SAGA PERSONAL FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2023

SAGA PERSONAL FINANCE LIMITED
Company information

Directors:	J Quin C A Melvin J Toher (appointed 16 November 2022) G Godfrey (appointed 10 January 2023) S Kingshott (appointed 7 July 2022, resigned 22 December 2022) J Hopes (resigned 10 January 2023)
Secretary:	N Koning (appointed 16. December 2022) V Haynes (resigned 14 June 2022) O Balmont (appointed 14 June 2022, resigned 16 December 2022)
Registered Office:	Enbrook Park, Folkestone, Kent CT20 3SE Saga Group Ltd.
Company registration no:	03023493
Auditor:	KPMG LLP, 15 Canada Square, London E14 5GL

SAGA PERSONAL FINANCE LIMITED

The Directors submit the Annual Report and audited Financial Statements of Saga Personal Finance Limited ("the Company") for the year ended 31 January 2023.

Strategic report

Review of Business Developments and Principal Activity

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

The Company's principal activity is the delivery of personal financial services products for people aged fifty and over. Products offered include equity release and savings. The Company is regulated by the Financial Conduct Authority ("FCA"). The Company has completed a satisfactory year and the Directors anticipate further development of the business in the coming year through increased investment in advertising of existing personal financial services products.

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

	2023 **£'000**	**2022** **£'000**	Change
Turnover	7,972	5,890	35.3%
Expenses	(5,667)	(2,857)	(98.4%)
Profit before taxation	2,305	3,033	(24.0%)

Turnover for the year to 31 January 2023 increased by 35.3% to £7,972,000. The increase in turnover is attributable to increased revenue growth in both equity release and savings products. Expenses increased by 98.4% to £5,667,000 reflecting both increased marketing costs and the investment in the new team to drive new business opportunities. New advertising campaigns for the equity release product including television advertising were undertaken in Q4 2022/3, the initial results are positive with lead generation significantly increasing.

The profit before taxation for the year amounted to £2,305,000 (2022: £3,033,000). Profit after taxation of £1,865,000 (2022: £2,463,000) has been taken to reserves. Dividends on ordinary shares paid to Saga Group Limited amounted to £2,500,000 (2021: £2,000,000).

Principal Risks and Uncertainties

The business operates an enterprise risk management framework that facilitates the timely and effective management of all material risk exposures. Risk management plays a crucial role in the firm's formation of strategy and decision making against clearly articulated Board approved appetite statements.

Risk information is used to support and inform the decision-making process and is subject to continuous review and improvement so that it remains fit for purpose.

The principal risks facing the business have been grouped into the following categories:

Competitive Risk
The Company continues to operate in highly competitive markets. These risks are managed through the provision of products and services that are targeted to the needs of our customers, promotion of our brand, continuing efforts to improve operational efficiency, and focus on customer service, quality and value for money. A range of internal and external intelligence is used to monitor the external market.

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. The Company protects the brand through its policies and procedures, with the Group continuing to support this through investment in brand marketing activity.

Regulatory Risk
The Company is required to comply with the regulations of the Financial Conduct Authority (FCA). A failure to comply with these regulations could cause the Company to incur fines or be unable to continue trading. This risk is mitigated through clear policies, processes and controls and sufficient expertise to guide and support the business in understanding and complying with regulations.

Operational Risk
The Company outsources several key aspects of its business to a small number of strategic partners. The effective management and operational resilience of these third-party relationships are closely monitored and periodically audited. Other more specific third-party operational risks relate to disruption of customer services through loss of telephony or IT infrastructure.

Other key operational risks the Company faces include a successful cyber-attack, and breach of the Data Protection Act (DPA) 2018. The Company operates an effective set of information security controls to protect against cyber risk, which are also subject to external testing and compliance with ISO 27001. The business also works closely with the Group Data Protection Officer to maintain an appropriate set of controls to meet its obligations under the DPA 2018.

The Company has procedures and controls designed to prevent these risks occurring or, where this is not possible, to mitigate potential impact. These controls are monitored by the Risk, Compliance and Internal Audit functions to ensure they are working effectively.

Principal Risks and Uncertainties (continued)

Intra-Group Risk
The Company is part of the Saga plc Group of companies, and therefore has some exposure to risks that may materialise in other companies within the Saga plc Group. Management work closely with colleagues across the Group, providing input into and oversight of the reporting, management and mitigation of material risks.

Management have undertaken an assessment of the risks facing the business including consideration of; the risk of contagion from the Saga plc Group's £150m bond maturity in May 2024, the addition of a £50m loan facility for the Saga Plc Group from Sir Roger De Haan and the impact of inflationary pressures. SPF management have reviewed the stress modelling undertaken by Saga plc and consider the assumptions and conclusions to be reasonable.

