

ACROMAS

HOLDINGS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2009

COMPANY REGISTRATION NUMBER: 6252766



ANDREW GOODSSELL
CHIEF EXECUTIVE

I am not complacent about the challenges that lie ahead, but I trust in our abilities to deliver and look to the future with confidence.

CHIEF EXECUTIVE'S REVIEW OF THE BUSINESS

A STRONG FIRST FULL YEAR IN A TOUGH ECONOMIC ENVIRONMENT

At the end of the first full year of trading for Acromas Holdings, I can report that our two iconic brands, Saga and the AA, have delivered a strong performance in what have been economically uncertain times. We have achieved sales of more than £1.6 billion. Our businesses now serve some 18.7 million customers and we have created almost 500 more jobs than a year ago - taking the total to more than 12,000 across AA and Saga.

I am pleased to report that Acromas achieved revenue growth of 4.4% based on prior year pro forma information, whilst EBITDA grew to £547.2 million, a 13% increase on the previous year. Trading in all our key markets has been strong as people look to trusted brands to provide the quality of service they expect at a price they can afford.

Our results show that we can trade well despite the failings in the wider economy. Although no business is recession proof, our chosen markets have proved to be recession resistant.

SHARING KNOWLEDGE AND INVESTING TO DELIVER EFFICIENCY AND EXCELLENCE

We continue to derive significant benefits from sharing expertise and systems across the group, creating greater efficiencies and delivering increased excellence to customers. For example, we have improved the AA's targeting of direct mail, replaced the AA's expensive legacy IT systems with Saga's more advanced, less costly and customer-centric system. We have also exploited economies of scale and procured a range of supplies and services more efficiently. Bringing in-house the AA's direct marketing was enabled by the investment in state-of-the-art equipment for MetroMail, our mailing house. This has both saved money and improved the quality of the AA's direct mail.

Additionally, we have invested in acquiring a new freehold office building in Folkestone to allow for the expansion of our modern call centre facilities.

ICONIC BRANDS, TRUSTED SERVICE

Our iconic brands are trusted; people know we will deliver and give excellent levels of service.

The results of the IPSOS Mori Corporate Image Survey show Saga and the AA share first place for 'customer favourability', while for 'treating customers fairly' Saga has retained its top spot with the AA joint second. For 'value for money' the AA is in second place and Saga third and Saga remains top for 'sending effective product and service information by post' with the AA third – up from twelfth place last year.

Exceptional service is at the heart of all our businesses and our 'moments of truth' customer surveys show that 96% of AA breakdown claims customers would recommend the AA as would 93% of the AA's motor and home insurance customers. Also, 99% of people making a motor claim with Saga said that staff made them feel like a valued customer.

For the second year running Which? Magazine has named the AA as the nation's best roadside recovery service, and it has been voted the most trusted breakdown provider by Reader's Digest. Doing things properly is core for Saga and so I was proud to see that Saga Services Limited has been recognised as 'Best Business for Customer Services' in a survey by the Institute of Customer Services.

A mark of the loyalty our brands engender is the Saga Magazine which is now Britain's most popular monthly subscription magazine that outsells its closest rival by over half a million copies a year.

IN THE COMMUNITY

Our businesses make a positive impact on the communities in which we operate. We have three main charities:

- i) The Saga Charitable Trust supports sustainable projects in developing countries that host Saga holidaymakers. This year we have funded a new nursery in South Africa, bought buffalo for community projects in Nepal and brought clean water to a Zambian village. Our ongoing commitments improve the lives of many thousands of people across the globe.
- ii) The Saga Respite for Carers Trust funds holidays for carers who have not been able to take a break away from their caring responsibilities and also pays for their loved-ones' respite care. In its first year of operation several thousand people visited the carers advice pages of the Saga website and many hundreds were nominated for an award. The first 60 carers have been selected and they and a friend are taking their much-deserved breaks in 2009.
- iii) The AA Charitable Trust for Road Safety and the Environment was launched in January. The first project is the "Drive Smart" scheme which provides 2,000 high-risk new drivers with free driver training sessions with the aim to make them safer and more fuel-efficient drivers.

OUR PEOPLE

Our strong financial performance is only possible because we attract and retain the right people. It is their commitment to deliver consistently good service for our customers that means we have a bright future. I would like to offer each and every one of our people my personal thanks for their hard work and dedication.

OUTLOOK

I believe that by maintaining our absolute focus on getting the basics right – the right products and excellent customer service – we will emerge stronger and better placed to capitalise on the upswing when it comes.

I am not complacent about the challenges that lie ahead, but I trust in our abilities to deliver and look to the future with confidence.





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 comparative trading results presented in this 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 49 showing what the results of the Group would have been had the acquisitions occurred on 1 February 2007. The trading results I describe below are all on this basis.

The Group turnover is £1.6 billion, which is 4.4% more than that achieved in the previous year. The AA contributed £861.2 million, of which £604.3 million was from its roadside assistance business and £206.1 million was from insurance. Saga contributed £750.6 million of which £471.3 million was from its insurance business and £265.5 million was from its travel business.

Group gross margin (excluding exceptional items) was 54.4% of turnover. Of the £876.8 million gross profit, only 47.1% was spent on administrative and marketing expenses (2008: 52.8%) and the Group generated an operating profit of £496.5 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:

	2009	2008	Change
	£'m	£'m	%
Turnover	1,611.8	1,544.5	4.4
Total Expenses	413.2	451.4	(8.4)
Operating Profit	496.5	440.8	12.7
EBITDA	547.2	484.5	13.0
Interest paid	339.1	384.2	(11.7)
Headcount	12,170	11,699	4.0

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 £230 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 has fallen from the prior year pro forma amount of £384.2 million to £339.1 million this year, reflecting the reduction in LIBOR seen in the last quarter. This compares to EBITDA before exceptional items of £547.2 million for the year to 31 January 2009.

The Group has agreed highly 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 debt ranks behind all other debts of the Group and is 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.

At the balance sheet date, the Group had cash and short term bank deposits of £518.8 million on its balance sheet. Of this amount, £379.5 million is cash set aside to meet the Group's regulatory capital requirements in its insurance and travel subsidiaries. The remaining £139.3 million is available for general corporate purposes, including servicing the debt facility.

A handwritten signature in black ink, appearing to be 'S. J. D.', written in a cursive style.

DIRECTORS' REPORT

DIRECTORS:

J A Goodsell (Chief Executive)

J S E Arnell (Charterhouse Capital Partners)

R P Hooper (CVC Capital Partners)

S M Howard (Chief Financial Officer)

R R Lucas (CVC Capital Partners)

P S Muelder (Permira Advisers)

M Offord (Charterhouse Capital Partners)

C Sherwood (Permira Advisers)

Secretary: J Davies

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

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

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

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, PMI & travel insurance, books, magazines, and package and cruise holidays.

Acromas acquired the AA and Saga businesses on 18 September 2007. An unaudited pro forma comparing the current year's trading against the full year results for the prior period for the combined Group has been included on page 49 and is discussed in the CFO's report.

Group turnover excluding exceptional items for the year to 31 January 2009 was £1,611.8 million (2008 – £569.7 million). The AA contributed £861.2 million (2008 – £305.6 million) of which £604.3 million (2008 – £210.0 million) was from its roadside assistance business and £206.1 million (2008 – £77.7 million) was from insurance. Saga contributed £750.6 million (2008 – £264.1 million) of which £471.3 million (2008 – £154.5 million) was from its insurance business and £265.5 million (2008 – £104.6 million) was from its travel business.

