

ACROMAS
HOLDINGS LTD

DIRECTORS' REPORTS AND FINANCIAL STATEMENTS

31 JANUARY 2008



ANDREW GOODSSELL
CHIEF EXECUTIVE

Acromas has delivered an impressive first set of results with both Saga and the AA growing strongly. We are also ahead of schedule in terms of achieving the benefits of shared experience, expertise, systems and economies of scale.

CHIEF EXECUTIVE'S REPORT

AN IMPRESSIVE SET OF RESULTS

In September 2007 we brought together two iconic British brands, the AA – the UK's leading motoring organisation with more customers and more patrols than any of its competitors and Saga – the UK's leading provider of products and services specifically designed for people aged 50 and over.

These two great businesses now sit together under the Acromas umbrella forming the UK's leading affinity business, with annual sales of more than £1.5 billion, 17.6 million customers and today providing jobs for more than 12,000 people.

Acromas has had an impressive start with both Saga and the AA growing strongly. We are also ahead of schedule in terms of achieving the benefits of shared experience, expertise, systems and economies of scale. This is in no small part thanks to the support and dedication of all of our staff.

I am pleased to be able to report that, on a pro forma basis, Acromas has achieved growth of 4.1% in revenue, delivering EBITDA of £484.5 million, an increase of 8.4% on the previous year's results and maintained good cash generation.

Trading in all of the Group's main markets has been strong with the Company growing its market share across all key sectors. Within financial services, policy numbers have grown over the last year by 6.6% on a like for like basis to give an overall Acromas book of 4.8 million policies.

Trading for the first quarter of this financial year has been encouraging showing an improvement over the same period last year and against our business plan.

Last September I outlined that we would invest in the AA to improve service and performance. We have already started as you will see later in this report and this is resulting in better customer service reducing the time that members have to wait for assistance. The AA's core roadside business has maintained its pre-eminent market position and has been identified by Which? Magazine as the nation's 'Best Breakdown Provider'. This independent survey recognises the exceptional professionalism and skill of the AA breakdown force and its wider employees.

The Saga Insurance business remains strong, again demonstrated by the 2007 Ipsos Mori Corporate Image Survey results. Saga is joint first for favourability with customers with a score of 86%. Value for money scores put Saga in 2nd place, and Saga was the top scorer for sending effective product and service information in the post among customers. In the key measure of Treating Customers Fairly, it is very pleasing to note that Saga received the joint highest score.

The AA also performed well in the survey, coming 3rd for value for money.

A CLEAR GROUP STRATEGY

Both the AA and Saga are market leaders and our strategy is to invest in both businesses to extend their leadership positions. We will continue to maintain the AA and Saga as two very separate brands and businesses, but use expertise and learnings across the Acromas Group as a whole.

The AA is dedicated to the motoring public, and will continue to do everything possible to ensure members enjoy safe and secure motoring. Saga serves the changing needs of the over 50s, staying relevant and providing services where we can add value to our customers.

INCREASED INVESTMENT IN THE ACROMAS BRANDS

One area of particular focus has been in the travel sector within both Saga and the AA brands. For example, we have purchased our first Saga exclusive hotel – the Bel Jou in St Lucia. The Bel Jou opened to customers on the 4 February 2008. This is proving popular and is already our best selling long haul holiday.

We have also launched a new business - AA Getaways which was created through the acquisition of Driveline Europe Limited, an independent travel operator providing European driving holidays.

During 2008 we will be expanding our fleet of ships with the addition of a second ship for the increasingly popular Spirit of Adventure travel brand.

PROVIDING EXCEPTIONAL CUSTOMER SERVICE IS AT THE HEART OF BOTH THE AA AND SAGA BRANDS

We are continuing to build on our success in this area by increasing the size of our patrol force from 2,700 when the merger was announced to 2,800 today. We have also introduced patrol motorbikes in order to get to inner city breakdowns even more quickly. We will continue to invest both in our people in the patrol force and contact centres and in technology to further improve our customers' experience when they contact us.

At Saga, customer service continues to be a strength – this is clearly illustrated through our own 'moments of truth' research which captures the full customer experience. For example, 97% of new motor insurance customers who called to take out a policy rated the service as good or excellent. For customers renewing their policies, the scores were an impressive 100%. The scores are just as high at the claims stage, with 97% stating good or excellent when asked whether staff made them feel like a valued customer.

We are also extending our moments of truth research across the AA and the initial wave shows some very good performances. For example, on breakdown claims experience, 97% rated the service provided by the person they spoke to on the phone at the AA as either excellent or good.

PUTTING SOMETHING BACK

Both Saga and the AA have supported charitable initiatives in recent years, for example, the Saga Charitable Trust supports community projects in developing countries where Saga operates holidays. The AA have been supporting BEN, the Motor and Allied Trades Benevolent Fund, for over 50 years. We have also established two new charitable foundations – the Saga Respite for Carers Charitable Trust and the AA Charitable Trust for Road Safety.

The Saga Respite for Carers Charitable Trust has been set up to recognise the unpaid service provided by Carers by giving them a break from their caring responsibilities, and making sure their loved ones are properly cared for in their absence. The AA Charitable Trust for Road Safety has been established to promote safer and more responsible driving through education and training.

PEOPLE

Our future is dependent on our staff who are critically important in achieving our growth objectives, so I have made sure that all of our employees in the UK and Ireland employed at the date of completion of the Acromas transaction have the opportunity to share in the success of the new Company through the Acromas Employee Benefit Trust. The Trust holds shares on behalf of almost 100% of UK and Eire staff employed at that date. Overall employees own more than 20% of the Company.

I would like to extend my thanks to all of the AA and Saga staff that have made possible the Group's success to date. We continue to rely upon their skill and dedication for our future success, and we do so with confidence.

AN EXCITING OUTLOOK

Both the AA and Saga are iconic brands with market leading positions. They have both grown substantially over the last year and, despite the challenging economic conditions, we believe that they will both continue to perform robustly in these uncertain times.

I am very happy with all of our achievements so far, and very excited about both brands' opportunities to grow and continue to serve their respective customers.





STUART HOWARD
CHIEF FINANCIAL OFFICER

CHIEF FINANCIAL OFFICER'S REPORT

Acromas Holdings acquired the businesses of the AA and Saga on 18 September 2007. The trading results presented in this first set of financial statements reflect the period from that date to 31 January 2008. I have therefore included an unaudited pro forma profit and loss account on page 45 showing what the results of the Group would have been had the acquisitions occurred on 1 February 2006. The trading results I describe below are all on this basis.

The Group turnover is £1.5 billion, which is 4.1% more than that achieved in the previous year. The AA contributed £843.7 million of which £559.7 million was from its roadside assistance business and £174.6 million was from insurance. Saga contributed £700.8 million of which £415.3 million was from its insurance business and £273.3 million was from its travel business.

Group gross margin (excluding exceptional items) was approximately 55.4% of turnover. Gross profit of £855.3 million was up 7.9% on the previous year. Of this gross profit, only 52.8% was spent on administrative and marketing expenses and the Group generated an operating profit of £440.8 million before goodwill and exceptional items.

The Group's key financial and other performance indicators (excluding goodwill and exceptional items) during the year were as follows:

| | 2008 | 2007 | Change |
|---------------------------------------|---------|---------|--------|
| | £'m | £'m | % |
| Turnover | 1,544.5 | 1,483.1 | 4.1 |
| Gross profit | 855.3 | 793.0 | 7.9 |
| Administrative and Marketing Expenses | 451.4 | 413.9 | 9.1 |
| Operating Profit | 440.8 | 409.8 | 7.6 |
| EBITDA | 484.5 | 447.1 | 8.4 |

CAPITAL STRUCTURE

Saga and the AA were acquired for a total cost of £6.3 billion, funded from £4.8 billion of bank borrowings, £1.5 billion of shareholder loans and £1 million of share capital. The main shareholders (on a fully diluted basis) in Acromas Holdings are as follows.

| | % |
|--|------|
| Funds advised by Charterhouse Capital Partners | 35.9 |
| Employees | 20.1 |
| Funds advised by CVC Capital Partners | 19.9 |
| Funds advised by Permira Advisers | 19.9 |
| Other Co-Investors | 4.2 |

Charterhouse, CVC and Permira are all international firms advising private equity funds raised from a diverse group of investors in public and corporate pension funds, insurance companies, charities and foundations, banks and government entities.

The bank borrowings consist of senior and mezzanine debt, both of which incur interest at a variable rate based on LIBOR. Neither have any capital repayments due before 2015.

The Group also has access to a revolving credit facility (or overdraft) of £270 million, of which approximately £30 million is used to provide guarantees required by regulators of the Group's businesses or other counterparties. The balance is undrawn and the Group has not had a need to draw cash from this overdraft facility.

Overall cash interest incurred on these facilities is approximately £384.2 million per year, which compares to EBITDA before exceptional items of £484.5 million for the year to 31 January 2008.

The Group has agreed favourable terms on its bank facilities, having the benefit of being put in place in a 'covenant light' environment. The Group currently has substantial headroom within its covenants and does not expect this to change for the foreseeable future.

The shareholder loans rank behind all other debts of the Group and are not due to be repaid until 2037. Details of the amounts outstanding at the balance sheet date are included in note 21 to the accounts.

Interest rate hedges are in place covering the majority of the Group's bank borrowings. The Group therefore has limited exposure to any adverse movements in interest rates.

At the balance sheet date, the Group had cash and short term bank deposits of £468.4 million on its balance sheet. Of this amount, £358.6 million is cash set aside to meet the Group's regulatory capital requirements in its insurance and travel subsidiaries. The remaining £109.8 million is available for general corporate purposes including servicing the debt facility.



DIRECTORS' REPORT

DIRECTORS:

| | |
|---|-----------------------------|
| J A Goodsell (Chief Executive) | appointed 17 September 2007 |
| J S E Arnell (Charterhouse Capital Partners) | appointed 12 September 2007 |
| R P Hooper (CVC Capital Partners) | appointed 19 June 2007 |
| S M Howard (Chief Financial Officer) | appointed 17 September 2007 |
| R R Lucas (CVC Capital Partners) | appointed 12 September 2007 |
| P S Muelder (Permira) | appointed 12 September 2007 |
| M Offord (Charterhouse Capital Partners) | appointed 19 June 2007 |
| C N C Sherwood (Permira) | appointed 19 June 2007 |

Secretary: J Davies

Registered Office: The Saga Building, Enbrook Park,
Folkestone, Kent CT20 3SE

Company Registration Number: 6252766

The Directors submit their report together with the audited financial statements for the period ended 31 January 2008.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The Company was incorporated on 18 May 2007. On 19 June 2007 the Company changed its name from Skipperclose Limited to Spring & Alpha Topco Limited. On 18 September 2007 the Company changed its name from Spring & Alpha Topco Limited to Acromas Holdings Limited.