Inflation and Cost of living Crisis Risk

During 2022, the United Kingdom has seen an acceleration of inflation driven by heightened global economic and political uncertainty following COVID-19, the Russian invasion of Ukraine, and disrupted global supply chains. The Bank of England and the UK Government have responded with various changes, including increases to the base rate of interest. Inflation has led to increased prices for consumers and therefore reduced financial flexibility for many households and in particular those on fixed incomes such as pensions.

A number of potential risks have been identified that could impact the Group's ability to deliver on its strategy that will require close monitoring and an agile management response. These risks include increasing inflationary pressures on both product pricing and consumer spending behaviours caused by rising commodity prices.

Future Developments

The Directors continue to look to offer value for money personal financial services in the current competitive environment.

By order of the Board

N. Koning

N Koning
Secretary
23 June 2023

SAGA PERSONAL FINANCE LIMITED
Directors' report

The Directors submit the Directors' Report of the Company for the year ended 31 January 2023.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual 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;
- use the going concern basis of accounting unless they either intend to liquidate the Company, 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, 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 also 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.

Directors

The Directors, who served throughout the year and up to the date of this report (except as noted), were as follows:
J Quin
C A Melvin
J Toher (appointed 16 November 2022)
G Godfrey (appointed 10 January 2023)
S Kingshott (appointed 7 July 2022, resigned 22 December 2022)
J Hopes (resigned 10 January 2023)

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

N. Koning

N Koning
Secretary
23 June 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGA PERSONAL FINANCE LIMITED

Opinion

We have audited the financial statements of Saga Personal Finance Limited ("the Company") for the year ended 31 January 2023 which comprise the Income statement, Statement of Comprehensive Income, 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 2023 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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit, Risk and Compliance Committee and other members of management and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit, Risk and Compliance Committee minutes.
- Considering remuneration incentive schemes and performance targets for directors and senior management.

- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

To address the pervasive risk as it relates to management override, we performed procedures including:

- Identifying journal entries to test, based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by unauthorized users or leavers, those including specific words based on our risk criteria, those posted to seldom used accounts, post-closing entries, those posted with little, or no description and unusual journal entries posted to either cash or borrowings.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: liquidity, conduct and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form regulated primarily by the Financial Conduct Authority. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 5, 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.

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.

Timothy Butchart (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

23 June 2023

SAGA PERSONAL FINANCE LIMITED
Income statement for the year ended 31 January 2023

	Note	2023 £'000	2022 £'000
Turnover	3	7,972	5,890
Staff costs	7	(666)	(316)
Depreciation and amortisation charges	4	(16)	(16)
Other operating charges	5	(4,985)	(2,525)
Profit on ordinary activities before taxation	4	2,305	3,033
Taxation	9	(440)	(570)
Retained profit for the financial year		1,865	2,463

There are no other items of comprehensive income other than those included above in the income statement. Accordingly, the profit for the financial year is also total comprehensive income for the year.

Notes 1 to 22 form an integral part of these financial statements.

SAGA PERSONAL FINANCE LIMITED
Balance sheet as at 31 January 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible fixed assets	11	107	123
Tangible fixed assets	12	-	-
		107	123
Current assets			
Debtors – amounts falling due after more than one year	13	1,426	1,592
Debtors – amounts falling due within one year	13	8,272	8,398
Cash at bank and in hand	14	855	1,103
		10,553	11,093
Creditors - amounts falling due within one year	15	(3,200)	(3,121)
Net current assets		7,353	7,972
Total assets less current liabilities		7,460	8,095
Creditors - amounts falling due greater than one year	15	-	-
Net assets		7,460	8,095
Capital and reserves	16		
Called-up share capital		850	850
Capital contribution reserve		157	157
Retained earnings		6,453	7,088
Shareholders' funds		7,460	8,095

Signed for and on behalf of the Board by:

James B. Quin

J Quin
Director
23 June 2023

Notes 1 to 22 form an integral part of these financial statements.

SAGA PERSONAL FINANCE LIMITED
Statement of changes in equity for the year ended 31 January 2023

	Called-up Share Capital £'000	Capital Contribution Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 February 2021	850	157	6,625	7,632
Profit for the financial year	-	-	2,463	2,463
Dividends paid	-	-	(2,000)	(2,000)
At 31 January 2022	850	157	7,088	8,095
Profit for the financial year	-	-	1,865	1,865
Dividends paid	-	-	(2,500)	(2,500)
At 31 January 2023	850	157	6,453	7,460

Notes 1 to 22 form an integral part of these financial statements.