The gross profit achieved excluding exceptional items over this year was £876.8 million (2008 – £280.3 million), giving an overall gross margin of 54.4% (2008 – 49.2%).

The Group administrative costs excluding goodwill amortisation and exceptional items were £413.2 million (2008 – £161.7 million), meaning that 47.1% (2008 – 57.7%) of the gross profit for the year was absorbed by overheads. Group operating profit excluding goodwill amortisation and exceptional items was £496.5 million (2008 – £141.0 million), which is 56.7% (2008 – 50.3%) of gross profit.

The total interest charge for the year was £709.2 million (2008 – £270.1 million), of which £346.1 million (2008 – £150.6 million) was either paid in cash or is due to be paid in cash shortly after the year 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 £506.7 million (2008 – £255.7 million). A retained deficit of £516.4 million (2008 – £264.7 million) has been taken to reserves. No dividends have been paid during the year (2008 – £nil).

The two main Group pension schemes ended the year with a 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.

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 six headings:

1. 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.

2. Operational Risks

The Group faces a number of operational risks which are fundamental to its carrying on business including suppliers not being able to provide contracted services through force majeure, the risk associated with operating holidays, motoring 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 implemented processes and procedures to reduce the likelihood of occurrence.

3. Market Risk

The Group continues to operate in highly competitive markets with ongoing 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.

4. Brand Risk

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

5. 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.

6. Liquidity Risk

The Group pays a significant proportion of the cash it generates to its lenders in line with the provisions of its loan agreements. The Group produces rolling three month cash flow forecasts each week and monitors these closely to ensure that the Group is generating sufficient free cash flow to make these payments as they fall due.

SOCIAL AND COMMUNITY MATTERS

The Directors are committed to the Group being a good corporate citizen. Further details of the Group's charitable work are 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 £703,000 (2008 – £657,000). No political donations were made.

ENVIRONMENTAL MATTERS

The Group has continued to work hard to improve its environmental impact. 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 almost 400 trees in addition to the 600 planted last year on the sites occupied by its offices.

This year the AA introduced a further 37 motorbikes and electric scooters into London, Manchester, Glasgow and Birmingham taking the overall numbers to 50 (2008 – 13). The bike patrols 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 with corresponding high CO₂ emissions. The bikes – which include environmentally friendly zero-emission electric scooters – are estimated 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 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, and occasionally caps, 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 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 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, 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

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

By order of the Board



S M Howard
Director
9 July 2009

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2009

		Before goodwill, exceptional and non recurring items 2009	Goodwill, exceptional and non recurring items 2009	Total 2009	Total 2008
	Note	£'m	£'m	£'m	£'m
Turnover					
Turnover: Group and share of joint venture's turnover		1,649.7	10.0	1,659.7	588.2
Less: share of joint venture's turnover		(37.9)	-	(37.9)	(18.5)
Group turnover	2	1,611.8	10.0	1,621.8	569.7
Cost of sales		(735.0)	-	(735.0)	(289.4)
Gross profit	4	876.8	10.0	886.8	280.3
Administrative and marketing expenses		(392.6)	-	(392.6)	(151.8)
Exceptional items	6	-	(23.6)	(23.6)	(22.8)
Amortisation of goodwill	12	-	(305.9)	(305.9)	(112.1)
Current pensionable service cost	10(h)	(20.6)	-	(20.6)	(9.7)
Past pensionable service cost	10(h)	-	-	-	(0.2)
Total expenses		(413.2)	(329.5)	(742.7)	(296.6)
Other operating income	5	29.3	14.5	43.8	21.0
Operating profit before joint arrangement		492.9	(305.0)	187.9	4.7
Share of profits from joint arrangement		3.6	-	3.6	1.4
Operating profit	6	496.5	(305.0)	191.5	6.1
Interest payable and similar charges	7	(709.2)	-	(709.2)	(270.1)
Net finance return on pension schemes	10(i)	11.0	-	11.0	8.3
Loss on ordinary activities before taxation		(201.7)	(305.0)	(506.7)	(255.7)
Taxation	11	(9.4)	(0.2)	(9.6)	(9.0)
Loss on ordinary activities after taxation		(211.1)	(305.2)	(516.3)	(264.7)
Minority interests		(0.1)	-	(0.1)	-
Loss for the financial year	27	(211.2)	(305.2)	(516.4)	(264.7)

All operations are continuing

The comparative profit and loss account shows the Group's trading result for the period 18 September 2007 to 31 January 2008.

YEAR ENDED 31 JANUARY 2009
 CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	2009 £'m	2008 £'m
Loss for the financial year		(516.4)	(264.7)
Actuarial loss recognised on defined benefit pension schemes	10(j)	(211.2)	(84.6)
Movement on deferred tax relating to defined benefit pension schemes	10(j)	46.2	23.7
Exchange differences arising on the translation of net assets of overseas subsidiary companies	27	0.1	-
Unrealised gains on financial investments taken to revaluation reserve	27	4.1	1.1
Total recognised gains and losses relating to the year		(677.2)	(324.5)

RECONCILIATION OF CONSOLIDATED SHAREHOLDERS' DEFICIT

	2009 £'m	2008 £'m
Total recognised gains and losses relating to the year	(677.2)	(324.5)
Issue of ordinary share capital	0.1	0.9
Net movement in shareholders' deficit	(677.1)	(323.6)
Shareholders' deficit brought forward	(323.6)	-
Shareholders' deficit carried forward	(1,000.7)	(323.6)

CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2009

		2009	2009	2008	2008
	Note	£'m	£'m	£'m	£'m
Fixed assets					
Intangible fixed assets	12		5,699.7		6,004.8
Tangible fixed assets	13		223.6		218.8
Investments	14				
Share of gross assets of joint venture		779.0		817.1	
Share of gross liabilities of joint venture		(777.7)		(815.8)	
		1.3		1.3	
Investment in associates		1.2		1.2	
Other investments		1.5		1.5	
			4.0		4.0
			5,927.3		6,227.6
Current assets					
Stocks	15		17.2		13.6
Debtors	16		493.9		442.0
Financial investments	17		100.7		66.2
Cash on deposit	18		500.7		402.6
Cash at bank and in hand	19		18.1		65.8
			1,130.6		990.2
Creditors falling due within one year	20		(704.6)		(748.8)
Net current assets			426.0		241.4
Total assets less current liabilities			6,353.3		6,469.0
Creditors falling due after more than one year	21		(6,779.2)		(6,417.2)
Insurance technical provisions	24		(494.3)		(443.9)
Provisions for liabilities	25		(56.1)		(57.6)
Net liabilities excluding pension assets/(liabilities)			(976.3)		(449.7)
Defined benefit pension assets	10		25.2		154.8
Defined benefit pension liabilities	10		(49.6)		(28.7)
Net liabilities including pension assets/(liabilities)			(1,000.7)		(323.6)
Capital and reserves					
Called up share capital	26		1.0		0.9
Revaluation reserve	27		5.2		1.1
Currency equalisation account	27		0.1		-
Profit and loss account	27		(1,007.0)		(325.6)
Total shareholders' deficit			(1,000.7)		(323.6)
Minority interests			-		-
Total capital employed			(1,000.7)		(323.6)