The Group's principal activity is the sale of branded goods and services through its AA and Saga subsidiaries. The Group's main products are roadside assistance, motor insurance, home insurance, books, magazines, and package and cruise holidays.

Acromas acquired the AA and Saga businesses on 18 September 2007. Prior to this date the Group did not trade; this report therefore only considers the trading performance for the period from that date to 31 January 2008. An unaudited pro forma showing the full year results for the combined Group has been included on page 45 and is discussed in the CFO's report.

Group turnover for the period to 31 January 2008 was £569.7 million. The AA contributed £305.6 million of which £210.0 million was from its roadside assistance business and £77.7 million was from insurance. Saga contributed £264.1 million of which £154.5 million was from its insurance business and £104.6 million was from its travel business.

The gross profit achieved over this period was £280.3 million, giving an overall gross margin of 49.2%.

The Group administrative and marketing costs excluding goodwill amortisation and exceptional items were £161.7 million, meaning that 57.7% of the gross profit for the period was absorbed by overheads. Group operating profit excluding goodwill amortisation and exceptional items was £141.0 million, which is 50.3% of gross profit.

The total interest charge for the period was £270.1 million, of which £150.6 million was either paid in cash or is due to be paid in cash shortly after the period end. The balance of the interest charge was added on to the outstanding balance of the debts due.

After financing costs, exceptional items and goodwill amortisation the Group made a loss of £255.7 million. A retained deficit of £264.7 million has been taken to reserves. No dividends have been paid during the period.

The two main Group pension schemes ended the year with a substantial surplus as disclosed in note 10 to the accounts even after strengthening the scheme mortality assumptions in line with recent experience. The small deficit on the AA Ireland Pension Scheme is being addressed with additional employer contributions as agreed with the scheme trustees.

DIRECTORS

The Directors of the Company during the period ended 31 January 2008 were those listed above and A Levy and D J Pudge who were both appointed on 18 May 2007 when the Company was incorporated, and both resigned on 19 June 2007.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The principal risks facing the Group have been grouped under the following five headings:

Legislative Risks

The Group trades within regulated sectors of the economy such as financial services, package holidays and cruising. It is therefore required to comply with all relevant regulations, which each regulated subsidiary ensures it does through dedicated compliance teams and appropriately designed processes and procedures.

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 and shipping businesses, and business disruption due to infrastructure failures. The Group has put in place and tested contingency plans to mitigate the impact of these risks crystallising and has implemented processes and procedures to reduce the likelihood of occurrence.

Market Risk

The Group continues to operate in highly competitive markets with consonant pressure on margins and market share. These risks are managed through promotion of the Group brands and continuing efforts to improve efficiency and reduce costs.

Brand Risk

The Group recognises that the Saga and AA as quality brands are sources of competitive advantage, and has in place policies and procedures to protect them at all times.

Credit Risk

The Group is required to comply with the provisions of its loan agreements. The Group has put in place corporate governance procedures and financial controls to ensure that these are complied with and has taken out interest rate swaps in line with its policy on managing interest rate risk.

SOCIAL AND COMMUNITY MATTERS

The Directors are committed to the Group being a good corporate citizen. Further details of the Group's charitable work is described in the Chief Executive's report.

During the year the Group made an overall contribution (including donations in kind and staff time) to various charitable and non-profit making organisations totalling £657,000. No political donations were made.

ENVIRONMENTAL MATTERS

The Group has continued to work hard to improve its environmental performance. The Group environmental approach includes both the reduction of activities with a negative impact on the environment (such as waste sent to landfill) and increasing activities with a positive impact on the environment. Over the past year the Group has planted over 600 trees on the sites occupied by its offices and intends to plant more over the coming year.

In terms of mitigating the Group's negative impact on the environment, Saga has reduced its waste sent to landfill by 27.5% through both improved working practices reducing the overall levels of waste and an increase in the level of recycling to 33.6% of all waste. The AA has reduced its waste sent to landfill by 18.2% again both through reduction of overall waste levels and increasing the recycling rate to 52.5%.

As the AA business is built on its fleet of patrol vans, the level of CO₂ emitted per breakdown repair or recovery is a key metric and over the last year, this has reduced by 11.6% through both the ongoing replacement of all vans with Eu4 compliant vehicles and more efficient deployment of the patrols.

The AA has introduced 13 motorbikes and electric scooters into London, to tackle two main issues, speed of response and pollution, with plans to increase the roll out to other cities. The bike patrols will target 'quick fix' breakdowns such as flat batteries, wheel changes and simple electrical faults. These problems cause over a third of the 3.6 million breakdowns attended by the AA each year, often causing lengthy traffic jams. The new bikes – which include environmentally friendly zero-emission electric scooters – are expected to cut up to 25% from peak time breakdown wait times.

POLICY ON USE OF FINANCIAL INSTRUMENTS

The Group enters into derivative transactions (commodity swaps, interest rate swaps and forward foreign currency contracts). The purpose is to manage the commodity, interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are foreign currency risk, commodity risk and interest rate risk. The Board reviews and agrees policies for managing these risks and they are summarised below.

The Group has transactional currency exposures that arise from purchases in currencies other than the Group's functional currency. The Group uses forward currency contracts to eliminate the currency exposures on all material transactions. The forward contracts to purchase foreign currency are transacted to coincide with identified requirements so that at all times the Group has no material exposures to foreign currency risk.

The Group is exposed to the market price of oil relating to the consumption of fuel on the Group's cruise ships. The Group uses fuel swap agreements to mitigate this exposure. The agreements hedge all the anticipated fuel requirements of the Group's ships and are transacted to coincide with committed itineraries.

Interest rate swaps are used by the Group to fix interest rates on a proportion of the Group's bank borrowings to reduce the interest rate risk to an acceptable level.

EMPLOYEES

During the year the Group companies have maintained the practice of keeping employees informed about current activities and progress by various methods including regular staff newsletters. Employee participation and involvement is encouraged.

All UK and Ireland employees employed at the time of the acquisition of Saga and the AA were given the opportunity to share in the success of the Group by acquiring Company shares through an employee share scheme.

It is the policy of the Group to develop a working environment and to offer terms and conditions of service to provide disabled persons, with the appropriate skills and qualifications, equal opportunities to seek and maintain employment with the Group. It is the Group'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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

DISCLOSURE OF INFORMATION TO THE AUDITORS

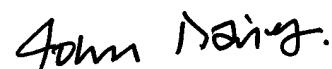
Each current Director has made enquiries of their fellow Directors and the Group's auditor and taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Ernst & Young LLP have expressed their willingness to continue in office as auditors.

By order of the Board



J Davies
Secretary
4 July 2008

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE EIGHT MONTHS ENDED 31 JANUARY 2008

| Period Ended 31 January 2008 | | | | |
|---|------|--|--|--------------|
| | Note | Before goodwill, exceptional and non recurring items £'m | Goodwill, exceptional and non recurring items £'m | Total £'m |
| Turnover | | | | |
| Turnover: group and share of joint ventures' turnover | | 588.2 | - | 588.2 |
| Less: share of joint ventures' turnover | | (18.5) | - | (18.5) |
| Group turnover | 2 | 569.7 | - | 569.7 |
| Cost of sales | | (289.4) | - | (289.4) |
| Gross profit | 4 | 280.3 | - | 280.3 |
| Administrative and marketing expenses | | (151.8) | - | (151.8) |
| Exceptional items | 6 | - | (22.8) | (22.8) |
| Amortisation of goodwill | 12 | - | (112.1) | (112.1) |
| Current pensionable service cost | 10 | (9.7) | - | (9.7) |
| Past pensionable service cost | 10 | (0.2) | - | (0.2) |
| Total administrative and marketing expenses | | (161.7) | (134.9) | (296.6) |
| Other operating income | 5 | 21.0 | - | 21.0 |
| Operating profit before joint venture | | 139.6 | (134.9) | 4.7 |
| Share of operating profit in joint venture | | 1.4 | - | 1.4 |
| Operating profit | 6 | 141.0 | (134.9) | 6.1 |
| Interest payable and similar charges | 7 | (270.1) | - | (270.1) |
| Net finance return on pension scheme | 10 | 8.3 | - | 8.3 |
| Loss on ordinary activities before taxation | | (120.8) | (134.9) | (255.7) |
| Taxation | 11 | (15.9) | 6.9 | (9.0) |
| Loss for the financial period | 27 | (136.7) | (128.0) | (264.7) |

All operations are continuing.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | Period ended 31 January 2008 | |
|--|------------------------------|-------------|
| | Note | 2008 £'m |
| Loss for the financial period | | (264.7) |
| Actuarial loss recognised on defined benefit pension Schemes | 10 | (84.6) |
| Movement on deferred tax relating to defined benefit pension Schemes | 10 | 23.7 |
| Unrealised gains on financial investments taken to revaluation reserve | 27 | 1.1 |
| Total recognised gains and losses relating to the period | | (324.5) |

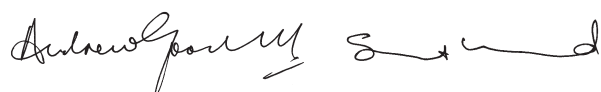
RECONCILIATION OF CONSOLIDATED SHAREHOLDERS' DEFICIT

| | Note | 2008 £'m |
|--|------|-------------|
| Total recognised gains and losses relating to the period | 27 | (324.5) |
| Issue of ordinary share capital | | 0.9 |
| Net movement in shareholders' deficit | | (323.6) |
| Shareholders' funds brought forward | | - |
| Shareholders' deficit carried forward | | (323.6) |

CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2008

| | Note | 2008 £'m | 2008 £'m |
|--|------|-------------|-------------|
| Fixed assets | | | |
| Intangible assets | 12 | | 6,004.8 |
| Tangible assets | 13 | | 218.8 |
| Share of gross assets of joint venture | | 817.1 | |
| Share of gross liabilities of joint venture | | (815.8) | |
| | | 1.3 | |
| Investment in associates | | 1.2 | |
| Other investments | | 1.5 | |
| Investments | 14 | | 4.0 |
| | | | 6,227.6 |
| Current assets | | | |
| Stocks | 15 | | 13.6 |
| Debtors | 16 | | 444.3 |
| Investments | 17 | | 66.1 |
| Cash on deposit | 18 | | 402.6 |
| Cash at bank and in hand | 19 | | 65.8 |
| | | | 992.4 |
| Creditors falling due within one year | 20 | | (753.1) |
| Net current assets | | | 239.3 |
| Total assets less current liabilities | | | 6,466.9 |
| Creditors falling due after more than one year | 21 | | (6,417.2) |
| Insurance technical provisions | 24 | | (446.2) |
| Provisions for liabilities | 25 | | (53.2) |
| Net liabilities excluding pension asset/(liability) | | | (449.7) |
| Defined benefit pension asset | 10 | | 154.8 |
| Defined benefit pension liability | 10 | | (28.7) |
| Net liabilities including pension asset/(liability) | | | (323.6) |
| Capital and reserves | | | |
| Called up share capital | 26 | | 0.9 |
| Revaluation reserve | 27 | | 1.1 |
| Profit and loss account | 27 | | (325.6) |
| Total equity shareholders' deficit | | | (323.6) |

Signed for and on behalf of the Board by



J A Goodsell
Directors
4 July 2008

S M Howard

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 JANUARY 2008

| | Note | 2008 £'m | 2008 £'m |
|---|------|-------------|-------------|
| Net cash inflow from operating activities | 28 | | 103.1 |
| Dividends from joint venture and associates | | | 1.4 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 21.6 | |
| Interest paid | | (129.6) | |
| Interest element of finance lease rentals | | (1.2) | |
| Issue costs of new long-term loans | | (53.2) | |
| | | | (162.4) |
| Taxation | | | |
| Overseas tax paid | | (2.3) | |
| | | | (2.3) |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | | (19.5) | |
| | | | (19.5) |
| Acquisitions and disposals | | | |
| Purchase of subsidiary undertakings | | (3,283.7) | |
| Net cash acquired with subsidiary undertakings | | 224.7 | |
| | | | (3,059.0) |
| Management of liquid resources | | | |
| Maturity of fixed interest securities | | 4.7 | |
| Increase in other deposits | | (24.3) | |
| | | | (19.6) |
| Net cash outflow before financing | | | (3,158.3) |
| Financing | | | |
| Issue of ordinary share capital | | 0.9 | |
| Repayment of long-term bank loans | | (2,977.8) | |
| New long-term bank loans | | 4,800.0 | |
| New guaranteed loan notes | | 12.5 | |
| New subordinated preference certificates | | 1,524.0 | |
| New finance lease/ hire purchase agreements | | 7.2 | |
| Repayment of capital element of finance lease/ hire purchase agreements | | (3.5) | |
| | | | 3,363.3 |
| Increase in cash | | | 205.0 |

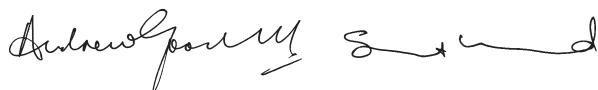
**CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD
ENDED 31 JANUARY 2008 (CONTINUED)**

| | Note | 2008 £'m |
|---|------|-------------|
| Reconciliation of net cash flows to movement in net debt | | |
| Increase in cash | | 205.0 |
| Repayment of long-term bank loans | | 2,977.8 |
| New long term bank loans | | (4,800.0) |
| Issue costs of new long-term loans | | 53.2 |
| New guaranteed loan notes issued | | (12.5) |
| New subordinated preference certificates issued | | (1,524.0) |
| New finance lease / hire purchase agreements | | (7.2) |
| Repayment of capital element of finance leases / hire purchase agreements | | 3.5 |
| Net cash inflow from fixed interest securities | | (4.7) |
| Cash inflow from other deposits | | 24.3 |
| Change in net debt resulting from cash flows | | (3,084.6) |
| Deposits, loans and finance leases acquired with subsidiary undertakings | | (2,703.6) |
| Interest capitalised on bank loans | | (29.5) |
| Amortisation of issue costs of new long-term loans | | (4.9) |
| Interest capitalised on guaranteed loan notes | | (0.3) |
| Interest capitalised on subordinated preference certificates | | (88.6) |
| Net unrealised gains on fixed interest securities | | 1.0 |
| Movement in net debt | | (5,910.5) |
| Opening net debt | | - |
| Closing net debt | 29 | (5,910.5) |

COMPANY BALANCE SHEET AS AT 31 JANUARY 2008

| | Note | 2008 £'m |
|--|------|-------------|
| Fixed assets | | |
| Investment in subsidiaries | 14 | 0.9 |
| Total assets less current liabilities | | 0.9 |
| Capital and reserves | | |
| Called up share capital | 26 | 0.9 |
| Profit and loss account | | - |
| Total equity shareholders' funds | | 0.9 |

Signed for and on behalf of the Board by



J A Goodsell
Directors
4 July 2008

S M Howard

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Accounting convention

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

The Group has net liabilities at the period end. The Directors have considered this together with projected cash flows for a period of one year from the date of signing of these financial statements and the maturity of debt detailed in note 21 and have concluded that the Group has sufficient funds to continue trading for this period, and the foreseeable future. Therefore, the financial statements have been prepared using the going concern basis.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and each of its subsidiaries. The results of undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

A joint venture is an undertaking in which the Group has a long-term interest and shares control with one or more co-venturers under a contractual arrangement. In the consolidated financial statements, joint ventures are accounted for using the gross equity method.

An associate is an undertaking in which the Group has a long-term equity interest and over which it exercises significant influence. In the consolidated financial statements, associates are accounted for using the equity method.

The Directors have taken advantage of the exemption given by the Companies Act 1985 Section 230 in not publishing separately a company profit and loss account.

c) Turnover

Turnover represents amounts receivable for goods and services provided, excluding value added tax, insurance premium tax, trade discounts and intra-group transactions.

Turnover from tour operations (passenger revenue) is recognised upon departure date with the exception of cruises where the cruise ship is operated by the Group, where passenger revenue is recognised on a daily basis.

Commission income from third party insurers is recognised at the commencement of the period of risk. Additional commission from these insurers may be earned dependent upon the underwriting results of the business insured. This income is recognised when the results of this business can be determined reasonably.

Roadside membership subscriptions and premiums receivable on other insurance products are apportioned on a time basis over the period where the Group is liable for risk cover. The unrecognised element of subscriptions and premiums receivable, relating to future periods, is held within creditors as deferred income and insurance technical provisions respectively.

Income received in advance relating to long term commercial agreements is recognised when the Group has performed its contractual obligations.

Income from credit products is recognised over the period of the loan in proportion to the outstanding loan balance.

The policy for recognition of income relating to insurance premiums is described in note 1(o).

For all other revenue, income is recognised at point of delivery of goods or on provision of service. This includes work which has not yet been fully invoiced, provided that it is considered to be fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

d) Tangible fixed assets

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

| | |
|-------------------------------------|------------------------------|
| Land and buildings | |
| Land | nil |
| Buildings | 50 years |
| Related fittings | 3-20 years |
| Leasehold properties | over the period of the lease |
| Cruise ships | 10-13 years |
| Computers | 3 years |
| Plant, Vehicles and other equipment | 3-10 years |

Costs relating to cruise-ship mandatory dry-dockings are capitalised and depreciated over the period up to the next dry-dock.

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

e) Leased assets and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

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

f) Stocks

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

g) Advance receipts

All booking fees and balance payments for holidays with starting dates after the period end and insurance premiums received which relate to insurance policies incepting after the period end, are treated as receipts in advance at the balance sheet date and are separately disclosed within creditors.

h) Deferred tax

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

i) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

The financial statements of overseas subsidiaries have been translated using the net investment method. Under the net investment method the balance sheets have been translated at period end rates and the profit and loss accounts at weighted average rates for the period. Resultant translation differences are taken to reserves.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

j) Pension benefits

For defined benefit schemes, the amounts charged to operating profit are the current costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested.

If the benefits have not vested immediately, the costs are recognised on a straight line over the period until vesting occurs. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in interest payable. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with assets of the schemes held separately from those of the Group, in separate trustee administered funds. Defined benefit pension scheme assets are measured using market values. Defined benefit pension 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. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other net assets/liabilities on the face of the balance sheet. The value of a net pension benefit asset is restricted to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

For defined contribution schemes, the amounts charged to the profit and loss account are the contributions payable in the period.

k) Government grants

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

l) Liquid resources

Included within the cash flow statement as liquid resources are cash deposits, other than those held overnight or in call accounts.

m) Goodwill

Goodwill is the difference between the fair value of the consideration paid for an acquired entity and the aggregate of the fair values of that entity's separately identifiable assets and liabilities. Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life, through the profit and loss account. The useful economic life of goodwill has been estimated to be 20 years. The Directors review the appropriateness of this useful life at the end of each period and revise it if necessary.

Additionally, the Directors review goodwill for impairment at the end of the first full financial year following the acquisition and at other times should events indicate that the carrying values may not be recoverable. Additional amortisation is charged in the period if the goodwill is deemed to be impaired.

n) Derivative instruments

The Group uses forward foreign currency contracts to manage its exposure to movements in foreign exchange rates. The Group uses interest rate swaps to adjust interest rate exposures. The Group considers its derivative instruments qualify for hedge accounting when certain criteria are met.

The criteria for forward foreign currency contracts are:

- The instrument must relate to a future foreign currency commitment;
- It must be denominated in the same currency as the hedged item; and
- It must reduce the risk of foreign currency exchange movements on the Group's operations.

No derivative instruments that qualify for hedge accounting are revalued to fair value or shown on the Group balance sheet at the period end.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a future transaction are not recognised until the transaction occurs.

The criteria for interest swaps are that the instrument must be related to an asset or a liability; and it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa. Interest differentials are recognised by accruing with net interest payable.