1 General information

Saga Personal Finance Limited (the "Company") is a company incorporated and domiciled in the UK (Company No. 03023493) 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. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Directors have reviewed the appropriateness of the going concern basis in preparing the financial statements, details of which are included in note 2(b). Based on those assumptions, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the financial statements.

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 consolidated financial statements of Saga plc, within which this Company is included, can be obtained from the address given in note 22. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2023.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

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".

2 Significant Accounting policies (continued)

a) Basis of preparation (continued)

e) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 39(c), 40A-D, 111 and 134-136 of IAS 1 "Presentation of Financial Statements".

f) the requirements of IAS 7 "Statement of Cash Flows".

g) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors".

h) the requirements of paragraph 17 of IAS 24 "Related Party Disclosures".

i) 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) Going concern

The Directors have considered the appropriateness of the going concern basis of preparation for the financial statements prepared to 31 January 2023 and in doing so have considered a range of possible scenarios that factor in the potential ongoing impact of key risks and uncertainties.

The Company's business activities, together with the factors likely to affect its future development and performance, its exposure to risk and its management of these risks, are described on pages 3 to 4. As a consequence, the Directors believe that the Company is well placed to successfully manage its business risks.

The Company continues to perform well, having been successful in maintaining operational capability throughout the period and has continued to generate positive cashflows. As part of the Saga plc Group, the Company is dependent on the provision of shared back-office functions such as Finance, IT, HR and Risk, and is heavily reliant on use of the Saga brand to market its products and services. The Directors have therefore had to also consider the potential impact on the Company of trading stresses in other businesses within the Saga plc Group of companies and contagion risk on the operations of the Company.

Further details on the range of mitigating actions taken and downside stress-testing for the Group are contained in note 2.1 of the Saga plc Group financial statements. From these considerations the Directors have a reasonable expectation that these stresses and potential demands will not undermine the going concern basis of accounting for the Company.

2 Significant Accounting policies (continued)

b) Going concern (continued)

Based on the analysis performed and the scenarios modelled as well as the Company's performance, the Directors are confident that the Company will continue to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements. The Directors have therefore deemed it appropriate to prepare the financial statements to 31 January 2023 on a going concern basis.

c) 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.

There are no estimates, assumptions and judgements at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

d) Turnover

Revenue from personal finance products is recognised when the customer contracts with the provider of the relevant personal finance product where the revenue comprises a one-off payment by the provider of the product. Where the personal finance product is one that delivers a recurring income stream, the present value of the future expected revenue to be received is recognised when the customer contracts with the provider of the relevant personal finance product, and it is highly probable that a significant reversal of revenue recognised will not occur.

For the Saga savings product, commissions are earned over the duration of the contract in line with the contractual amount due to the Group. For Saga equity release products, commissions are earned initially and over the lifetime of the product. Additionally, further commissions, where applicable are earned at each subsequent stage of the drawdown if any more of the advance is taken by the customer. Initial commission relating to new business is recognised as revenue at the point the performance obligation with the Group's contracted business partners is satisfied, and the customer has taken out the product. Where applicable, trail commission is recognised as the discounted future cash flows expected to be received over the estimated life of the product and likewise for further commissions on additional drawdowns undertaken by the customer.

2 Significant Accounting policies (continued)

e) Intangible fixed assets

Computer software costs recognised as intangible fixed assets are amortised over their estimated useful lives, which is between 3 and 10 years. Intangible computer software assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. 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 tangible fixed assets less any expected residual value is depreciated in equal instalments over the useful economic life of each asset. These lives are as follows:

Computer equipment	4 years

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 the derecognition of the asset is included in the income statement in the period of derecognition.

g) Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost, using the effective interest rate method. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Amounts due from group undertakings are classified as debtors. They have no fixed date of payment and are payable on demand. The amounts due from group undertakings are disclosed at fair value.

2 Significant Accounting policies (continued)

h) Cash at bank and in hand

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

i) Trade and other creditors

Trade and other creditors are initially recognised at fair value, and where the time value of money is material, subsequently measured at amortised cost using the effective interest method. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the year end, but for which payment has not yet been made.

j) Pension benefits

Prior to 31 October 2021, the Company made contributions to the Saga Pension Scheme, a defined benefit pension scheme (the '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's employees are members of a group wide defined benefit pension plan. As there was no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan was recognised fully by the sponsoring employer, which is another member of the Group. The Company then recognised a cost equal to its contribution payable for the period.