Signed for and on behalf of the Board by



J A Goodsell
Directors
9 July 2009

S M Howard

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2009

	Note	2009	2009	2008	2008
		£'m	£'m	£'m	£'m
Net cash inflow from operating activities	28		455.3		103.1
Share of profits from joint arrangement			3.6		1.4
Returns on investments and servicing of finance					
Interest received		29.1		21.6	
Interest paid		(339.1)		(129.6)	
Dividends paid to minority shareholders in subsidiary undertaking		(0.1)		-	
Interest element of finance lease rentals		(3.3)		(1.2)	
Issue costs of new long-term loans		-		(53.2)	
			(313.4)		(162.4)
Taxation					
Overseas tax paid		(1.3)		(2.3)	
			(1.3)		(2.3)
Capital expenditure and financial investment					
Receipt of government grants		0.2		-	
Purchase of tangible fixed assets		(32.7)		(12.3)	
			(32.5)		(12.3)
Acquisitions and disposals					
Purchase of subsidiary undertakings		(0.8)		(3,283.7)	
Net cash acquired with subsidiary undertakings		-		224.7	
			(0.8)		(3,059.0)
Management of liquid resources					
Maturity of fixed interest securities		18.6		4.7	
Purchase of fixed interest securities		(49.6)		-	
Increase in other deposits		(39.2)		(24.3)	
			(70.2)		(19.6)
Net cash inflow/(outflow) before financing			40.7		(3,151.1)
Financing					
Issue of ordinary share capital		0.1		0.9	
Repayment of long-term bank loans		-		(2,977.8)	
New long-term bank loans		-		4,800.0	
New unsecured guaranteed loan notes		-		12.5	
Repayment of unsecured guaranteed loan notes		(12.3)		-	
New subordinated preference certificates		-		1,524.0	
Repayment of capital element of finance lease agreements		(16.1)		(3.5)	
			(28.3)		3,356.1
Increase in cash			12.4		205.0

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR
ENDED 31 JANUARY 2009 (CONTINUED)**

	Note	2009 £'m	2008 £'m
Reconciliation of net cash flows to movement in net debt			
Increase in cash		12.4	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 unsecured guaranteed loan notes issued		-	(12.5)
Repayment of unsecured guaranteed loan notes		12.3	-
New subordinated preference certificates issued		-	(1,524.0)
Repayment of capital element of finance lease agreements		16.1	3.5
Maturity of fixed interest securities		(18.6)	(4.7)
Purchase of fixed interest securities		49.6	-
Cash outflow from other deposits		39.2	24.3
Change in net debt resulting from cash flows		111.0	(3,077.4)
Deposits, loans and finance leases acquired with subsidiaries		-	(2,703.6)
New finance lease agreements		(22.3)	(7.3)
Interest accrued on bank loans		(89.8)	(29.5)
Amortisation of issue costs of long-term loans		(5.5)	(4.9)
Interest accrued on unsecured guaranteed loan notes		(0.1)	(0.3)
Interest accrued on subordinated preference certificates		(266.0)	(88.6)
Exchange differences		0.1	-
Net realised losses on fixed interest securities		(0.6)	-
Net unrealised gains on fixed interest securities		4.1	1.1
Movement in net debt		(269.1)	(5,910.5)
Opening net debt		(5,910.5)	-
Closing net debt	29	(6,179.6)	(5,910.5)

COMPANY BALANCE SHEET AS AT 31 JANUARY 2009

	Note	2009 £'m	2008 £'m
Fixed assets			
Investment in subsidiaries	14	0.9	0.9
		0.9	0.9
Current assets			
Debtors	16	0.2	0.1
		0.2	0.1
Creditors – amounts falling due within one year	20	(0.1)	(0.1)
Net current assets		0.1	-
Total assets less current liabilities		1.0	0.9
Capital and reserves			
Called up share capital	26	1.0	0.9
Shareholders' funds		1.0	0.9

Signed for and on behalf of the Board by



J A Goodsell
Directors
9 July 2009



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 section 256.

The Group has net liabilities at the year 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 year 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.

Certain of the Group's activities are conducted through joint arrangements and are included in the consolidated financial statements in proportion to the Group's interest in the income, expenses, assets and liabilities of these joint arrangements.

In the parent company financial statements investments in subsidiaries are accounted for at the lower of cost and net realisable value. 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) Use of estimates

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates.

The list below sets out those items management considers particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy.

- Insurance technical provisions (note 1(q))
- Goodwill (note 1(n))
- Provisions for liabilities (note 1(t))
- Deferred tax (note 1(i))

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

d) 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(p).

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.

e) 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 where appropriate.

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.

f) 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 assets' 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

g) Stocks

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

h) Advance receipts

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

i) 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.

j) 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 year end rates and the profit and loss accounts at weighted average rates for the year. Resultant translation differences are taken to reserves.

k) 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 year.

l) 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.

m) Liquid resources

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

n) 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 year 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.

o) 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.

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.

p) Insurance business

Earned premiums relate to business incepted during the year 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 year, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

q) 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 debtors and insurance technical provisions respectively.

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

A provision for unexpired risks is maintained, when required, to cover the estimated excess of net liabilities over the associated unearned premium reserve after taking future investment return into account. An assessment is made for each grouping of business that is managed together such that the offsetting of any surpluses and deficits can only occur within each group.

r) 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 and issue costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

s) Interest income

Revenue is recognised as interest accrues.

t) 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.

u) Lease incentives

Incentives received in connection with entering into operating leases are recognised on a straight line basis over the period of the lease.

v) 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.

w) 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.

The exceptional item relates to overpaid VAT now reclaimed.

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.

	2009	2008
Group Turnover	£'m	£'m
Insurance activities – net earned premiums	274.1	90.6
Exceptional item (note 2)	10.0	-
Other activities	1,337.7	479.1
	1,621.8	569.7
Cost of sales		
Insurance activities – net claims incurred & handling costs	(244.1)	(108.6)
Other activities	(490.9)	(180.8)
	(735.0)	(289.4)
Gross profit	886.8	280.3

The amount disclosed for claims incurred is net of a £26.4 million (2008 - £7.3 million) favourable run off deviation due to better claims experience than had originally been reserved for.

5. Other operating income

	2009	2008
	£'m	£'m
Interest on deposits	29.3	21.0
Exceptional item (see below)	14.5	-
	43.8	21.0

The exceptional item relates to interest received on overpaid VAT now reclaimed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Operating profit

	2009	2008
Operating profit is stated after charging/(crediting):	£'m	£'m
Depreciation of owned tangible fixed assets	36.5	11.5
Depreciation of leased tangible fixed assets	14.2	4.5
Deferred government grant release	(0.1)	-
Auditors' remuneration (see below)	1.1	1.1
Operating lease rentals – land and buildings	5.6	0.8
Operating lease rentals – plant and machinery	5.8	0.6
Exceptional item – remedial works	0.2	0.5
Exceptional item – restructuring costs	0.6	18.3
Exceptional item – outsourced IT contract break costs	4.9	3.1
Exceptional item – IT system replacement project	3.6	0.9
Exceptional item – property provision costs	14.3	-

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; (d) IT system replacement project costs; and (e) onerous property provision future lease costs in respect of vacant properties, net of expected sub-letting income.