The Group is exposed to the market price of fuel relating to the consumption of fuel on the Group's cruise ships. The Group uses fuel swap agreements, and occasionally caps, to mitigate this exposure. The agreements hedge all the anticipated fuel requirements of the Group and are transacted to coincide with committed itineraries. The cost of fuel purchases are recorded at the hedged rate with any profit or loss from mismatches recognised as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

o) Insurance business

Earned premiums relate to business incepted during the period less an allowance for cancellations, excluding taxes and duties levied. These premiums are recognised as income over the period of the policy on a time apportioned basis, having regard to the incidence of risk. The unearned premium reserve is therefore calculated on a daily pro-rata basis, with regard to the incidence of risk, and included within insurance technical provisions on the balance sheet. Claims incurred include reported and unreported losses occurring during the period, related handling costs and any adjustments to claims outstanding from previous periods. Provision is made for any deficiencies arising when unearned premiums are insufficient to meet expected claims and expenses after taking into account future investment return.

Acquisition costs comprise those expenses relating to the conclusion of insurance contracts. Those acquisition costs relating to the unexpired period of risk of contracts in force at the balance sheet date are carried forward from one accounting period to the next. The bulk of these costs relate to product-specific advertising expenditure and overheads relating to the underwriting and call centre departments.

p) Insurance technical provisions

The provision for outstanding claims is set on an individual claim basis and is based on the ultimate cost of all claims notified but not settled less amounts already paid by the balance sheet date, together with a provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported at the balance sheet date, which is set using statistical methods. Claims estimates represent a point within a range of possible outcomes. Further details of estimation techniques are given in note 24.

The amount of any anticipated reinsurance, salvage or subrogation recoveries are separately identified and reported within insurance technical provisions.

Differences between the provisions at the balance sheet date and settlements and provisions in the following period (known as 'run off deviations') are recognised in the profit and loss account for that period.

q) Debt instruments

Debt is initially stated in the balance sheet at the amount of the cash proceeds raised less finance costs incurred directly in connection with the issue of the instrument. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

r) Interest income

Revenue is recognised as interest accrues.

s) Provisions for liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provision is made on a discounted basis where the time value of money is expected to be material.

t) Investments

Other fixed asset investments are included in the balance sheet at cost, less any provisions for permanent impairment.

The value of current asset financial investments is stated in the financial statements on the following bases: (a) listed debt securities are stated at closing middle market prices on recognised stock exchanges; and (b) deposits with credit institutions are stated at their current value at the accounting date. Unrealised gains on financial investments are taken to the revaluation reserve. Unrealised losses are offset against this reserve. Deficits in excess of the revaluation reserve are taken to the profit and loss account. Other current asset investments are stated at the lower of cost and net realisable value.

In the Company balance sheet investments in group undertakings are stated at cost.

u) Cash settled equity share schemes

The Group operates a long-term incentive plan which allows employees to purchase shares in the Company. The employee's ability to realise the fair value of their shareholdings is subject to certain vesting conditions being met. The Company recognises a provision for the change in fair value of employee shareholdings over the relevant vesting periods, in accordance with the accounting requirements for cash-settled share based payment arrangements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Turnover

Turnover comprises sales to third parties, commissions receivable from insurers and earned insurance premiums, all net of value added tax and insurance premium tax.

3. Segmental analysis

All turnover originates in the UK and Republic of Ireland. Turnover by destination is not materially different from turnover by origin.

Segmental analysis showing the analysis of turnover, results and net assets is not included since, in the opinion of the Directors, such an analysis would be seriously prejudicial to the business.

4. Gross Profit

The following analysis shows the elements of the Group's turnover and cost of sales that relate to insurance underwriting activities.

| | 2008 £'m |
|--|-------------|
| Group Turnover | |
| Insurance activities - earned premiums | 90.6 |
| Other activities | 479.1 |
| | 569.7 |
| Cost of sales | |
| Insurance activities – claims incurred & claims handling costs | (108.6) |
| Other activities | (180.8) |
| | (289.4) |
| Gross profit | 280.3 |

The amount disclosed for claims incurred is net of a £7.3 million favourable run off deviation due to better claims experience than had originally been reserved for.

5. Other operating income

| | 2008 £'m |
|----------------------|-------------|
| Interest on deposits | 21.0 |
| | 21.0 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Operating profit

| | 2008 |
|---|------|
| | £'m |
| Operating profit is stated after charging: | |
| Depreciation of owned tangible fixed assets | 11.5 |
| Depreciation of leased tangible fixed assets | 4.5 |
| Auditors' remuneration (see below) | 1.1 |
| Property lease charges | 0.8 |
| Hire of plant and machinery | 0.6 |
| Exceptional item – remedial works | 0.5 |
| Exceptional item – restructuring costs | 18.3 |
| Exceptional item – outsourced IT contract break costs | 3.1 |
| Exceptional item – IT system replacement project | 0.9 |

The exceptional items relate to: (a) costs associated with a major one-off programme of remedial works to one of the Group's office buildings; (b) restructuring expenditure costs primarily relating to redundancy costs, professional fees and the re-organising of Group operations; (c) exit penalty costs as a result of serving notice on a long term IT outsourcing contract; and (d) IT system replacement project costs.

The remuneration of the auditors is further analysed as follows:

| | 2008 |
|---|-------|
| | £'000 |
| Audit of the Company and Group financial statements * | 30 |
| Other fees to auditors: | |
| - Audit of subsidiary financial statements | 620 |
| - Services relating to corporate finance transactions | 300 |
| - Taxation services | 92 |
| - Other services | 18 |
| | 1,030 |
| Total Auditors' remuneration | 1,060 |

* £5,000 of this relates to the Company.

7. Interest payable and similar charges

| | 2008 |
|--|-------|
| | £'m |
| Bank loans and overdrafts | 174.7 |
| Interest on unsecured loan notes | 0.3 |
| Interest on subordinated preference certificates | 88.6 |
| Amortisation of issue costs of bank loans | 4.9 |
| Finance charges payable under finance leases and hire purchase contracts | 1.2 |
| Other interest payable and finance charges | 0.4 |
| | 270.1 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Directors' emoluments

| | 2008 £'000 |
|---|---------------|
| Emoluments | 856 |
| Members of defined benefit pension scheme | 2 |

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

| | 2008 £'000 |
|----------------------------------|---------------|
| Emoluments | 549 |
| Defined benefit pension scheme: | |
| Accrued pension at end of period | 56 |

9. Staff costs

| | 2008 £'m |
|-----------------------|-------------|
| Wages and salaries | 102.2 |
| Social security costs | 8.2 |
| Other pension costs | 11.2 |
| | 121.6 |

The average monthly number of persons employed under contracts of service during the period was:

| | 2008 No. |
|------------------------|-------------|
| Roadside Services | 4,801 |
| Financial Services | 3,489 |
| Travel | 2,013 |
| Media | 620 |
| Central Administration | 776 |
| | 11,699 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Pension costs and other post retirement benefits

Substantially all of the Group's employees at 31 January 2008 were members of either the Saga Group Pension and Life Assurance Scheme, the AA Pension Scheme or the AA Ireland Pension Scheme, which are all defined benefit schemes. The assets of the Schemes are held separately from those of the Group in independently administered funds. New entrants to the AA Schemes and all members of the Saga Scheme accrue benefits on a career average salary basis. The AA Schemes have final salary sections that are closed to new entrants but open to future accrual for existing members.

Certain AA employees are also members of an unfunded Post-retirement Private Medical Plan Scheme ("APMP"), which is a defined benefit scheme.

Regular employer contributions to the Saga Scheme in the year to 31 January 2009 are estimated to be £3.3 million. Regular employer contributions to the AA Schemes in the year to 31 January 2009 are estimated to be £21.3 million. Additional one-off employer contributions to the AA Pension Scheme in the year to 31 January 2009 are estimated to be £15.1 million. Additional employer contributions will be required if there are any redundancies or augmentations during the year.

The valuations used for FRS17 (Retirement benefits) disclosures have been based on a full assessment of the liabilities of the Schemes. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

Actuarial gains and losses have been recognised in the period in which they occur through the Statement of Total Recognised Gains and Losses (STRGL).

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS17 (Retirement benefits) are set out below:

| | Period to 31 January 2008 | |
|--|---------------------------|------------|
| | Saga Scheme | AA Schemes |
| Real rate of increase in salaries | 2.0% | 1.1% |
| Real rate of increase of pensions in payment | 1.4% | 0.0% |
| Real rate of increase of pensions in deferment | 1.4% | 0.0% |
| Discount rate | 6.3% | 6.3% |
| Inflation assumption | 3.4% | 3.4% |
| Medical premium inflation | N/a | 4.0% |

Mortality assumptions are set using standard tables based on Scheme specific experience where available. All Schemes mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The Saga Scheme assumptions are that a member currently aged 65 will live on average for a further 21 years if they are male. The AA Scheme assumptions are that an active male retiring in normal health currently aged 60 will live on average for a further 26 years.

The amounts recognised in the balance sheet are as follows:

| | 2008 £'m |
|-------------------------------------|-------------|
| Saga Scheme | 14.6 |
| AA Scheme | 140.2 |
| Defined benefit pension assets | 154.8 |
| AA Ireland Scheme | (1.4) |
| APMP Scheme | (27.3) |
| Defined benefit pension liabilities | (28.7) |
| Net defined benefit pension assets | 126.1 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Pension costs and other post retirement benefits (continued)

The amounts recognised in the balance sheet are as follows:

| | 2008 | | | | |
|---|-----------------------|---------------------|-----------------------------|-----------------------|--------------|
| | Saga Scheme £'m | AA Scheme £'m | AA Ireland Scheme £'m | APMP Scheme £'m | Total £'m |
| Fair value of scheme assets | 103.0 | 1,209.2 | 26.2 | - | 1,338.4 |
| Present value of defined benefit obligation | (82.7) | (1,014.5) | (28.1) | (37.9) | (1,163.2) |
| Defined benefit scheme asset/(liability) | 20.3 | 194.7 | (1.9) | (37.9) | 175.2 |
| Related deferred tax /(liability) | (5.7) | (54.5) | 0.5 | 10.6 | (49.1) |
| Asset/(liability) recognised in balance sheet | 14.6 | 140.2 | (1.4) | (27.3) | 126.1 |

