experience adjustments	(1,500)	(4,900)
Recognised in the statement of comprehensive income	<u>2,100</u>	<u>10,200</u>

SAGA GROUP LIMITED
Notes to the financial statements (continued)

20. Retirement benefit scheme (continued)

c. Changes in the present value of the defined benefit obligations are as follows:

	2019	2018
	£'000	£'000
Opening defined benefit obligation	314,300	290,500
Current service cost	8,000	14,600
Past service cost	100	-
Interest cost	8,100	8,400
Contributions by scheme participants	400	600
Experience losses	1,500	4,900
Changes in assumptions underlying the present value of scheme liabilities	(9,400)	2,100
Net benefits paid out	(7,800)	(6,800)
Closing defined benefit obligation (a)	<u>315,200</u>	<u>314,300</u>

d. Changes in the fair value of plan assets are as follows:

	2019	2018
	£'000	£'000
Opening fair value of scheme assets	307,300	276,800
Interest income on scheme assets	8,100	8,200
Contributions by employer	10,200	11,300
Contributions by scheme participants	400	600
Benefits paid	(7,800)	(6,800)
Actuarial gains and losses	(5,800)	17,200
Closing fair value of scheme assets (a)	<u>312,400</u>	<u>307,300</u>

SAGA GROUP LIMITED
Notes to the financial statements (continued)

20. Retirement benefit scheme (continued)

The principal assumptions used in determining pension benefit obligations for the Saga Scheme are shown below:

	2019	2018
Real rate of increase in salaries	3.00%	3.05%
Real rate of increase of pensions in payment	2.90%	2.95%
Real rate of increase of pensions in deferment	2.90%	2.90%
Discount rate - pensioner	2.60%	2.60%
Discount rate - non pensioner	2.70%	2.60%
Inflation - pensioner	3.05%	3.10%
Inflation - non pensioner	3.00%	3.05%

Mortality assumptions are set using standard tables based on scheme specific experience where available. The scheme's mortality assumptions are based on mortality tables which allow for future mortality improvements. The scheme's assumption is that a member currently aged 60 will live on average for a further 26.4 years if they are male and on average for a further 28.4 years if they are female.

A quantitative sensitivity analysis for significant assumptions as at 31 January 2019 and their impact on the net defined benefit obligation is as follows:

Assumptions	Discount rate		Future inflation		Life expectancy		Future salary
Sensitivity	+ / - 0.25%		+ / - 0.25%		+ / - 1 year		+ / - 0.5%
	Increase	Decrease	Increase	Decrease	Increase	Decrease	
Impact £m	(15.9)	17.4	11.9	(12.5)	9.7	(9.3)	0.0

Note: a positive impact represents an increase in the net defined benefit liability.

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions are constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

The expected contribution to the scheme for the next year is £9.9m and the average duration of the defined benefit scheme obligation at the end of the reporting period is 23 years.

Formal actuarial valuations take place every three years. The assumptions adopted for actuarial valuations are determined by the Trustee and are agreed with the Group and are normally more prudent than the assumptions adopted for IAS19 purposes, which are best estimate. Where a funding deficit is identified, the Group and Trustee may agree a deficit recovery plan to pay additional contributions above those needed to fund new pensions accruing in the scheme.

20. Retirement benefit scheme (continued)

The latest valuation of the Saga Scheme was at 31 January 2017. Further to this valuation, a recovery plan is in place for the scheme. Under the agreed recovery plan, the Group made an additional payment of £2.5m during the year ended 31 January 2019 and will make payments totalling a further £28.2m over the next six years, with the last payment being made by 29 February 2024. The total expected contributions in the year ending 31 January 2020 are £9.9m, inclusive of a £2.8m additional payment. No additional liabilities are required to be accrued in relation to the recovery plan since the employer has the right to a refund if a surplus is recognised and the Trustees of the scheme are unable to wind up the scheme before any refund is made.

21. Share-based payments

Saga plc, the ultimate parent of the Saga group, uses equity-settled share plans to grant options and shares to the Company's Directors and employees. Equity-settled share-based payments issued to the Company's employees are measured at fair value and that this value is expensed over the vesting period.

Share options are granted under the Saga plc Long-Term Incentive Plan (LTIP).

The LTIP is a discretionary executive share plan. Under the LTIP, the Saga plc Board may, within certain limits and subject to applicable performance conditions, grant options over shares in Saga plc. Up to 31 January 2017, these options are 50% linked to a non-market vesting condition, earnings per share (EPS), and 50% linked to a market vesting condition, total shareholder return (TSR). From 1 February 2017 to 31 January 2018, these options are 60% linked to non-market vesting conditions (30% linked to basic EPS and 30% linked to organic EPS) and 40% linked to a market vesting condition, TSR. From 1 February 2018, these options are 60% linked to non-market vesting conditions (30% linked to organic EPS and 30% linked to return on capital employed [ROCE]) and 40% linked to a market vesting condition, TSR. The fair value of the options at the grant date has been calculated using a Black-Scholes valuation.