The remuneration of the auditors is further analysed as follows:

	2009	2008
	£'000	£'000
Audit of the Company and Group financial statements *	50	30
Other fees to auditors:		
- Audit of subsidiary financial statements	680	620
- Additional fees related to prior year audit of subsidiary financial statements	30	-
- Services relating to corporate finance transactions	-	300
- Taxation services	148	92
- Audit of Group pension Schemes	9	9
- Other services	162	18
	1,029	1,039
Total Auditors' remuneration	1,079	1,069

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

In addition to the above amounts payable to the principal auditors, fees for audit services of £53,000 (2008 – £50,000) were payable to other firms.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Interest payable and similar charges

	2009	2008
	£'m	£'m
Bank loans and overdrafts	432.4	174.7
Interest on guaranteed unsecured loan notes	0.1	0.3
Interest on subordinated preference certificates	266.0	88.6
Amortisation of issue costs of bank loans	5.5	4.9
Finance charges payable under finance lease agreements	3.3	1.2
Unwinding of discount rate on provisions	1.5	0.6
Other interest payable and finance charges	0.4	(0.2)
	709.2	270.1

8. Directors' emoluments

	2009	2008
	£'000	£'000
Aggregate emoluments in respect of qualifying services	2,337	856

	2009	2008
Members of defined benefit pension scheme	2	2

This represents the period from 18 September 2007 to 31 January 2008 in respect of 2008 and the full year for 2009. The amounts paid in respect of the highest paid Director were as follows:

	2009	2008
	£'000	£'000
Emoluments	1,492	549

	2009	2008
	£'000	£'000
Defined benefit pension scheme:		
Accrued pension at end of year	66	56

9. Staff costs

	2009	2008
	£'m	£'m
Wages and salaries	290.5	102.2
Social security costs	24.4	8.2
Other pension costs	29.2	11.2
	344.1	121.6

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

	2009	2008
	No.	No.
Roadside Services	4,867	4,801
Financial Services	3,777	3,489
Travel	2,181	2,013
Media	464	620
Central Administration	881	776
	12,170	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 2009 were members of either the Saga Group Pension and Life Assurance Scheme, the AA Pension Scheme ("AAPS") or the AA Ireland Pension Scheme ("AAIPS"), 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 2010 are estimated to be £3.3 million. Regular employer contributions to the AA Schemes in the year to 31 January 2010 are estimated to be £16.5 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 year 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:

	At 31 January 2009		At 31 January 2008	
	Saga Scheme	AA Schemes	Saga Scheme	AA Schemes
Real rate of increase in salaries	2.0%	1.1%	2.0%	1.1%
Real rate of increase of pensions in payment	0.0%	0.0%	1.4%	0.0%
Real rate of increase of pensions in deferment	0.0%	0.0%	1.4%	0.0%
Discount rate	6.9%	6.9%	6.3%	6.3%
Inflation assumption	3.5%	3.5%	3.4%	3.4%
Medical premium inflation	N/a	7.5%	N/a	4.0%

Mortality assumptions are set using standard tables based on Scheme specific experience where available. Each Scheme's 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 22 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(a) The amounts recognised in the balance sheet are as follows:

	2009	2008
	£'m	£'m
Saga Scheme (note 10(b))	8.3	14.6
AAPS Scheme (note 10(b))	16.9	140.2
Defined benefit pension assets	25.2	154.8
AAIPS Scheme (note 10(b))	(12.4)	(1.4)
APMP Scheme (note 10(b))	(37.2)	(27.3)
Defined benefit pension liabilities	(49.6)	(28.7)
Net defined benefit pension (liabilities)/assets (note 10(b))	(24.4)	126.1

(b) The amounts recognised in the balance sheet are as follows:

	As at 31 January 2009				
	Saga Scheme	AAPS Scheme	AAIPS Scheme	APMP Scheme	Total
	£'m	£'m	£'m	£'m	£'m
Fair value of scheme assets (note 10(e))	88.8	1,006.3	24.9	-	1,120.0
Present value of defined benefit obligation (note 10(d))	(77.3)	(982.9)	(39.0)	(37.2)	(1,136.4)
Defined benefit scheme asset/(liability) (note 10(c))	11.5	23.4	(14.1)	(37.2)	(16.4)
Related deferred tax asset/(liability) (note 11(e))	(3.2)	(6.5)	1.7	-	(8.0)
Asset/(liability) recognised in balance sheet (note 10(a))	8.3	16.9	(12.4)	(37.2)	(24.4)

	As at 31 January 2008				
	Saga Scheme	AAPS Scheme	AAIPS Scheme	APMP Scheme	Total
	£'m	£'m	£'m	£'m	£'m
Fair value of scheme assets (note 10(e))	103.0	1,209.2	26.2	-	1,338.4
Present value of defined benefit obligation (note 10(d))	(82.7)	(1,014.5)	(28.1)	(37.9)	(1,163.2)
Defined benefit scheme asset/(liability) (note 10(c))	20.3	194.7	(1.9)	(37.9)	175.2
Related deferred tax asset/(liability) (note 11(e))	(5.7)	(54.5)	0.5	10.6	(49.1)
Asset/(liability) recognised in balance sheet (note 10(a))	14.6	140.2	(1.4)	(27.3)	126.1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

	Year to 31 January 2009				
	Saga	AAPS	AAIPS	APMP	Total
	Scheme	Scheme	Scheme	Scheme	
£'m	£'m	£'m	£'m	£'m	
Opening defined benefit asset/(liability) (note 10(b))	20.3	194.7	(1.9)	(37.9)	175.2
Profit and loss expense (note 10(h))	(1.1)	(5.1)	(0.8)	(2.6)	(9.6)
Employer contributions (note 10(e))	3.4	23.2	1.3	1.3	29.2
(Loss)/gain recognised via the STRGL (note 10(j))	(11.1)	(189.4)	(12.7)	2.0	(211.2)
Closing defined benefit asset/(liability) (note 10(b))	11.5	23.4	(14.1)	(37.2)	(16.4)
Related deferred tax asset/(liability) (note 11 (e))	(3.2)	(6.5)	1.7	-	(8.0)
Asset/(liability) recognised in balance sheet (note 10(b))	8.3	16.9	(12.4)	(37.2)	(24.4)

	Period to 31 January 2008				
	Saga	AAPS	AAIPS	APMP	Total
	Scheme	Scheme	Scheme	Scheme	
£'m	£'m	£'m	£'m	£'m	
Defined benefit asset/(liability) acquired	21.9	266.9	-	(37.6)	251.2
Profit and loss expense (note 10(h))	(1.3)	0.8	(0.2)	(0.9)	(1.6)
Employer contributions (note 10(e))	3.2	6.2	0.3	0.5	10.2
(Loss)/gain recognised via the STRGL (note 10(j))	(3.5)	(79.2)	(2.0)	0.1	(84.6)
Closing defined benefit asset/(liability) (note 10(b))	20.3	194.7	(1.9)	(37.9)	175.2
Related deferred tax asset/(liability) (note 11 (e))	(5.7)	(54.5)	0.5	10.6	(49.1)
Asset/(liability) recognised in balance sheet (note 10(b))	14.6	140.2	(1.4)	(27.3)	126.1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