The amounts recognised in the balance sheet are reconciled as follows:

| | Period to 31 January 2008 | | | | |
|--|---------------------------|---------------------|-----------------------------|-----------------------|--------------|
| | Saga Scheme £'m | AA Scheme £'m | AA Ireland Scheme £'m | APMP Scheme £'m | Total £'m |
| Defined benefit asset/(liability) acquired (note 14) | 21.9 | 266.9 | - | (37.6) | 251.2 |
| Profit and loss expense | (1.3) | 0.8 | (0.2) | (0.9) | (1.6) |
| Employer contributions | 3.2 | 6.2 | 0.3 | 0.5 | 10.2 |
| (Loss)/gain recognised via the STRGL | (3.5) | (79.2) | (2.0) | 0.1 | (84.6) |
| Closing defined benefit asset/(liability) | 20.3 | 194.7 | (1.9) | (37.9) | 175.2 |
| Related deferred tax /(liability) | (5.7) | (54.5) | 0.5 | 10.6 | (49.1) |
| Asset/(liability) recognised in balance sheet | 14.6 | 140.2 | (1.4) | (27.3) | 126.1 |

The changes in the present value of the defined benefit obligation are as follows:

| | Period to 31 January 2008 | | | | |
|--|---------------------------|---------------------|-----------------------------|-----------------------|--------------|
| | Saga Scheme £'m | AA Scheme £'m | AA Ireland Scheme £'m | APMP Scheme £'m | Total £'m |
| Defined benefit obligation acquired | 76.9 | 969.5 | 24.8 | 37.6 | 1,108.8 |
| Current service cost | 1.5 | 7.8 | 0.3 | 0.1 | 9.7 |
| Interest cost | 1.8 | 20.6 | 0.5 | 0.8 | 23.7 |
| Contributions by Scheme participants | 0.6 | 2.2 | 0.1 | - | 2.9 |
| Actuarial losses/(gains) on Scheme liabilities | 2.3 | 26.4 | 2.7 | (0.1) | 31.3 |
| Net benefits paid out | (0.4) | (12.2) | (0.3) | (0.5) | (13.4) |
| Past pensionable service cost | - | 0.2 | - | - | 0.2 |
| Closing defined benefit obligation | 82.7 | 1,014.5 | 28.1 | 37.9 | 1,163.2 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Pension costs and other post retirement benefits (continued)

The changes in the fair value of Scheme assets during the year are as follows:

| | Period to 31 January 2008 | | | | |
|---|---------------------------|------------------|--------------------------|--------------------|--------------|
| | Saga Scheme £'m | AA Scheme £'m | AA Ireland Scheme £'m | APMP Scheme £'m | Total £'m |
| Fair value of Scheme assets acquired | 98.8 | 1,236.4 | 24.8 | - | 1,360.0 |
| Expected return on Scheme assets | 2.0 | 29.4 | 0.6 | - | 32.0 |
| Actuarial (losses)/gains on Scheme assets | (1.2) | (52.8) | 0.7 | - | (53.3) |
| Contributions by employer | 3.2 | 6.2 | 0.3 | 0.5 | 10.2 |
| Contributions by scheme participants | 0.6 | 2.2 | 0.1 | - | 2.9 |
| Net benefits paid out | (0.4) | (12.2) | (0.3) | (0.5) | (13.4) |
| Closing fair value of Scheme assets | 103.0 | 1,209.2 | 26.2 | - | 1,338.4 |

The fair value of Scheme assets by percentage are as follows:

| | Period to 31 January 2008 | | | | |
|----------|---------------------------|-----------|-------------------|-------------|---|
| | Saga Scheme | AA Scheme | AA Ireland Scheme | APMP Scheme | |
| Equities | 67% | 54% | 49% | - | - |
| Bonds | 18% | 31% | 40% | - | - |
| Property | 0% | 8% | 11% | - | - |
| Other | 15% | 7% | 0% | - | - |
| Total | 100% | 100% | 100% | - | - |

The analysis of the actual return on Scheme assets is as follows:

| | Period to 31 January 2008 | | | | |
|---|---------------------------|------------------|--------------------------|--------------------|--------------|
| | Saga Scheme £'m | AA Scheme £'m | AA Ireland Scheme £'m | APMP Scheme £'m | Total £'m |
| Expected return on Scheme assets | 2.0 | 29.4 | 0.6 | - | 32.0 |
| Actuarial (losses)/gains on Scheme assets | (1.2) | (52.8) | 0.7 | - | (53.3) |
| Actual return on Scheme assets | 0.8 | (23.4) | 1.3 | - | (21.3) |

An expected return is set for each asset class, reflecting a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations. A single asset return for the Schemes' assets is then derived as an average of the expected return on each asset class, weighted by the Schemes' actual allocation of that class.

The analysis of amounts recognised in the profit and loss account are as follows:

| | Period to 31 January 2008 | | | | |
|--|---------------------------|------------------|--------------------------|--------------------|--------------|
| | Saga Scheme £'m | AA Scheme £'m | AA Ireland Scheme £'m | APMP Scheme £'m | Total £'m |
| Current service cost | 1.5 | 7.8 | 0.3 | 0.1 | 9.7 |
| Interest cost | 1.8 | 20.6 | 0.5 | 0.8 | 23.7 |
| Expected return on Scheme assets | (2.0) | (29.4) | (0.6) | - | (32.0) |
| Past pensionable service cost | - | 0.2 | - | - | 0.2 |
| Expense taken in the profit and loss account | 1.3 | (0.8) | 0.2 | 0.9 | 1.6 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Pension costs and other post retirement benefits (continued)

The analysis of net finance return on pension schemes recognised in the profit and loss account are as follows:

| | Period to 31 January 2008 | | | | |
|----------------------------------|---------------------------|------------------|--------------------------|--------------------|--------------|
| | Saga Scheme £'m | AA Scheme £'m | AA Ireland Scheme £'m | APMP Scheme £'m | Total £'m |
| Interest cost | 1.8 | 20.6 | 0.5 | 0.8 | 23.7 |
| Expected return on Scheme assets | (2.0) | (29.4) | (0.6) | - | (32.0) |
| Net finance return recognised | (0.2) | (8.8) | (0.1) | 0.8 | (8.3) |

The analysis of amounts recognised in the STRGL are as follows:

| | Period to 31 January 2008 | | | | |
|---|---------------------------|------------------|--------------------------|--------------------|--------------|
| | Saga Scheme £'m | AA Scheme £'m | AA Ireland Scheme £'m | APMP Scheme £'m | Total £'m |
| Actual (losses)/gains on Scheme assets | (1.2) | (52.8) | 0.7 | - | (53.3) |
| Experience losses arising on Scheme liabilities | (0.1) | - | - | - | (0.1) |
| Changes in assumptions underlying the present value of Scheme liabilities | (2.2) | (26.4) | (2.7) | 0.1 | (31.2) |
| Scheme (loss)/gain in STRGL | (3.5) | (79.2) | (2.0) | 0.1 | (84.6) |
| Movement in deferred tax | 1.0 | 22.1 | 0.6 | - | 23.7 |
| Total (loss)/gain in STRGL | (2.5) | (57.1) | (1.4) | 0.1 | (60.9) |

History of experience gains and losses:

| | Period to 31 January 2008 | | | |
|---|---------------------------|-----------|-------------------|-------------|
| | Saga Scheme | AA Scheme | AA Ireland Scheme | APMP Scheme |
| Difference between expected and actual return on Schemes' assets: | | | | |
| - Amount (£'m) | (1.2) | (52.8) | 0.7 | - |
| - % of Scheme assets | (1.2%) | (4.4%) | 2.7% | - |
| Experience gains and losses on Schemes' liabilities: | | | | |
| - Amount (£'m) | (0.1) | - | - | - |
| - % of present value of Scheme liabilities | (0.1%) | - | - | - |
| The Scheme surplus/(deficit): | | | | |
| - Fair value of assets (£'m) | 103.0 | 1,209.2 | 26.2 | - |
| - Actuarial value of scheme liabilities (£'m) | 82.7 | 1,014.5 | 28.1 | 37.9 |
| - Surplus / (deficit) in Scheme (£'m) | 20.3 | 194.7 | (1.9) | (37.9) |

The effect of changes in assumed medical cost trend are as follows:

| | Medical cost trend rates adopted £'m | Medical cost trend rates of 1% pa lower £'m | Medical cost trend rates of 1% pa higher £'m |
|---|---|--|---|
| Actuarial value of APMP liabilities at 31 January 2008 | 37.9 | -4.6 | +5.6 |
| Total of interest cost and service cost for the period to 31 January 2008 | 0.9 | -0.2 | +0.2 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Taxation

a) Tax on loss on ordinary activities

The tax charge is made up as follows:

| | Period to 31 January 2008 |
|--|---------------------------|
| | £'m |
| Current tax: | |
| UK corporation tax at 30% | - |
| Foreign tax | 0.6 |
| Group current tax | 0.6 |
| Deferred tax: | |
| Origination and reversal of timing differences | 9.0 |
| Impact of change in UK tax rate | (0.6) |
| Group deferred tax | 8.4 |
| Tax on loss on ordinary activities | 9.0 |

b) Tax included in the group statement of total recognised gains and losses

The tax credit is made up as follows:

Deferred tax:

| | |
|--|--------|
| Actuarial loss recognised on defined benefit Schemes | (23.7) |
|--|--------|

c) Factors affecting the current tax charge

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the period of 30%. The differences are reconciled below:

| | Period to 31 January 2008 |
|---|---------------------------|
| | £'m |
| Pre-tax losses at 30% | (76.5) |
| Decelerated capital allowances | 1.3 |
| Permanent timing differences | 27.3 |
| Other timing differences | (6.3) |
| Lower rate of foreign tax | (1.0) |
| Tonnage tax adjustment | (0.4) |
| Unrelieved trading losses | 1.0 |
| Non-deductible amortisation of goodwill | 33.7 |
| Other items | 21.5 |
| | 0.6 |

The tax credit relating to exceptional items amounts to £6.9 million.

The tonnage tax adjustment takes account of the fact that, for the Group's shipping subsidiaries the basis of taxation is the tonnage of ships sailed rather than the profits earned.

The Group's foreign tax rates are lower than those in the UK primarily because profits earned in AA Ireland Limited are taxed at a blended rate of 14%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

d) Factors that may affect future tax charges

The UK corporation tax rates have decreased from 30% to 28% from 1 April 2008. This rate change will affect the amount of future tax payments to be made by the Group. The deferred tax balance has been adjusted in the current year to reflect this change. Changes to the UK capital allowances regime will also impact the capital allowances the Group can claim. The full impact of these changes is still to be assessed.

No provision has been made for deferred tax on gains recognised on the fair value adjustment on acquired property. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £1.2 million. At present, it is not envisaged that any tax will become payable in the foreseeable future.