SAGA GROUP LIMITED
Notes to the financial statements (continued)

21. Share-based payments (continued)

The table below summarises the movements in the number of share options outstanding for the employees of the Company and their weighted average exercise price:

	LTIP
Outstanding at 1 February 2018	2,278,138
Granted during the year	1,248,600
Forfeited during the year	-
Exercised during the year	(173,316)
Outstanding at 31 January 2019	3,353,422
Exercise price	£nil
Exercisable at 31 January 2019	648,411
Average remaining contractual life	1.2 years
Average fair value at grant	£1.59

Details of the information relevant in determining the fair value of options granted is available in the financial statements of Saga plc.

22. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries in the Saga group of companies.

SAGA GROUP LIMITED

Notes to the financial statements (continued)

23. Contingent liabilities

Whilst the Company has committed to provide ongoing financial support (as required) to certain other group companies with net liabilities at the year end, in the opinion of the Directors no material loss will arise in respect of this financial support.

24. Cross company guarantees

The Company acts as guarantor on a contract for the construction of a new cruise ship for delivery in 2019 held by Saga Cruises V Limited, a fellow group undertaking.

25. Ultimate parent undertaking

The immediate parent undertaking is Saga Leisure Limited, a company which is registered in England and Wales. The Company is wholly owned by Saga Leisure Limited.

In respect of the year ending 31 January 2019, Saga plc is the parent company of the smallest group of which the Company is a member and for which group financial statements are prepared.

A copy of the financial statements of Saga plc for the year ended 31 January 2019 may be obtained from the corporate website www.corporate.saga.co.uk or from the Company Secretary, Saga plc, Enbrook Park, Folkestone, Kent, CT20 3SE.

26. Ultimate controlling party

The Directors consider the ultimate controlling party to be Saga plc.

SAGA GROUP LIMITED**Notes to the financial statements (continued)****27. Subsidiary undertakings**

The entities listed below are wholly owned subsidiaries of the Company. The registered office address for all entities registered in England is Enbrook Park, Sandgate, Folkestone, Kent, CT20 3SE. The registered office address of Saga Cruises GmbH is Industriegebiet Süd, 26871, Papenburg, Niedersachsen, Germany.

Company	Country of registration	Nature of business
Saga Services Limited	England	Financial services
PEC Services Limited	England	Repair of automotive vehicles
ST&H Limited	England	Tour operating
ST&H Transport Limited	England	Tour operating
Destinology Limited	England	Tour operating
Titan Transport Limited	England	Tour operating
Saga Cruises Limited	England	Cruising
Saga Cruises I Limited	England	Cruising
Saga Cruises IV Limited	England	Cruising
Saga Cruises V Limited	England	Cruising
Saga Cruises VI Limited	England	Cruising
Saga Cruises GmbH	Germany	Cruising
Saga Crewing Services Limited	England	Cruising
Enbrook Cruises Limited	England	Cruising
Saga Personal Finance Limited	England	Regulated investment products
Saga Healthcare Limited	England	Provision of domiciliary care
Saga Retirement Villages Limited	England	Marketing of retirement villages
MetroMail Limited	England	Mailing house
Saga Publishing Limited	England	Publishing
Saga Membership Limited	England	Customer loyalty scheme
Driveline Group Limited	England	Holding Company
Confident Services Limited	England	Dormant company
Country Cousins (Horsham) Limited	England	Dormant company
Driveline Europe Limited	England	Dormant company
Driveline Travel Limited	England	Dormant company
Patricia White's Personal Home Care Limited	England	Dormant company
Saga Coach Holidays Limited	England	Dormant company
Saga Communications Limited	England	Dormant company
Saga Cruises II Limited	England	Dormant company
Saga Cruises III Limited	England	Dormant company
Saga Cruises BDF Limited	England	Dormant company
Saga Flights.com Limited	England	Dormant company
Saga Funding Limited	England	Dormant company
Saga Holidays Limited	England	Dormant company
Saga Independent Living Limited	England	Dormant company
Saga Radio (North West) Limited	England	Dormant company
Saga Shipping Company Limited	England	Dormant company
Spirit Of Adventure Limited	England	Dormant company
ST&H Group Limited	England	Dormant company

SAGA GROUP LIMITED**Notes to the financial statements (continued)****27. Subsidiary undertaking (continued)**

Company	Country of registration	Nature of business
Titan Aviation Limited	England	Dormant company
Titan Travel Holdings Limited	England	Dormant company
Titan Travel Limited	England	Dormant company

The joint venture undertakings of Saga Group Limited are listed below.

Saga Investment Services Limited services	England	Wealth management
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The Group holds a 50% interest in Saga Investment Services Limited.