	Year to 31 January 2009				
	Saga	AAPS	AAIPS	APMP	Total
	Scheme	Scheme	Scheme	Scheme	
£'m	£'m	£'m	£'m	£'m	
Opening defined benefit obligation (note 10(b))	82.7	1,014.5	28.1	37.9	1,163.2
Current service cost (note 10(h))	3.1	16.6	0.7	0.2	20.6
Interest cost (note 10(i))	5.4	63.2	1.8	2.4	72.8
Contributions by Scheme participants (note 10(e))	1.7	5.6	0.3	-	7.6
Actuarial losses/(gains) on Scheme liabilities	(5.9)	(83.8)	2.7	(2.0)	(89.0)
Net benefits paid out	(9.7)	(33.2)	(0.9)	(1.3)	(45.1)
Currency loss	-	-	6.3	-	6.3
Closing defined benefit obligation (note 10(b))	77.3	982.9	39.0	37.2	1,136.4

	Period to 31 January 2008				
	Saga	AAPS	AAIPS	APMP	Total
	Scheme	Scheme	Scheme	Scheme	
£'m	£'m	£'m	£'m	£'m	
Defined benefit obligation acquired	76.9	969.5	24.8	37.6	1,108.8
Current service cost (note 10(h))	1.5	7.8	0.3	0.1	9.7
Interest cost (note 10(i))	1.8	20.6	0.5	0.8	23.7
Contributions by Scheme participants (note 10(e))	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 (note 10(h))	-	0.2	-	-	0.2
Closing defined benefit obligation (note 10(b))	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)

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

	Year to 31 January 2009				
	Saga	AAPS	AAIPS	APMP	Total
	Scheme	Scheme	Scheme	Scheme	
£'m	£'m	£'m	£'m	£'m	
Opening fair value of Scheme assets (note 10(b))	103.0	1,209.2	26.2	-	1,338.4
Expected return on Scheme assets (note 10(g))	7.4	74.7	1.7	-	83.8
Actuarial (losses)/gains on Scheme assets (note 10(g))	(17.0)	(273.2)	(8.3)	-	(298.5)
Contributions by employer (note 10(c))	3.4	23.2	1.3	1.3	29.2
Contributions by Scheme participants (note 10(d))	1.7	5.6	0.3	-	7.6
Net benefits paid out	(9.7)	(33.2)	(0.9)	(1.3)	(45.1)
Currency gain	-	-	4.6	-	4.6
Closing fair value of Scheme assets (note 10(b))	88.8	1,006.3	24.9	-	1,120.0

	Period to 31 January 2008				
	Saga	AAPS	AAIPS	APMP	Total
	Scheme	Scheme	Scheme	Scheme	
£'m	£'m	£'m	£'m	£'m	
Fair value of Scheme assets acquired	98.8	1,236.4	24.8	-	1,360.0
Expected return on Scheme assets (note 10(g))	2.0	29.4	0.6	-	32.0
Actuarial (losses)/gains on Scheme assets (note 10(g))	(1.2)	(52.8)	0.7	-	(53.3)
Contributions by employer (note 10(c))	3.2	6.2	0.3	0.5	10.2
Contributions by Scheme participants (note 10(d))	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 (note 10(b))	103.0	1,209.2	26.2	-	1,338.4

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

	Year to 31 January 2009			
	Saga Scheme	AAPS Scheme	AAIPS Scheme	APMP Scheme
Equities	40%	45%	46%	-
Bonds	57%	41%	44%	-
Property	-	9%	9%	-
Other	3%	5%	1%	-
Total	100%	100%	100%	-

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

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

	Year to 31 January 2009				
	Saga Scheme	AAPS Scheme	AAIPS Scheme	APMP Scheme	Total
	£'m	£'m	£'m	£'m	£'m
Expected return on Scheme assets (note 10(e))	7.4	74.7	1.7	-	83.8
Actuarial losses on Scheme assets (note 10(e))	(17.0)	(273.2)	(8.3)	-	(298.5)
Actual return on Scheme assets	(9.6)	(198.5)	(6.6)	-	(214.7)

	Period to 31 January 2008				
	Saga Scheme	AAPS Scheme	AAIPS Scheme	APMP Scheme	Total
	£'m	£'m	£'m	£'m	£'m
Expected return on Scheme assets (note 10(e))	2.0	29.4	0.6	-	32.0
Actuarial losses on Scheme assets (note 10(e))	(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

	Year to 31 January 2009				
	Saga Scheme	AAPS	AAIPS	APMP	Total
	£'m	Scheme £'m	Scheme £'m	Scheme £'m	
Current service cost (note 10(d))	3.1	16.6	0.7	0.2	20.6
Interest cost (note 10(ii))	5.4	63.2	1.8	2.4	72.8
Expected return on Scheme assets (note 10(i))	(7.4)	(74.7)	(1.7)	-	(83.8)
Expense taken in the profit and loss account	1.1	5.1	0.8	2.6	9.6

	Period to 31 January 2008				
	Saga	AAPS	AAIPS	APMP	Total
	Scheme £'m	Scheme £'m	Scheme £'m	Scheme £'m	
Current service cost (note 10(d))	1.5	7.8	0.3	0.1	9.7
Interest cost (note 10(ii))	1.8	20.6	0.5	0.8	23.7
Expected return on Scheme assets (note 10(i))	(2.0)	(29.4)	(0.6)	-	(32.0)
Past pensionable service cost (note 10(d))	-	0.2	-	-	0.2
Expense taken in the profit and loss account	1.3	(0.8)	0.2	0.9	1.6

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

	Year to 31 January 2009				
	Saga	AAPS	AAIPS	APMP	Total
	Scheme £'m	Scheme £'m	Scheme £'m	Scheme £'m	
Interest cost (note 10(d) and note 10(h))	5.4	63.2	1.8	2.4	72.8
Expected return on Scheme assets (note 10(h))	(7.4)	(74.7)	(1.7)	-	(83.8)
Net finance return recognised	(2.0)	(11.5)	0.1	2.4	(11.0)

	Period to 31 January 2008				
	Saga	AAPS	AAIPS	APMP	Total
	Scheme £'m	Scheme £'m	Scheme £'m	Scheme £'m	
Interest cost (note 10(d) and note 10(h))	1.8	20.6	0.5	0.8	23.7
Expected return on Scheme assets (note 10(h))	(2.0)	(29.4)	(0.6)	-	(32.0)
Net finance return recognised	(0.2)	(8.8)	(0.1)	0.8	(8.3)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

	Year to 31 January 2009				
	Saga	AAPS	AAIPS	APMP	Total
	Scheme	Scheme	Scheme	Scheme	
	£'m	£'m	£'m	£'m	£'m
Actuarial losses on Scheme assets (note 10(g))	(17.0)	(273.2)	(8.3)	-	(298.5)
Currency loss	-	-	(1.7)	-	(1.7)
Experience losses arising on Scheme liabilities	-	-	(0.9)	-	(0.9)
Changes in assumptions underlying the present value of Scheme liabilities	5.9	83.8	(1.8)	2.0	89.9
Scheme (loss)/gain in STRGL	(11.1)	(189.4)	(12.7)	2.0	(211.2)
Movement in deferred tax (note 11(e))	3.1	52.5	1.1	(10.5)	46.2
Total (loss)/gain in STRGL	(8.0)	(136.9)	(11.6)	(8.5)	(165.0)

	Period to 31 January 2008				
	Saga	AAPS	AAIPS	APMP	Total
	Scheme	Scheme	Scheme	Scheme	
	£'m	£'m	£'m	£'m	£'m
Actuarial losses on Scheme assets (note 10(g))	(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 (note 11(e))	1.0	22.1	0.6	-	23.7
Total (loss)/gain in STRGL	(2.5)	(57.1)	(1.4)	0.1)	(60.9)

	Saga	AAPS	AAIPS	APMP	Total
	Scheme	Scheme	Scheme	Scheme	
	£'m	£'m	£'m	£'m	£'m
Cumulative Scheme (losses)/gains recognised in the STRGL	(14.6)	(268.6)	(14.7)	2.1	(295.8)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(k) The following disclosures of experience gains and losses will be built up over time from the date of acquisition to give a five year history.

