

ACROMAS
HOLDINGS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 JANUARY 2010



ANDREW GOODSSELL
CHIEF EXECUTIVE

‘We are well placed to meet the challenges that lie ahead and take advantage of opportunities to further grow the business and to continue to delight our customers.’

CHIEF EXECUTIVE'S REVIEW OF THE BUSINESS

CONTINUED GROWTH IN A CHALLENGING ECONOMIC ENVIRONMENT

I am pleased to announce that our two iconic brands, Saga and the AA, have continued to perform strongly in this, our second full year of trading as Acromas Holdings. We now have more than 12,000 people serving 18m customers, and a turnover of £1.65 billion.

In 2009/10, Acromas delivered an Adjusted EBITDA of £578.2m, an increase of 5.7% on the previous year and we have maintained good cash generation.

This robust performance has been achieved despite a tough business climate in the UK. We have also had some specific business challenges, such as the dramatic increase in personal injury claim costs seen across the motor insurance market, and our roadside patrols having to deal with the worst winter weather in 30 years.

A CLEAR GROUP STRATEGY

Saga and the AA are membership brands which evoke a tremendous sense of belonging and strong customer loyalty. They are leaders in their chosen markets and our strategy is to build on this leadership position, and to expand into complementary businesses.

During the year we have made two acquisitions on behalf of the AA brand, both perfectly supplementing the AA motoring heartland: DriveTech, a leading provider of driver training and assessment schemes and AutoWindshields, a vehicle glass repair and replacement business.

We also acquired Titan Travel, the UK's leading provider of escorted holidays, and a natural addition to the Saga Holiday business. Furthermore, we have enhanced our cruise fleet with the introduction of a new ship, Saga Pearl II, which delivers the classic cruise experience in a modern contemporary fashion.

EFFICIENT OPERATIONS

We continue to focus on ensuring that our cost base is as efficient as possible. We operate and promote the AA and Saga as two separate brands, but share expertise and experience across the Acromas Group, ultimately resulting in reduced costs and improved services for our customers.

BETTER SERVING OUR CUSTOMERS

With the aim of better serving our customers, we have moved from a single underwriter to an insurer panel for Saga Home Insurance. This allows us to deliver an even more tailored and personalised insurance solution to all customers. We have also launched a new credit hire business called ClaimFast which enhances the efficiency and cost-effectiveness of our motor insurance business across the Group.

Providing excellent customer service remains our number one priority and the business continues to be recognised for it. In the recent IPSOS Mori Corporate Image Survey the AA and Saga came first and second for 'Customer Favourability'.

Which? Magazine recognised the AA as Best Breakdown Provider for the third year in a row, Saga as the Top Cruise Operator in the UK, and continues to recommend the Saga Credit Card.

Our own 'Moments of Truth' research shows 93% of new Saga motor insurance customers who called to take out a policy rated the service as good to excellent and at the claims stage 95% rated Saga as good to excellent when asked whether staff made them feel like a valued customer. 95% of AA Breakdown customers rated the service as good to excellent, and 94% of new breakdown customers are likely to recommend the AA in the future.

GIVING SOMETHING BACK

We continue to support a number of charitable initiatives, including:

- The Saga Charitable Trust, which supports sustainable community projects in the developing countries in which Saga operates holidays. Our ongoing commitments improve the lives of many people across the globe.
- The Saga Respite for Carers Trust recognises the unpaid service provided by carers by funding holiday breaks away from their caring responsibilities, and making sure their loved ones are looked after in their absence.
- The AA Charitable Trust for Road Safety and the Environment promotes safer and more responsible driving through education and training, such as the recent Drive Confident initiative that offers free training for lapsed drivers.

DEDICATED PEOPLE

Our future success is dependent on our staff and I would like to extend my thanks to all of them. It is their dedication and focus on delivering the very best to our customers that has enabled us to thrive during the economic downturn. We continue to rely on our dedicated and skilled workforce for future success.

OUTLOOK

We have weathered the economic recession by focusing on our customers, delivering the right products and services at a price that people can afford, and prioritising customer service.

The Acromas Group is in robust health. We are well placed to meet the challenges that lie ahead and take advantage of opportunities to further grow the business and to continue to delight our customers.