The Scheme was closed to future accrual on 31 October 2021, with all members moving from active to deferred status. In its place, the Group launched a new defined contribution pension scheme arrangement, operated as a Master Trust. The amounts charged to the income statement are the contributions payable in the year.

2 Significant Accounting policies (continued)

k) 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 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. 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.

2 Significant Accounting policies (continued)

l) Financial instruments

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 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The Company measures all financial assets at fair value at each reporting date, other than those instruments measured at amortised cost.

The Company's financial assets at amortised cost include amounts due from group undertakings and trade debtors. The Company does not hold any financial assets classified as fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

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.

Derecognition

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

2 Significant Accounting policies (continued)

l) Financial instruments (continued)

ii) Impairment of financial assets

The 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 trade receivables and contract assets that result from transactions within the scope of IFRS 15.

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 Company's historical experience and informed credit assessment and including forward-looking information.

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. Loss allowances for ECLs on financial assets measured at amortised cost are recognised as a provision in the balance sheet with a corresponding charge to the income statement.

iii) Financial liabilities

Initial recognition and measurement

All financial liabilities are classified as financial liabilities at amortised cost on 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 trade and other 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. 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 finance costs in the income statement.

2 Significant Accounting policies (continued)

l) Financial instruments (continued)

iii) Financial liabilities (continued)

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.

m) 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.

n) Share-based payments

Saga plc, the ultimate 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.

3 Turnover

Turnover relates to marketing contributions and commission earned on the arrangement of, and ongoing fees of, financial services products including investment and savings services net of any expected cancellation clawbacks. All business is carried out in the UK.

4 Profit on ordinary activities before taxation

	2023	2022
Profit on ordinary activities before taxation is stated after charging:	£'000	£'000
Depreciation of tangible fixed assets (note 12)	-	-
Amortisation of intangible fixed assets (note 11)	16	16
Auditor's remuneration - audit of financial statements	31	31

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.

5 Other operating charges

	2023	2022
	£'000	£'000
Marketing expenses	3,806	1,557
Management recharges	810	763
Other expenses	369	205
	4,985	2,525

6 Directors' remuneration

	2023	2022
	£'000	£'000
Aggregate remuneration in respect of qualifying services	257	-
Number of directors who received shares under long term incentive schemes	-	-
Number of directors who exercised share options	-	-
Members of defined benefit pension scheme	-	-
Among the Directors remunerated by the Company, the amounts paid in respect of the highest paid Director were as follows:		
Aggregate remuneration in respect of qualifying services	164	-

SAGA PERSONAL FINANCE LIMITED
Notes to the financial statements (continued)

7 Staff costs

	2023	2022

	£'000	£'000
Wages and salaries	570	270
Social security costs	62	29
Pension costs	34	17
	666	316

The monthly average number of employees during the year was as follows:	2023 No.	2022 No.
Administration and management	8	6
	8	6

8 Pension benefits

The Company's employees are members of a group wide defined benefit pension plan, the Saga Pension Scheme. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the Group. The Company then recognises a cost equal to its contribution payable for the period.

The Scheme was closed to future accrual on 31 October 2021, with all members moving from active to deferred status. In its place, the Group launched a new defined contribution pension scheme arrangement, operated as a master trust.

The IAS 19 deficit (gross of deferred taxation) of the Scheme at 31 January 2023 was £12.1 million (2022: £1.1 million surplus).

Further details of the Scheme can be found in the financial statements of the ultimate parent company, Saga plc.

9 Taxation

	2023	2022
	£'000	£'000
Current tax		
UK corporation tax at 19.00% (2022: 19.00%)	433	570
Adjustments in respect of prior periods	-	3
Total current tax	433	573
Deferred tax		
Origination and reversal of timing differences	7	6
Adjustments in respect of prior periods	-	-
Effect of tax rate change on opening balance	-	(9)
Total deferred tax	7	(3)
Total tax expense in the income statement	440	570

Reconciliation of total tax expense:	2023	2022
	£'000	£'000
Pre-tax profit at 19.00% (2022: 19.00%)	438	576
Permanent differences	-	-
Adjustments in respect of prior periods	-	3
Effect of tax rate change on opening balance	-	(9)
Rate change adjustment on temporary differences	2	-
Total tax expense in the income statement	440	570

The corporation tax charge for the current and prior year is entirely made up of payments to other group companies for group relief.

On 3 March 2021, it was announced that the corporation tax rate would increase from 19% to 25% from 1 April 2023. This increase was substantively enacted on 24 May 2021. As a result, the closing deferred tax balances at the statement of financial position date have been reflected at 25%. Net deferred tax assets/(liabilities) are expected to be normally settled in more than 12 months.