History of experience gains and losses:

	Year to 31 January 2009				
	Saga	AAPS	AAIPS	APMP	Total
	Scheme	Scheme	Scheme	Scheme	
	£'m	£'m	£'m	£'m	£'m
Experience gains/(losses) on Schemes' assets:					
- Amount	(17.0)	(273.2)	(8.3)	-	(298.5)
Experience gains/(losses) on Schemes' liabilities:					
- Amount	-	-	(0.9)	-	(0.9)
The Scheme surplus/(deficit):					
- Fair value of Scheme assets	88.8	1,006.3	24.9	-	1,120.0
- Present value of Scheme liabilities	(77.3)	(982.9)	(39.0)	(37.2)	(1,136.4)
- Surplus / (deficit) in Scheme	11.5	23.4	(14.1)	(37.2)	(16.4)

	Period to 31 January 2008				
	Saga	AAPS	AAIPS	APMP	Total
	Scheme	Scheme	Scheme	Scheme	
	£'m	£'m	£'m	£'m	£'m
Experience gains/(losses) on Schemes' assets:					
- Amount	(1.2)	(52.8)	0.7	-	(53.3)
Experience gains/(losses) on Schemes' liabilities:					
- Amount	(0.1)	-	-	-	(0.1)
The Scheme surplus/(deficit):					
- Fair value of Scheme assets	103.0	1,209.2	26.2	-	1,338.4
- Present value of Scheme liabilities	(82.7)	(1,014.5)	(28.1)	(37.9)	(1,163.4)
- Surplus / (deficit) in Scheme	20.3	194.7	(1.9)	(37.9)	175.2

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

	Medical cost trend rates adopted	Medical cost trend rates of 1% pa lower	Medical cost trend rates of 1% pa higher
	£'m	£'m	£'m
Actuarial value of APMP liabilities at 31 January 2009	37.2	(4.5)	5.5
Total of interest cost and service cost for the year to 31 January 2009	2.6	(0.5)	0.5

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Taxation

a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2009	2008
	£'m	£'m
Current tax:		
UK corporation tax at 28.33% (2008 - 30%)	-	-
Adjustments relating to prior years	(0.9)	-
Foreign tax	1.5	0.6
Group current tax	0.6	0.6
Deferred tax:		
Origination and reversal of timing differences – current year	19.7	9.0
Origination and reversal of timing differences – prior years	(10.7)	-
Impact of change in UK tax rate	-	(0.6)
Group deferred tax	9.0	8.4
Tax on loss on ordinary activities	9.6	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	(46.2)	(23.7)

(c) Factors affecting the current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the year of 28.33% (2008 - 30%). The differences are reconciled below:

	2009	2008
	£'m	£'m
Pre-tax losses at 28.33% (2008 - 30%)	(143.5)	(76.5)
Decelerated capital allowances	2.6	1.3
Permanent timing differences	77.1	27.3
Other timing differences	(17.1)	(6.3)
Lower rate of foreign tax	(1.8)	(1.0)
Tonnage tax adjustment	(1.3)	(0.4)
Unrelieved trading losses	-	1.0
Non-deductible amortisation of goodwill	85.7	33.7
Adjustments relating to prior years	(1.0)	-
Other items	(0.1)	21.5
	0.6	0.6

The tax charge relating to exceptional items amounts to £0.2 million (2008 – £6.9 million credit).

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 13% (2008 – 14%).

(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 at 18 September 2007. 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:

	2009	2008
	£'m	£'m
Included in debtors (note 16)	51.6	55.5
Included in net defined benefit pension asset/(liability) (note 10(b))	(8.0)	(49.1)
	43.6	6.4

	2009	2008
	£'m	£'m
At start of period	6.4	(8.9)
Deferred tax charge in Group profit and loss account (note 11(a))	(9.0)	(8.4)
Amount recognised in the statement of total recognised gains and losses (note 10(j))	46.2	23.7
At 31 January	43.6	6.4

12. Intangible fixed assets

Goodwill

	2009	2008
	£'m	£'m
Cost		
At start of period	6,116.9	-
Additions	0.8	6,116.9
At 31 January	6,117.7	6,116.9
Amortisation		
At start of period	112.1	-
Charge for the year	305.9	112.1
At 31 January	418.0	112.1
Net book amount		
At 31 January	5,699.7	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					
At 1 February 2008	68.8	10.6	69.0	87.6	236.0
Exchange adjustment	-	0.2	-	0.9	1.1
Additions	3.7	0.6	10.8	40.2	55.3
Disposals	-	-	(6.3)	(19.3)	(25.6)
At 31 January 2009	72.5	11.4	73.5	109.4	266.8
Depreciation					
At 1 February 2008	0.7	0.3	4.7	11.5	17.2
Exchange adjustment	-	-	-	0.5	0.5
Provided during the year	1.9	0.8	14.7	33.3	50.7
Disposals	-	-	(6.3)	(18.9)	(25.2)
At 31 January 2009	2.6	1.1	13.1	26.4	43.2
Net book amounts					
At 31 January 2009	69.9	10.3	60.4	83.0	223.6
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 (2008 - £6.9 million), which have not been depreciated.

The net book amount of Other Assets for the Group includes £40.7 million (2008 - £32.5 million) in respect of plant and machinery held under finance lease agreements. The accumulated depreciation on these assets is £4.0 million (2008 - £4.5 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Investments

Group

	2009	2008
	£'m	£'m
Joint venture (i)	1.3	1.3
Associates (ii)	1.2	1.2
Other fixed asset investments	1.5	1.5
At 31 January	4.0	4.0

(i) Joint venture

	2009	2008
	£'m	£'m
At 31 January	1.3	1.3

(ii) Associates

	2009	2008
	£'m	£'m
At 31 January	1.2	1.2

Company

Investment in subsidiary undertaking

	2009	2008
	£'m	£'m
At start of period	0.9	-
Additions	-	0.9
At 31 January	0.9	0.9

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	England	Holding company
Acromas Mid Co Limited	England	Holding company
Acromas Bid Co Limited	England	Holding company
Saga Group Limited	England	Holding company
Acromas Holidays Limited (formerly Saga Holidays Limited)	England	Tour Operating
Acromas Shipping Limited (formerly Saga Shipping Company Limited)	England	Cruising
Saga Services Limited	England	Financial services
Acromas Insurance Company Limited (formerly 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
Acromas Reinsurance Company Limited (formerly A.A. Reinsurance Company (Guernsey) Limited)	Guernsey	Insurance services
Taylor Price Insurance Services Limited	England	Insurance services
Premium Funding Limited	England	Insurance

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Investments (continued)

Company	Country of registration	Nature of business
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.