STUART HOWARD
CHIEF FINANCIAL OFFICER

CHIEF FINANCIAL OFFICER'S REPORT

The Group turnover is £1,648.4 million, which is 2.3% (excluding exceptional items) more than that achieved last year. The AA contributed £855.1 million, of which £623.4 million was from its roadside assistance business and £178.2 million was from insurance. Saga contributed £793.3 million of which £523.0 million was from its insurance business and £257.4 million was from its travel business.

Group gross margin (excluding amortisation of goodwill and exceptional items) was 53.5% of turnover. Of the £882.0 million gross profit, only 42.3% was spent on administrative and marketing expenses (2009: 47.1%) and the Group generated an Adjusted EBITDA of £578.2 million (2009: £547.2 million) excluding amortisation of goodwill and exceptional items.

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

	2010	2009	Change
	£'m	£'m	%
Turnover (note 4)	1,648.4	1,611.8	2.3
Total Expenses	373.1	413.2	(9.7)
Operating Profit	529.1	496.5	6.6
Adjusted EBITDA	578.2	547.2	5.7
Interest paid	303.6	339.1	(10.5)
Headcount	12,645	12,170	3.9

CAPITAL STRUCTURE

Saga and the AA were acquired for a total cost of £6.3 billion, funded from £4.8 billion of bank borrowings and £1.5 billion of shareholder loans and 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
Total	100.0

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. Interest rate hedges are in place until September 2013 to protect the Group from significant increases in interest rates.

The Group also has access to a revolving credit facility (or overdraft) of £270 million, of which £139.5 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 paid on these facilities has fallen from £339.1 million last year to £303.6 million this year, reflecting the reduction in LIBOR seen in the last year.

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 £677.0 million on its balance sheet. Of this amount, £437.9 million is cash set aside to meet the Group's regulatory capital requirements in its insurance and travel subsidiaries. The remaining £239.1 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 I Offord (Charterhouse Capital Partners)

C N C Sherwood (Permira Advisers)

Secretary: J Davies FCIS

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

Company Registration no: 6252766

The Directors submit their report together with the audited financial statements for the year ended 31 January 2010.

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.

Group turnover excluding exceptional items for the year to 31 January 2010 was £1,648.4 million (2009 - £1,611.8 million). The AA contributed £855.1 million (2009 - £861.2 million) of which £623.4 million (2009 - £604.3 million) was from its roadside assistance business and £178.2 million (2009 - £206.1 million) was from its financial services business. Saga contributed £793.3 million (2009 - £750.6 million) of which £523.0 million (2009 - £471.3 million) was from its financial services business and £257.4 million (2009 - £265.5 million) was from its travel business.

The gross profit achieved excluding amortisation of goodwill and exceptional items over this year was £882.0 million (2009 - £876.8 million), giving an overall gross margin of 53.5% (2009 - 54.4%).

The Group administrative costs excluding amortisation of goodwill and exceptional items were £373.1 million (2009 - £413.2 million), meaning that 42.3% (2009 - 47.1%) of the gross profit for the year was absorbed by overheads. Group operating profit excluding amortisation of goodwill and exceptional items was £529.1 million (2009 - £496.5 million), which is 60.0% (2009 - 56.7%) of gross profit.

The total interest charge for the year was £705.0 million (2009 - £709.2 million), of which £395.0 million (2009 - £443.1 million) relates to bank borrowings and £310.0 million (2009 - £266.1 million) relates to shareholder loans. Interest on the bank borrowings of £303.6 million (2009 - £339.1 million) was paid in cash during the year with the balance of the interest charge added on to the outstanding bank borrowings and shareholder loans.

After financing costs, exceptional items and goodwill amortisation the Group made a loss before taxation and minority interests of £528.7 million (2009 - £506.7 million). A retained loss after tax and minority interests of £531.4 million (2009 - £516.4 million) has been taken to reserves. No dividends have been paid during the year (2009 - £nil).

Of the two main Group pension schemes, the AA scheme ended the year with a significant deficit as disclosed in note 10 to the accounts. A review of the benefits offered under the scheme is being undertaken with a view to addressing this position.

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. Each regulated subsidiary ensures it does this 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's 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 £706,000 (2009 - £703,000). No political donations were made.