10 Dividend

A dividend of £2.94 per share (2022: £2.35) has been paid during the year at a cost of £2,500,000 (2022: £2,000,000).

11 Intangible fixed assets

	Computer Software
Cost	£'000
At 1 February 2022	1,168
Additions	-
At 31 January 2023	1,168
Amortisation	
At 1 February 2022	1,045
Charge for year	16
At 31 January 2023	1,061
Net book value	
At 31 January 2023	107
At 31 January 2022	123

12 Tangible fixed assets

	Computer equipment
	£'000
Cost	
At 1 February 2022 and at 31 January 2023	140
Depreciation	
At 1 February 2022 and at 31 January 2023	(140)
Net book value	
At 31 January 2023	-
At 31 January 2022	-

13 Debtors

	2023	2022
	£'000	£'000
Due after more than one year		
Deferred taxation	30	37
Prepayments and accrued income	1,396	1,555
	1,426	1,592

	2023	2022
Due within one year	£'000	£'000
Amounts due from group undertaking	7,221	7,944
Trade debtors	8	9
Prepayments and accrued income	1,043	445
	8,272	8,398

Deferred taxation comprises an excess of depreciation over capital allowances of £30,000 (2022: £37,000).

14 Cash at bank and in hand

	2023	2022
	£'000	£'000
Cash at bank and in hand	855	1,103

The Company is required to comply with the Adequate Resources requirements of Threshold Condition 2.4 of the FCA Handbook. The Company undertakes a rigorous assessment against the requirements of this Condition on an annual basis and, as a consequence of this, calculates and holds an appropriate amount of liquid capital. Cash at bank and in hand includes £400,000 (2022: £400,000) held in this respect.

15 Creditors - amounts falling due within one year

	2023	2022
	£'000	£'000
Trade creditors	76	92
Other creditors	4	3
Accruals and deferred income	3,120	3,026
	3,200	3,121

16	**Called-up share capital and reserves**	2023	2022
		£'000	£'000
	Allotted, called-up and fully paid		
	850,000 ordinary shares of £1 each	850	850

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 (see note 18). Further information can be found in the financial statements of Saga plc.

Retained earnings represent cumulative profit or losses, net of dividends and other adjustments.

17 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.

18 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 this value is expensed over the vesting period.

Share options are granted under the Saga plc Long-Term Incentive Plan ('LTIP'), Restricted Share Plan ('RSP') and Saga Transformation Plan ('STP').

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, EPS, and 50% linked to a market vesting condition, 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 ROCE) and 40% linked to a market vesting condition, TSR. From 1 February 2019, these options are 75% linked to non-market vesting conditions (50% linked to operational and strategic measures and 25% linked to ROCE) and 25% linked to a market vesting condition, TSR. The fair value of the options has been calculated using a Black-Scholes valuation.

The RSP is a discretionary executive share plan under which the Board may grant options over shares in Saga plc.

In July 2022, the Board and shareholders approved the issue of an additional new award called the Saga Transformation Plan (STP). The STP has a five-year vesting period and participants receive a 12.5% share in shareholder value (share price plus dividends) created above a £6 per share hurdle over a five-year performance period commencing from the grant date, subject to continuing employment. For Directors and senior leaders, the STP will be equity-settled. For other employees, the STP will be settled in cash. There is a cap of £88.0m on the value of awards that may vest, and the awards have a range of grant dates based on the tranche that each participant falls into.

18 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	RSP	STIP
Outstanding at 1 February 2022	2,730	-	-
Granted during the year	-	155,133	-
Exercised during the year	(262)	-	-
Forfeited during the year	(2,468)	-	-
Outstanding at 31 January 2023	-	155,133	-
Exercise price	£nil	£nil	£nil
Average remaining contractual life	0.0 years	2.5 years	4.4 years
Average fair value at grant	£6.60	£1.51	n/a

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

19 Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

For the purposes of the Company's capital management, capital comprises total equity of £7,460,000 (2022: £8,095,000) as shown on the balance sheet. The Company is required to comply with the Capital resources requirements of INPRU-INV 13 of the FCA Handbook. Throughout the period, the Company held in excess of the INPRU-INV 13 Minimum Regulatory Capital requirement and at 31 January 2023 this requirement was £289,000 (2022: £341,000).

20 Post balance sheet events

Since the year end, the Directors have declared a dividend of £1.76 per share at a cost of £1,500,000.

SAGA PERSONAL FINANCE LIMITED
Notes to the financial statements (continued)

21 Ultimate parent undertaking

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

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 2023 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.

22 Ultimate controlling party

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