15. Stocks

	2009 Group £'m	2008 Group £'m
Raw materials and consumables	0.9	1.1
Work in progress	3.7	2.3
Finished goods	12.6	10.2
	17.2	13.6

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Debtors

	2009 Group £'m	2008 Group £'m	2009 Company £'m	2008 Company £'m
Trade debtors	321.4	299.8	-	-
Amounts owed by group undertakings	-	-	0.2	0.1
Salvage and claims recoveries	21.1	21.8	-	-
Reinsurers' share of unearned premiums reserve	3.5	3.2	-	-
Reinsurers' share of outstanding claims provisions	13.1	8.6	-	-
Other debtors	19.0	11.9	-	-
Deferred acquisition costs	13.5	13.3	-	-
Prepayments and accrued income	39.0	26.0	-	-
Other taxes and social security costs	11.7	1.9	-	-
Deferred tax (note 11(e))	51.6	55.5	-	-
	493.9	442.0	0.2	0.1

Deferred tax comprises an excess of depreciation over capital allowances of £29.3 million (2008 – £26.0 million) and short-term differences of £22.3 million (2008 – £29.5 million).

All amounts above are due in less than one year, except for deferred tax.

17. Financial investments

	2009 Group £'m	2008 Group £'m
Fixed interest securities		
At start of period	66.2	69.8
Additions	49.6	-
Disposals	(18.6)	(4.7)
Net realised losses	(0.6)	-
Net unrealised revaluation gains (note 27)	4.1	1.1
At 31 January	100.7	66.2

The majority of 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. Financial investments are held by the Group's insurance subsidiary undertakings and are not readily available to be used for other purposes within the Group. All of the fixed interest securities are unlisted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Cash on deposit

	2009 Group £'m	2008 Group £'m
Deposits with financial institutions	500.7	402.6
	500.7	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 £374.5 million (2008 – £357.6 million).

No deposits have maturity dates in excess of one year.

19. Cash at bank and in hand

	2009 Group £'m	2008 Group £'m
Held in trust	-	0.1
Other	18.1	65.7
	18.1	65.8

Cash at bank and in hand includes £5.0 million (2008 – £0.9 million) held by and on behalf of the Group's Holiday and Insurance businesses which are subject to contractual or regulatory restrictions. These amounts held are not readily available to be used for other purposes within the Group.

20. Creditors falling due within one year

	2009 Group £'m	2008 Group £'m	2009 Company £'m	2008 Company £'m
Bank overdraft	7.7	9.0	-	-
Guaranteed unsecured loan notes	0.6	12.8	-	-
Obligations under finance lease agreements (note 22)	15.1	10.1	-	-
Advance receipts	276.5	289.0	-	-
Trade creditors	195.8	182.9	-	-
Amounts owed to group undertakings	-	-	0.1	0.1
Corporation tax	2.2	3.0	-	-
Other taxes and social security costs	22.1	23.2	-	-
Deferred government grants	0.1	0.1	-	-
Other creditors	31.4	58.0	-	-
Accruals and deferred income	153.1	160.7	-	-
	704.6	748.8	0.1	0.1

The guaranteed unsecured 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 loan notes were issued to certain employees of the Group. The guaranteed unsecured loan notes are redeemable by 18 September 2010.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Creditors falling due after more than one year

	2009 Group £'m	2008 Group £'m
Bank loans – senior	4,113.3	4,108.3
Bank loans – mezzanine	763.2	672.9
Subordinated preference certificates	1,878.6	1,612.6
Obligations under finance lease agreements (note 22)	20.6	19.4
Deferred government grants	2.2	2.1
Deferred income	1.3	1.9
	6,779.2	6,417.2

The bank loans fall due for repayment:

	2009 Group £'m	2009 Group £'m
In more than five years	4,919.4	4,829.6
	4,919.4	4,829.6
Less: Deferred issue costs	(42.9)	(48.4)
	4,876.5	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:

	2009 Group £'m	2008 Group £'m
30 September 2015	1,750.0	1,750.0
30 September 2016	1,750.0	1,750.0
31 March 2017	650.0	650.0
30 September 2017	769.4	679.6
	4,919.4	4,829.6

22. The subordinated preference certificates fall due for repayment:

	2009 Group £'m	2008 Group £'m
In more than five years	1,878.6	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 lease agreements

	2009 Group	2008 Group
	£'m	£'m
Amounts due under finance lease agreements are:		
Within one year (note 20)	15.1	10.1
Within two to five years (note 21)	20.6	19.4
	35.7	29.5

23. Lease commitments

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

	Land and Buildings		Plant and Machinery	
	2009 Group	2008 Group	2009 Group	2008 Group
	£'m	£'m	£'m	£'m
Leases expiring:				
Within one year	0.1	0.2	0.7	0.5
Between two and five years	1.2	0.7	1.6	1.3
After five years	4.2	3.2	-	-
	5.5	4.1	2.3	1.8

24. Insurance technical provisions

	2009 Group	2008 Group
	£'m	£'m
Unearned premium reserve	180.1	159.6
Outstanding claims provisions	314.2	284.3
	494.3	443.9

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

	Re-structuring	Property leases	Other	Total
	£'m	£'m	£'m	£'m
At 1 February 2008	9.3	41.8	6.5	57.6
Utilised during the year	(7.9)	(9.7)	(5.7)	(23.3)
Unwinding of discount rate	-	1.5	-	1.5
Released during the year	(1.4)	(0.4)	(0.7)	(2.5)
Charge for the year	2.7	14.3	5.8	22.8
Balance at 31 January 2009	2.7	47.5	5.9	56.1

In the prior 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 will recognise a provision representing the change in fair value of employee shares amortised over the relevant vesting periods, being the period until the normal retirement age is reached. The scheme has been in existence for sixteen months at the year end and the consideration paid by participating employees equates with the prevailing fair value. In accordance with FRS 20 "Share based payment" the fair value of these awards has been determined via a multiple of the Group's earnings. However, since there has been no change in fair value since the scheme was established no provision has been recognised. Similarly, the charge recognised in the profit and loss account is nil (2008: nil). During the year, 4,162,863 (2008 – 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 in the prior period.

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 and insurance policies that cancel post-year end. The latter item is reviewed and updated annually and derives from repayments of commission received that the Group's Financial Services division may have to make as a result of the mid-term cancellation of policies.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Called up share capital

	2009	2008
	£'000	£'000
Authorised		
42,500,000 "A" ordinary shares of £0.01 each	425,000	425,000
42,500,000 "B" ordinary shares of £0.01 each	425,000	425,000
15,000,000 "C" ordinary shares of £0.01 each	150,000	150,000
	1,000,000	1,000,000
Allotted and fully paid in year		
42,495,244 "A" ordinary shares of £0.01 each	424,952	424,952
42,500,000 "B" ordinary shares of £0.01 each	425,000	425,000
13,182,250 "C" ordinary shares of £0.01 each	131,823	90,194
	981,775	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 the period to 31 January 2008, 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