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

(e) Deferred tax

Group

The deferred tax included in the balance sheet is as follows:

| | 2008 £'m |
|--|-------------|
| Included in debtors (note 16) | 55.5 |
| Included in defined benefit pension asset (note 10) | (49.1) |
| | 6.4 |
| | 2008 £'m |
| Acquired 18 September 2007 including deferred tax on defined benefit pension asset | (8.9) |
| Deferred tax charge in group profit and loss account (note 11(a)) | (8.4) |
| Amount recognised in the statement of total recognised gains and losses | 23.7 |
| At 31 January 2008 | 6.4 |

12. Intangible fixed assets

Goodwill

| | 2008 £'m |
|------------------------|-------------|
| Cost | |
| Additions | 6,116.9 |
| At 31 January | 6,116.9 |
| Amortisation | |
| Charge for the period | 112.1 |
| At 31 January | 112.1 |
| Net book amount | |
| At 31 January | 6,004.8 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Tangible fixed assets

Group

| | Freehold Land & Buildings £'m | Short Leasehold Land & Buildings £'m | Cruise Ships £'m | Other Assets £'m | Total £'m |
|----------------------------|--|--|------------------------|------------------------|--------------|
| Cost | | | | | |
| Acquired 18 September 2007 | 64.7 | 10.3 | 64.5 | 75.3 | 214.8 |
| Additions | 4.1 | 0.3 | 4.5 | 12.7 | 21.6 |
| Disposals | - | - | - | (0.4) | (0.4) |
| At 31 January 2008 | 68.8 | 10.6 | 69.0 | 87.6 | 236.0 |
| Depreciation | | | | | |
| Charge for period | 0.7 | 0.3 | 4.7 | 11.5 | 17.2 |
| Disposals | - | - | - | - | - |
| At 31 January 2008 | 0.7 | 0.3 | 4.7 | 11.5 | 17.2 |
| Net book amounts | | | | | |
| At 31 January 2008 | 68.1 | 10.3 | 64.3 | 76.1 | 218.8 |

Included in freehold land and buildings are amounts in respect of land, with an original cost on acquisition of £6.9 million, which have not been depreciated.

The net book amount of Other Assets for the Group includes £32.5 million in respect of plant & machinery held under finance leases and hire purchase contracts. The accumulated depreciation on these assets is £4.5 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Investments

Group

| | 2008 £'m |
|-------------------------------|-------------|
| Joint venture | 1.3 |
| Associates | 1.2 |
| Other fixed asset investments | 1.5 |
| At 31 January | 4.0 |

Joint venture

| | 2008 £'m |
|---|-------------|
| Acquired 18 September 2007 | 1.3 |
| Share of losses retained by joint venture | (2.8) |
| Share of co-venturer's capital contribution | 2.8 |
| At 31 January | 1.3 |

Associates

| | 2008 £'m |
|---|-------------|
| Acquired 18 September 2007 | 1.2 |
| Share of profits retained by associates | - |
| At 31 January | 1.2 |

Company

Investment in subsidiary

| | 2008 £'m |
|---------------|-------------|
| Additions | 0.9 |
| At 31 January | 0.9 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Investments (continued)

Acquisitions

On 18 September 2007 the Group through its subsidiary Acromas Bid Co Limited (formerly Spring & Alpha Bidco Limited) acquired the whole of the issued share capital of Saga Holdings Limited and AA Limited.

The consideration for the purchase of Saga Holdings Limited of £1,657.7 million was satisfied by: the issue of guaranteed loan notes in an aggregate principal amount of £10.6 million; the issue of other loan notes in an aggregate principal amount of £292.5 million; and cash of £1,342.2 million. The costs associated with the acquisition amounted to £12.4 million.

The consideration for the purchase of AA Limited of £1,630.3 million was satisfied by: the issue of guaranteed loan notes in an aggregate principal amount of £1.9 million; the issue of other loan notes in an aggregate principal amount of £312.3 million; and cash of £1,304.6 million. The costs associated with the acquisition amounted to £11.5 million.

All business combinations during the year have been accounted for as acquisitions.

The investment in Saga Holdings Limited and AA Limited have been included in Acromas Bid Co Limited's balance sheet at their fair value at the date of acquisition.

Analysis of the acquisition of Saga Holdings Limited

Net liabilities at date of acquisition:

| | Book value £'m | Revaluations £'m | Other Significant Adjustments £'m | Fair value £'m |
|---|----------------------|---------------------|--|-------------------|
| Tangible fixed assets | 91.1 | 23.8 ¹ | | 114.9 |
| Cash on deposit | 248.1 | | | 248.1 |
| Stocks | 3.2 | | | 3.2 |
| Debtors | 208.9 | | | 208.9 |
| Cash at bank and in hand (net of overdrafts) | 145.6 | | | 145.6 |
| Creditors | (179.1) | | | (179.1) |
| Advance receipts | (91.8) | | | (91.8) |
| Bank loans | (1,222.7) | | 5.7 ² | (1,217.0) |
| Technical provisions | (392.2) | | | (392.2) |
| Provisions for liabilities | (1.8) | | | (1.8) |
| Pension asset (net of deferred tax) | 15.8 | | | 15.8 |
| Net liabilities (excluding acquired goodwill) | (1,174.9) | 23.8 | 5.7 | (1,145.4) |
| Goodwill arising on acquisition | | | | 2,803.1 |
| | | | | 1,657.7 |
| Discharged by: | | | | |
| Fair value of guaranteed loan notes issued | | | | 10.6 |
| Fair value of other loan notes issued | | | | 292.5 |
| Cash | | | | 1,342.2 |
| Costs associated with the acquisition | | | | 12.4 |
| | | | | 1,657.7 |

¹ Revaluation of the Group's cruise ships.

² Unamortised issue costs relating to bank loans.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Investments (continued)

The Saga group earned a profit after tax of £126.4 million in the year ended 31 January 2008, of which £91.5 million arose in the period 1 February 2007 to 18 September 2007. The summarised profit and loss account for the period 1 February 2007 to the effective date of acquisition and from acquisition to 31 January 2008 is as follows:

| | Pre acquisition period £'m | Post acquisition period £'m |
|---|-------------------------------------|--------------------------------------|
| Turnover | 436.7 | 264.1 |
| Exceptional items | (11.1) | (0.5) |
| Profit on disposal of subsidiaries | 75.4 | - |
| Shared based payment credit | 39.6 | - |
| Operating profit | 183.4 | 40.6 |
| Profit before tax | 101.1 | 43.6 |
| Taxation | (9.6) | (8.7) |
| Profit for the financial period | 91.5 | 34.9 |
| Loss after tax for the year ended 31 January 2007 | | (109.1) |

There were no recognised gains and losses in the period to 18 September 2007 other than the profit of £91.5 million above and actuarial gains recognised on the defined benefit pension scheme (net of deferred tax) of £15.7 million

The Saga Holdings Limited group contributed £30.9 million to the group's net operating cash flows, received £22.5 million in respect of net returns on investments and servicing of finance, paid £21.2 million in respect of taxation and utilised £10.1 million for capital expenditure and financial investment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Investments (continued)

Analysis of the acquisition of AA Limited

Net liabilities at date of acquisition:

| | Book value £'m | Revaluations £'m | Other Significant Adjustments £'m | Fair value £'m |
|---|-------------------|---------------------|--|-------------------|
| Tangible fixed assets | 95.6 | 4.3 ¹ | | 99.9 |
| Investments | 4.0 | | | 4.0 |
| Cash on deposit | 94.9 | | | 94.9 |
| Stocks | 10.7 | | | 10.7 |
| Debtors | 233.7 | | | 233.7 |
| Cash at bank and in hand (net of overdrafts) | 35.2 | | | 35.2 |
| Creditors | (262.0) | | | (262.0) |
| Advance receipts | (230.9) | | | (230.9) |
| Bank loans | (1,780.6) | | 19.7 ² | (1,760.9) |
| Provisions for restructuring | (2.2) | | | (2.2) |
| Provisions for other liabilities | (70.6) | | | (70.6) |
| Pension asset (net of deferred tax) | 165.1 | | | 165.1 |
| Net liabilities (excluding acquired goodwill) | (1,707.1) | 4.3 | 19.7 | (1,683.1) |
| Goodwill arising on acquisition | | | | 3,313.4 |
| | | | | 1,630.3 |
| Discharged by: | | | | |
| Fair value of guaranteed loan notes issued | | | | 1.9 |
| Fair value of other loan notes issued | | | | 312.3 |
| Cash | | | | 1,304.6 |
| Costs associated with the acquisition | | | | 11.5 |
| | | | | 1,630.3 |

¹ Revaluation of land and buildings.

² Unamortised issue costs relating to bank loans.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Investments (continued)

The AA Limited group earned a profit after tax and minority interests of £97.0 million in the 13 month period ended 31 January 2008, of which £51.7 million arose in the period 1 January 2007 to 18 September 2007. The summarised profit and loss account for the period 1 January 2007 to the effective date of acquisition and from acquisition to 31 January 2008 is as follows:

| | Pre acquisition period £'m | Post acquisition period £'m |
|--|-------------------------------------|--------------------------------------|
| Turnover | 605.8 | 305.6 |
| Exceptional items | 22.4 | (22.3) |
| Operating profit | 212.3 | 76.1 |
| Profit before tax | 67.6 | 79.8 |
| Taxation and minority interests | (15.9) | (34.5) |
| Profit for the financial period | 51.7 | 45.3 |
| Profit after tax for the year ended 31 December 2006 | | 34.8 |

There were no recognised gains and losses in the period to 18 September 2007 other than the profit of £51.7 million above and actuarial gains recognised on defined benefit pension scheme (net of deferred tax) of £130.6 million.

The AA Limited group contributed £72.2 million to the group's net operating cash flows, received £5.6 million in respect of net returns on investments and servicing of finance, paid £29.9 million in respect of taxation and utilised £9.4 million for capital expenditure and financial investment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Investments (continued)

The main operating subsidiary undertakings of Acromas Holdings Limited, all of which are wholly owned except where stated, are listed below.