Group

	Revaluation Reserve £'m	Currency Equalisation Account £'m	Profit and Loss Account £'m	Total £'m
At 1 February 2008	1.1	-	(325.6)	(324.5)
Retained loss for the year	-	-	(516.4)	(516.4)
Unrealised gains on financial investments (note 17)	4.1	-	-	4.1
Exchange differences on retranslation of net assets of subsidiary undertakings	-	0.1	-	0.1
Actuarial gains and losses recognised on defined benefit pension Schemes	-	-	(211.2)	(211.2)
Movement in deferred tax relating to pension assets and liabilities (note 10(j))	-	-	46.2	46.2
At 31 January 2009	5.2	0.1	(1,007.0)	(1,001.7)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Total 2009 £'m	Total 2008 £'m
Operating profit before share of profits from joint arrangement	187.9	4.7
Amortisation of goodwill	305.9	112.1
Other operating income	(43.8)	(21.0)
Depreciation of tangible fixed assets	50.7	17.2
Stock (increase)/decrease	(3.6)	0.3
Debtor increase	(43.0)	(7.9)
Provisions (decrease)/increase	(3.0)	4.6
Creditors decrease	(24.9)	(0.5)
Advance receipts decrease	(12.5)	(33.8)
Deferred government grants released	(0.1)	(0.1)
Insurance technical provisions increase	50.3	27.8
Difference between pension charge and cash contributions	(8.6)	(0.3)
Net cash inflow from operating activities	455.3	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 £0.2 million (2008 – £0.5 million); (b) restructuring expenditure costs primarily relating to redundancy costs, professional fees and the re-organising of Group operations of £1.5 million (2008 – £9.8 million); (c) exit penalty costs as a result of serving notice on a long term IT outsourcing contract of £4.9 million (2008 – £2.0 million); (d) IT system replacement project costs of £3.0 million (2008 – £0.8 million); (e) onerous property provision future lease costs in respect of vacant properties, net of expected sub-letting income of £nil (2008 – £nil); (f) overpaid VAT now reclaimed of £nil (2008 – £nil); and (g) interest received on overpaid VAT now reclaimed of £nil (2008: £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. Analysis of net debt

	At 1 February 2008 £'m	Cash Flows £'m	Exchange Differences £'m	Other Non-Cash Movements £'m	At 31 January 2009 £'m
Cash at bank and in hand	214.0	11.1	0.1	-	225.2
Bank overdrafts	(9.0)	1.3	-	-	(7.7)
Cash	205.0	12.4	0.1	-	217.5
Other deposits	254.4	39.2	-	-	293.6
Current asset investments	66.2	31.0	-	3.5	100.7
Bank loans	(4,781.2)	-	-	(95.3)	(4,876.5)
Guaranteed unsecured loan notes	(12.8)	12.3	-	(0.1)	(0.6)
Subordinated preference certificates	(1,612.6)	-	-	(266.0)	(1,878.6)
Finance leases	(29.5)	16.1	-	(22.3)	(35.7)
	(5,910.5)	111.0	0.1	(380.2)	(6,179.6)

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 £89.8 million (2008 – £29.5 million), plus amortisation of issue costs of long-term loans of £5.5 million (2008 – £4.9 million).

Analysis of cash on deposit:

	2009 Group £'m	2008 Group £'m
Classified as cash at bank	207.1	148.2
Classified as other deposits	293.6	254.4
	500.7	402.6

30. Contingent liabilities

At 31 January 2009 the Group had secured £244.6 million (2008 – £149.9 million) of financial bonds and other guarantees on its £270.0 million (2008 – £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 customer protection. These bonds are included within the financial bonds described above.

31. Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £1.6 million (2008 – £1.4 million).

32. Cross Company Guarantees

The Company, along with certain of its fellow subsidiaries, acts as Obligor on bank loans made to Acromas Mid Co Limited. At the balance sheet date the principal, accrued interest, guarantees and other facilities outstanding on these bank loans was £5,164.0 million (2008 – £4,978.8 million). This amount includes the revolving credit facility described in note 30.

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	Amounts outstanding as at
		2009	31 January 2009
Joint Ventures and Associates	Type of transactions – income/(expenditure)	£'m	£'m
A.C.T.A. S.A.	Call handling fees paid	2.2	
	Amounts payable		0.1
ARC Transistance S.A.	Registration fees paid	0.4	0.1
	Amounts payable		
AA Financial Services	Revenue received	3.6	
	Amounts receivable		0.7
Automobile Association Personal Finance Limited	Intermediary services provided	3.9	
	Amounts payable		0.6
		Transactions	Amounts outstanding as at
		2008	31 January 2008
Joint Ventures and Associates	Type of transactions – income/(expenditure)	£'m	£'m
A.C.T.A. S.A.	Call handling fees paid	0.8	
	Amounts payable		-
ARC Transistance S.A.	Registration fees paid	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		-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Related party transactions (continued)

Of the subordinated preference certificates in issue as at 31 January 2009, 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 2009	Payable at 31 January 2008
Funds advised by Charterhouse Capital Partners	£642.8 million	£792.7 million	£680.1 million
Funds advised by CVC Capital Partners	£357.4 million	£440.7 million	£378.2 million
Funds advised by Permira Advisers	£357.4 million	£440.7 million	£378.2 million
Employees and Employee Trust	£89.8 million	£104.2 million	£95.0 million

The guaranteed unsecured loan notes in issue as at 31 January 2009 were owned by certain employees of the Group. The subscription price on the guaranteed unsecured loan notes outstanding at 31 January 2009 was £0.6 million (2008 – £12.5 million). This principal amount accrues interest charged at 6.0% per annum. The total amount payable as at 31 January 2009 is £0.6 million (2008 – £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 Capital Partners, CVC Capital Partners and Permira Advisers acting in concert.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACROMAS HOLDINGS LIMITED

We have audited the Group and parent Company financial statements (the "financial statements") of Acromas Holdings Limited for the year ended 31 January 2009 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 2009 and of the Group's loss for the year then ended; (b) the financial statements have been properly prepared in accordance with the Companies Act 1985; and (c) the information given in the Directors' Report is consistent with the financial statements.



Ernst & Young LLP

Registered Auditor

London

9 July 2009

UNAUDITED PRO FORMA RESULTS

YEAR ENDED 31 JANUARY 2009

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 2007. The statement therefore reflects the trading of all Saga and AA companies throughout the years ending 31 January 2008 and 31 January 2009.

	Year ended 31 January 2009			Year ended 31 January 2008		
	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	1,611.8	10.0	1,621.8	1,544.5	-	1,544.5
Cost of sales	(735.0)	-	(735.0)	(689.2)	-	(689.2)
Gross profit	876.8	10.0	886.8	855.3	-	855.3
Administrative and marketing expenses	(413.2)	-	(413.2)	(451.4)	-	(451.4)
Exceptional items	-	(23.6)	(23.6)	-	61.6	61.6
Amortisation of goodwill	-	(305.9)	(305.9)	-	(157.7)	(157.7)
Shared based payment charge	-	-	-	-	39.6	39.6
Total expenses	(413.2)	(329.5)	(742.7)	(451.4)	(56.5)	(507.9)
Other operating income	29.3	14.5	43.8	31.4	-	31.4
Operating profit before joint arrangement	492.9	(305.0)	187.9	435.3	(56.5)	378.8
Share of profits from joint arrangement	3.6	-	3.6	5.5	-	5.5
Operating Profit	496.5	(305.0)	191.5	440.8	(56.5)	384.3
EBITDA reconciliation						
Operating profit	496.5			440.8		
Depreciation	50.7			43.7		
EBITDA	547.2			484.5		
Bank Debt Interest Payable						
Cash Interest	339.1			384.2		
Interest accrued but not due	93.3			86.4		
Total Bank Interest	432.4			470.6		