All of the principal subsidiary undertakings of Acromas Holdings Limited are indirectly held by the company, with the exception of Acromas SPC Co Limited which is directly held.

| Company | Country of registration | Nature of business |
|--|-------------------------|-------------------------------|
| Subsidiary undertakings | | |
| Acromas SPC Co Limited (formerly Spring & Alpha SPC Co Limited) | England | Holding company |
| Acromas Mid Co Limited (formerly Spring & Alpha Midco Limited) | England | Holding company |
| Acromas Bid Co Limited (formerly Spring & Alpha Bidco Limited) | England | Holding company |
| Saga Group Limited | England | Holding company |
| Saga Holidays Limited | England | Tour operating |
| Saga Shipping Company Limited | England | Cruising |
| Saga Services Limited | England | Financial services |
| Saga Insurance Company Limited | Gibraltar | Insurance underwriting |
| AA SPC Co Limited | England | Holding company |
| AA Junior Mezzanine Co Limited | England | Holding company |
| AA Acquisition Co Limited | England | Holding company |
| AA Senior Co Limited | England | Holding company |
| AA Corporation Limited | England | Holding company |
| The Automobile Association Limited | Jersey | Roadside services |
| Automobile Association Developments Limited | England | Roadside & other services |
| Automobile Association Underwriting Services Limited | England | Roadside & insurance services |
| AA Ireland Limited | Ireland | Roadside & insurance services |
| Automobile Association Insurance Services Limited | England | Roadside & insurance services |
| A.A. Reinsurance Company (Guernsey) Limited | Guernsey | Insurance services |
| Taylor Price Insurance Services Limited | England | Insurance services |
| Premium Funding Limited | England | Insurance |
| Saga 200 Limited | England | Holding company |
| Saga 300 Limited | England | Holding company |
| Saga 400 Limited | England | Holding company |
| Saga Limited | England | Holding company |
| Joint Venture (50% interest held) | | |
| Automobile Association Personal Finance Limited | England | Personal Finance |
| Joint Arrangement not an Entity | | |
| AA Financial Services | (a) | Personal Finance |
| Associates (20% interest held) | | |
| ARC Transistance S.A. | Belgium | Roadside services |
| A.C.T.A. Assistance S.A. | France | Roadside services |
| A.C.T.A. Assurance S.A. | France | Roadside & insurance services |
| A.C.T.A. S.A. | France | Roadside services |

(a) AA Financial Services is an unincorporated joint arrangement whose principal place of business is Capital House, Queen's Park Road, Hardbridge, Chester, CU88 3AN.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Stocks

| | 2008 Group £'m |
|-------------------------------|----------------------|
| Raw materials and consumables | 1.1 |
| Work in progress | 2.3 |
| Finished goods | 10.2 |
| | <hr/> 13.6 |

16. Debtors

| | 2008 Group £'m |
|--|----------------------|
| Trade debtors | 302.0 |
| Salvage and claims recoveries | 21.8 |
| Reinsurers' share of unearned premiums reserve | 3.2 |
| Reinsurers' share of outstanding claims provisions | 8.6 |
| Other debtors | 11.9 |
| Deferred acquisition costs | 13.3 |
| Prepayments and accrued income | 26.1 |
| Other taxes and social security | 1.9 |
| Deferred tax | 55.5 |
| | <hr/> 444.3 |

Deferred tax comprises an excess of depreciation over capital allowances of £26.0 million and short-term differences of £29.5 million.

17. Current asset investments

| | 2008 Group £'m |
|----------------------------|----------------------|
| Fixed interest securities | |
| Acquired 18 September 2007 | 65.0 |
| Revaluation gain | 1.1 |
| | <hr/> 66.1 |

The fixed interest securities held have maturity dates in excess of one year. Although these investments could be realised at short notice it is anticipated that they will be held until maturity. Current asset investments are held by the Group's insurance subsidiary undertakings and are not readily available to be used for other purposes within the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Cash on deposit

| | 2008 Group £'m |
|--------------------------------------|----------------------|
| Deposits with financial institutions | 402.6 |
| | 402.6 |

Included in cash on deposit above are monies held which are subject to contractual or regulatory restrictions. These amounts include cash held within the Group's Holiday and Insurance businesses, which are subject to regulatory restrictions; and monies held by the Group's insurance intermediary business but owing to underwriters and subject to contractual restrictions. In total these monies amount to £357.6 million. No deposits have maturity dates in excess of one year.

19. Cash at bank and in hand

| | 2008 Group £'m |
|---------------|----------------------|
| Held in trust | 0.1 |
| Other | 65.7 |
| | 65.8 |

Cash at bank and in hand includes £0.9 million held by and on behalf of the Group's insurance subsidiary undertakings. These amounts held are not readily available to be used for other purposes within the Group.

20. Creditors falling due within one year

| | 2008 Group £'m |
|-------------------------------------|----------------------|
| Bank overdraft | 9.0 |
| Guaranteed unsecured loan notes | 12.8 |
| Leasing and hire purchase (note 22) | 10.1 |
| Advance receipts | 289.0 |
| Trade creditors | 182.9 |
| Corporation tax | 3.0 |
| Other taxes and social security | 23.2 |
| Deferred government grants | 0.1 |
| Other creditors | 58.0 |
| Accruals and deferred income | 165.0 |
| | 753.1 |

The guaranteed loan notes were issued on 18 September 2007 at a subscription price of £12.5 million. Interest is charged to the profit and loss account over the term of the instrument to give an effective rate of 6% per annum. The certificates are unsecured. The loan notes were issued to certain employees.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Creditors falling due after more than one year

| | 2008 Group £'m |
|--------------------------------------|----------------------|
| Bank loans – senior | 4,108.3 |
| Bank loans – mezzanine | 672.9 |
| Subordinated preference certificates | 1,612.6 |
| Leasing and hire purchase (note 22) | 19.4 |
| Deferred government grants | 2.1 |
| Accruals and deferred income | 1.9 |
| | 6,417.2 |

The bank loans fall due for repayment:

| | 2008 Group £'m |
|----------------------------|----------------------|
| In more than five years | 4,829.6 |
| | 4,829.6 |
| Less: Deferred issue costs | (48.4) |
| | 4,781.2 |

The bank loan facilities are secured by a floating charge over the Group's assets.

The bank loans falling due after more than five years are repayable as follows:

| | 2008 Group £'m |
|-------------------|----------------------|
| 30 September 2015 | 1,750.0 |
| 30 September 2016 | 1,750.0 |
| 31 March 2017 | 650.0 |
| 30 September 2017 | 679.6 |
| | 4,829.6 |

The subordinated preference certificates fall due for repayment:

| | 2008 Group £'m |
|-------------------------|----------------------|
| In more than five years | 1,612.6 |

Interest rates on the bank loans and guaranteed unsecured loan notes are on a variable basis linked to LIBOR.

The subordinated preference certificates were issued on 18 September 2007 at a subscription price of £1,524.0 million and are redeemable at par on 18 September 2037. Interest is charged to the profit and loss account over the term of the instrument at an effective rate of 16.5% per annum. The certificates are unsecured. The subordinated preference certificates were issued to equity investors and employees of the Group.

The guaranteed unsecured loan notes and subordinated preference certificates were fully subordinated to the bank loan facilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Obligations under finance leases and hire purchase

| | 2008 Group £'m |
|---|----------------------|
| The capital amounts due under finance leases and hire purchase obligations are: | |
| Within one year (note 20) | 10.1 |
| Within two to five years (note 21) | 19.4 |
| | 29.5 |

23. Lease commitments

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

| | Land and Buildings 2008 Group £'m | Plant and Machinery 2008 Group £'m |
|----------------------------|---|--|
| Leases expiring: | | |
| Within one year | 0.1 | 0.5 |
| Between two and five years | 0.5 | 1.3 |
| After five years | 0.8 | - |
| | 1.4 | 1.8 |

24. Insurance technical provisions

| | 2008 Group £'m |
|-------------------------------|----------------------|
| Unearned premium reserve | 159.6 |
| Outstanding claims provisions | 284.3 |
| Lapse provisions | 2.3 |
| | 446.2 |

The ultimate cost of outstanding claims is estimated by using standard actuarial claims projection techniques including the chain ladder and Bornhuetter-Ferguson methods. Such methods extrapolate the development of paid and incurred claims, average costs per claim and ultimate claim numbers for each accident period, based on the observed development of earlier periods and expected loss ratios. The main assumption underlying these techniques is that past claims development experience can be used to project ultimate claims costs.

Judgement is used to assess the extent to which past trends may not apply to the future, for example to reflect public attitudes to claiming or levels of claim inflation. The approach adopted takes into account, inter alia, the nature and materiality of the business and the type of data available. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims. Additional qualitative input, such as allowance for one off occurrences or changes in legislation, policy conditions or portfolio mix, is used in arriving at the estimated ultimate cost of claims, in order that it represents the most likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Provisions for liabilities

Group

| | Fair value of cash settled Equity Schemes £'m | Re-structuring £'m | Property leases £'m | Other £'m | Total £'m |
|----------------------------|--|-----------------------|---------------------------|--------------|--------------|
| At 18 September 2007 | - | 2.2 | 44.0 | 2.3 | 48.5 |
| Utilised during the period | - | (0.4) | (11.2) | (3.0) | (14.6) |
| Unwinding of discount rate | - | - | 0.6 | - | 0.6 |
| Released during the period | - | - | - | - | - |
| Charge for the period | - | 7.5 | 8.4 | 2.8 | 18.7 |
| Balance at 31 January 2008 | - | 9.3 | 41.8 | 2.1 | 53.2 |

During the period, the Group established a long-term incentive plan which allows employees to purchase shares in the Company. The employee's ability to realise the fair value of their shareholdings is subject to certain vesting conditions being met. The Company has recognised a provision which represents the change in fair value of employee shares over the relevant vesting periods. However, as the scheme has only been in existence for four months at the period end, there has been no significant change in the fair value of these shares. During the period, 9,019,387 shares were purchased by employees at a price of 1p per share.

The restructuring provision relates to redundancy and other related costs following the restructuring of the two acquired businesses.

The property provision relates to future lease costs of vacant properties for the remaining period of the lease, net of expected sub-letting income. A significant element of this provision relates to Service Centre sites not transferred to a third party. These sums are expected to be paid out annually over the next 15 years. The provision has been calculated on a pre-tax discounted basis.

Other provisions comprise property dilapidations, transmission and other costs, customer compensation and insurance policies that lapse post-period end. The latter item is reviewed and updated annually.

The property dilapidations provision relates to the factory used by the Group's mailing house, which is recognised over the life of the lease as the cost of rectification increases and will be used once the lease term expires in 2010.

The provision for transmission and other costs relates to an onerous contract within the Group's previously owned Radio business. The contract has been terminated and the provision relates to the agreed break fee. The provision will be fully utilised over the next year.

The customer compensation provision has been established to recognise a warranty given to certain customers of the Saga Financial Services division. This provision will be utilised when warranty claims are made.

The insurance policies provision relates to repayments of commission received that the Saga Financial Services division may have to make as a result of the mid-term cancellation of policies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Called up share capital

| | 2008 £'000 |
|--|---------------|
| Authorised | |
| 42,500,000 "A" ordinary shares of £0.01 each | 425,000 |
| 42,500,000 "B" ordinary shares of £0.01 each | 425,000 |
| 15,000,000 "C" ordinary shares of £0.01 each | 150,000 |
| | 1,000,000 |
| Allotted and fully paid in period | |
| 42,495,244 "A" ordinary shares of £0.01 each | 424,952 |
| 42,500,000 "B" ordinary shares of £0.01 each | 425,000 |
| 9,019,387 "C" ordinary shares of £0.01 each | 90,194 |
| | 940,146 |

The "A" and "B" ordinary shares are voting shares and identical in terms of rights and entitlements. The "C" ordinary shares carry no right to vote in any respect with regard to general meetings of the Company.

In 2007, an employee share trust was established to operate the employee share ownership plan, under which the trust holds shares on behalf of participating employees.

27. Reserves

| | Revaluation Reserve £'m | Profit and Loss Account £'m | Total £'m |
|---|-------------------------------|--------------------------------------|--------------|
| Retained loss for the period | - | (264.7) | (264.7) |
| Unrealised gains on financial investments | 1.1 | - | 1.1 |
| Actuarial gains & losses | - | (84.6) | (84.6) |
| Movement in deferred tax relating to pension assets | - | 23.7 | 23.7 |
| At 31 January 2008 | 1.1 | (325.6) | (324.5) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Reconciliation of operating profit to net cash flow from operating activities

| | Total 2008 £'m |
|---|----------------------|
| Operating profit before joint venture | 4.7 |
| Amortisation of goodwill | 112.1 |
| Other operating income | (21.0) |
| Depreciation of tangible fixed assets | 17.2 |
| Stock decrease | 0.3 |
| Debtor increase | (8.1) |
| Provisions increase | 4.7 |
| Creditors decrease | (0.5) |
| Advance receipts decrease | (33.8) |
| Deferred government grants released | (0.1) |
| Insurance technical provisions increase | 27.9 |
| Difference between pension charge and contributions | (0.3) |
| Net cash inflow from operating activities | 103.1 |

The cash inflow from operating activities is stated net of cash outflows relating to exceptional items of: (a) costs associated with a major one-off programme of remedial works to one of the Group's office buildings of £0.5 million; (b) restructuring expenditure costs primarily relating to redundancy costs, professional fees and the re-organising of Group operations of £9.8 million; (c) exit penalty costs as a result of serving notice on a long term IT outsourcing contract of £2.0 million; and (d) IT system replacement project costs of £0.8 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. Analysis of net debt

| | At 18 September 2007 £'m | Cash Flows £'m | Acquisition ¹ £'m | Other Non-Cash Movements £'m | At 31 January 2008 £'m |
|--------------------------------------|-----------------------------------|----------------------|---------------------------------|---------------------------------------|---------------------------------|
| Cash at bank and in hand | - | 214.0 | - | - | 214.0 |
| Bank overdrafts | - | (9.0) | - | - | (9.0) |
| Cash | - | 205.0 | - | - | 205.0 |
| Other deposits | - | 24.3 | 230.1 | - | 254.4 |
| Current asset investments | - | (4.7) | 69.9 | 1.0 | 66.2 |
| Bank loans | - | (1,769.0) | (2,977.8) | (34.4) | (4,781.2) |
| Unsecured loan notes | - | (12.5) | - | (0.3) | (12.8) |
| Subordinated preference certificates | - | (1,524.0) | - | (88.6) | (1,612.6) |
| Finance leases and HP | - | (3.7) | (25.8) | - | (29.5) |
| | - | (3,084.6) | (2,703.6) | (122.3) | (5,910.5) |

The other non-cash movements relating to unsecured loan notes and subordinated preference certificates comprise unpaid interest that has been added to the principal amount borrowed.

The other non-cash movements relating to bank loans comprise unpaid interest that has been added to the principal amount borrowed of £29.5 million, plus amortisation of issue costs of new long-term loans of £4.9 million.

¹ Excludes cash and overdrafts acquired of £224.7 million.

Analysis of cash on deposit:

| | 2008 Group £'m |
|------------------------------|----------------------|
| Classified as cash at bank | 148.2 |
| Classified as other deposits | 254.4 |
| | 402.6 |

30. Contingent liabilities

At 31 January 2008 the Group had secured £149.9 million of financial bonds and other guarantees on its £270.0 million revolving credit facility. If these bonds were called, the facility would be treated as drawn and recognised as a liability on the Group's balance sheet. The revolving credit facility is secured by a floating charge over the Group's assets.

The Civil Aviation Authority and the Association of British Travel Agents regulate Group's UK tour operating business and requires the Group to put in place bonds provided by the Group's bankers in order to provide the same level of customer protection. These bonds are included within the £149.9 million of financial bonds described above.

31. Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £1.4 million.

32. Cross Company Guarantees

The Company, along with certain of its subsidiaries, acts as Obligor on bank loans made to Acromas Mid Co Limited (formerly Spring & Alpha Midco Limited). At the balance sheet date the principal and accrued interest outstanding on these bank loans was £4,829.6 million. This amount excludes the revolving credit facility described in note 30, although if this amount were called the debt would be subject to this guarantee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Related party transactions

The Group is exempt from the requirement to disclose related party transactions with other group undertakings under FRS8 (Related party disclosures) which cancel on consolidation. Other transactions with related parties during the year comprised:

| | | Transactions 2008 £'m | Amounts outstanding as at 31 January £'m |
|---|---|-----------------------------|---|
| Joint Ventures and Associates | Type of transactions – income/(expenditure) | | |
| A.C.T.A. S.A. | Call handling fees | 0.8 | |
| | Amounts payable | | - |
| ARC Transistance S.A. | Registration fees | 0.1 | |
| | Amounts payable | | 0.2 |
| AA Financial Services | Revenue received | 2.2 | |
| | Amounts receivable | | 0.9 |
| Automobile Association Personal Finance Limited | Intermediary services provided | 0.9 | |
| | Amounts receivable | | - |

Of the subordinated preference certificates in issue as at 31 January 2008, the following table shows the amounts held by related parties. These instruments accrue interest at a rate of 16.5% per annum.

| Counterparty | Subscription Amount | Payable at 31 January 2008 |
|--|---------------------|----------------------------|
| Funds advised by Charterhouse General Partners | £642.8 million | £680.1 million |
| Funds advised by CVC Capital Partners | £357.4 million | £378.2 million |
| Funds advised by Permira Advisers | £357.4 million | £378.2 million |
| Employees and Employee Trust | £89.8 million | £95.0 million |

The guaranteed unsecured loan notes in issue as at 31 January 2008 were owned by certain employees of the Group. The subscription price on the guaranteed unsecured loan notes outstanding at 31 January 2008 was £12.5 million. This principal amount accrues interest charged at 6.0% per annum. The total amount payable as at 31 January 2008 is £12.8 million. The guaranteed unsecured loan notes are redeemable by 18 September 2010.

34. Ultimate controlling party

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACROMAS HOLDINGS LIMITED (FORMERLY SPRING & ALPHA TOPCO LIMITED)

We have audited the Group and parent Company financial statements (the "financial statements") of Acromas Holdings Limited (formerly Spring & Alpha Topco Limited) for the period ended 31 January 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliation of Consolidated Shareholders' Funds, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 34. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report, the Chief Executive's report and the Chief Financial Officer's report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion: (a) the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 January 2008 and of the Group's loss for the period then ended; (b) the financial statements have been properly prepared in accordance with the Companies Act 1985; and (c) the information given in the Directors' Report is consistent with the financial statements.



Ernst & Young LLP
Registered Auditor
London
7 July 2008

UNAUDITED PRO FORMA RESULTS

UNAUDITED PRO FORMA RESULTS

Year ended 31 January 2008

The profit and loss account set out below has been prepared as if Acromas Holdings Limited had acquired Saga Holdings Limited and AA Limited with effect from 1 February 2006. The statement therefore reflects the trading of all Saga and AA companies throughout the years ending 31 January 2007 and 31 January 2008.

| | Year ended 31 January 2008 | | | Year ended 31 January 2007 | | |
|--|---|--|----------------|---|--|----------------|
| | Before goodwill, exceptional and non recurring items £'m | Goodwill, exceptional and non recurring items £'m | Total £'m | Before goodwill, exceptional and non recurring items £'m | Goodwill, exceptional and non recurring items £'m | Total £'m |
| Group turnover | 1,544.5 | - | 1,544.5 | 1,483.1 | 4.6 | 1,487.7 |
| Cost of sales | (689.2) | - | (689.2) | (690.1) | (3.1) | (693.2) |
| Gross profit | 855.3 | - | 855.3 | 793.0 | 1.5 | 794.5 |
| Administrative and marketing expenses | (451.4) | - | (451.4) | (413.9) | (4.2) | (418.1) |
| Exceptional items | - | 61.6 | 61.6 | - | (28.3) | (28.3) |
| Amortisation of goodwill | - | (157.7) | (157.7) | - | (65.3) | (65.3) |
| Shared based payment charge | - | 39.6 | 39.6 | - | (36.1) | (36.1) |
| Total administrative and marketing expenses | (451.4) | (56.5) | (507.9) | (413.9) | (133.9) | (547.8) |
| Other operating income | 31.4 | - | 31.4 | 25.7 | - | 25.7 |
| Operating profit before joint venture | 435.3 | (56.5) | 378.8 | 404.8 | (132.4) | 272.4 |
| Share of operating profit in joint venture | 5.5 | - | 5.5 | 5.0 | - | 5.0 |
| Operating profit | 440.8 | (56.5) | 384.3 | 409.8 | (132.4) | 277.4 |

EBITDA reconciliation

| | | |
|------------------|--------------|--------------|
| Operating profit | 440.8 | 409.8 |
| Depreciation | 43.7 | 37.3 |
| EBITDA | 484.5 | 447.1 |

Interest Payable for the first year post acquisition

| | |
|------------------------------|--------------|
| Cash Interest | 384.2 |
| Interest accrued but not due | 339.1 |
| Total Interest | 723.3 |