ENVIRONMENTAL MATTERS

The Group aims to minimise activities which have a negative impact on the environment, such as waste sent to landfill, and increasing activities with a positive impact on the environment, such as improved energy efficiency. We have also enhanced the sites we occupy and have planted over 1,000 trees during the last few years. Also AA patrol vehicles are now fitted with telematics which monitor speed and use of fuel. All AA patrols are trained in eco driving techniques which can reduce fuel consumption and emissions by approximately 10%.

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 the risks associated with these transactions 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 by the Group's cruise ships and recovery vehicles. 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 and of the Group and of the profit or loss of the Group for the year.

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

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, its performance, position, risk management objectives, details of its financial instruments and derivative activities, and its exposure to legislative, operational, market, brand, credit and liquidity and cash flow risk are described in the business review on pages 1 to 9.

The Group has considerable financial resources together with long-term contracts with a number of suppliers across different industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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



J Davies FCIS
Secretary
13 July 2010

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2010

	Note	Before amortisation of goodwill and exceptional items 2010 £'m	Amortisation of goodwill and exceptional items 2010 £'m	Total 2010 £'m	Total 2009 £'m
Turnover					
Turnover : Group and share of joint venture's turnover		1,677.6	-	1,677.6	1,659.7
Less: share of joint venture's turnover (discontinued)		(29.2)	-	(29.2)	(37.9)
Continuing operations		1,618.6	-	1,618.6	1,621.8
Acquisitions		29.8	-	29.8	-
Group turnover	2, 4	1,648.4	-	1,648.4	1,621.8
Cost of sales	4, 6	(766.4)	(14.6)	(781.0)	(735.0)
Gross profit	4	882.0	(14.6)	867.4	886.8
Administrative and marketing expenses		(350.4)	-	(350.4)	(392.6)
Exceptional items	6	-	(28.1)	(28.1)	(23.6)
Amortisation of goodwill	12	-	(307.2)	(307.2)	(305.9)
Current pensionable service cost	10(h)	(22.7)	-	(22.7)	(20.6)
Cost of pension curtailments	10(h)	-	4.3	4.3	-
Total expenses		(373.1)	(331.0)	(704.1)	(742.7)
Other operating income	5	13.9	-	13.9	43.8
Operating profit before joint arrangement		522.8	(345.6)	177.2	187.9
Share of profits from joint arrangement		6.3	-	6.3	3.6
Operating profit					
Continuing operations		522.1	(345.6)	176.5	187.9
Discontinued operations		6.3	-	6.3	3.6
Acquisitions		0.7	-	0.7	-
Group Operating profit	6	529.1	(345.6)	183.5	191.5
Interest payable and similar charges	7	(705.0)	-	(705.0)	(709.2)
Net finance return on pension schemes	10(i)	(7.2)	-	(7.2)	11.0
Loss on ordinary activities before taxation		(183.1)	(345.6)	(528.7)	(506.7)
Taxation	11	(10.1)	7.5	(2.6)	(9.6)
Loss on ordinary activities after taxation		(193.2)	(338.1)	(531.3)	(516.3)
Minority interests		(0.1)	-	(0.1)	(0.1)
Loss for the financial year	27	(193.3)	(338.1)	(531.4)	(516.4)

All operations are continuing with the exception of the joint venture.

YEAR ENDED 31 JANUARY 2010
 CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	2010 £'m	2009 £'m
Loss for the financial year		(531.4)	(516.4)
Actuarial loss recognised on defined benefit pension schemes	10(j)	(250.9)	(211.2)
Movement on deferred tax relating to defined benefit pension schemes	10(j)	69.8	46.2
Exchange differences arising on the translation of net assets of overseas subsidiary companies	27	0.2	0.1
Unrealised losses on financial investments offset against revaluation reserve	27	(0.8)	-
Unrealised gains on financial investments taken to revaluation reserve	27	-	4.1
Total recognised gains and losses relating to the year		(713.1)	(677.2)

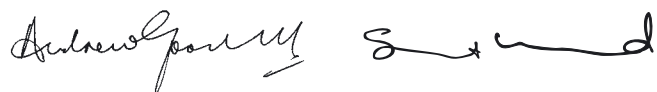
RECONCILIATION OF CONSOLIDATED SHAREHOLDERS' DEFICIT

	2010 £'m	2009 £'m
Total recognised gains and losses relating to the year	(713.1)	(677.2)
Issue of ordinary share capital	-	0.1
Net movement in shareholders' deficit	(713.1)	(677.1)
Shareholders' deficit brought forward	(1,000.7)	(323.6)
Shareholders' deficit carried forward	(1,713.8)	(1,000.7)

CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2010

		2010	2010	2009	2009
	Note	£'m	£'m	£'m	£'m
Fixed assets					
Intangible fixed assets	12		5,452.7		5,699.7
Tangible fixed assets	13		260.9		223.6
Investments	14				
Share of gross assets of joint venture		-		779.0	
Share of gross liabilities of joint venture		-		(777.7)	
				1.3	
Investment in associates		1.2		1.2	
Other fixed asset investments		1.4		1.5	
			2.6		4.0
			5,716.2		5,927.3
Current assets					
Stocks	15		9.1		17.2
Debtors	16		430.0		456.2
Financial investments	17		101.5		100.7
Cash on deposit	18		645.5		500.7
Cash at bank and in hand	19		31.5		18.1
			1,217.6		1,092.9
Creditors falling due within one year	20		(745.1)		(704.6)
Net current assets			472.5		388.3
Total assets less current liabilities			6,188.7		6,315.6
Creditors falling due after more than one year	21		(7,162.6)		(6,779.2)
Insurance technical provisions	24		(489.9)		(456.6)
Provisions for liabilities	25		(56.5)		(56.1)
Net liabilities excluding pension assets/(liabilities)			(1,520.3)		(976.3)
Defined benefit pension assets	10		-		25.2
Defined benefit pension liabilities	10		(193.5)		(49.6)
Net liabilities including pension assets/(liabilities)			(1,713.8)		(1,000.7)
Capital and reserves					
Called up share capital	26		1.0		1.0
Revaluation reserve	27		3.3		5.2
Currency equalisation account	27		0.3		0.1
Profit and loss account	27		(1,718.4)		(1,007.0)
Total shareholders' deficit			(1,713.8)		(1,000.7)
Minority interests			-		-
Total capital employed			(1,713.8)		(1,000.7)

Signed for and on behalf of the Board by



J A Goodsell
Directors
13 July 2010

S M Howard

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2010

	Note	2010	2010	2009	2009
		£'m	£'m	£'m	£'m
Net cash inflow from operating activities	28		578.9		455.3
Share of profits from joint arrangement			6.3		3.6
Returns on investments and servicing of finance					
Interest received		31.3		29.1	
Interest paid		(303.6)		(339.1)	
Dividends paid to minority shareholders in subsidiary undertaking		(0.1)		(0.1)	
Interest element of finance lease agreements		(2.5)		(3.3)	
			(274.9)		(313.4)
Taxation					
Corporation tax paid		(5.5)		-	
Overseas tax paid		(2.2)		(1.3)	
			(7.7)		(1.3)
Capital expenditure and financial investment					
Receipt of government grants		-		0.2	
Disposal of fixed asset investment		0.2		-	
Purchase of tangible fixed assets		(67.3)		(32.7)	
			(67.1)		(32.5)
Acquisitions and disposals					
Purchase of subsidiary undertakings		(60.2)		(0.8)	
Disposal of interest in joint venture		1.3		-	
			(58.9)		(0.8)
Management of liquid resources					
Maturity of fixed interest securities		14.0		18.6	
Purchase of fixed interest securities		(16.0)		(49.6)	
Decrease/(increase) in other deposits		77.8		(39.2)	
			75.8		(70.2)
Net cash inflow before financing			252.4		40.7
Financing					
Issue of ordinary share capital		-		0.1	
Repayment of unsecured guaranteed loan notes		(0.2)		(12.3)	
Repayment of capital element of finance lease agreements		(15.8)		(16.1)	
			(16.0)		(28.3)
Increase in cash			236.4		12.4

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR
ENDED 31 JANUARY 2010 (CONTINUED)**

	Note	2010 £'m	2009 £'m
Reconciliation of net cash flows to movement in net debt			
Increase in cash		236.4	12.4
Repayment of unsecured guaranteed loan notes		0.2	12.3
Repayment of capital element of finance lease agreements		15.8	16.1
Maturity of fixed interest securities		(14.0)	(18.6)
Purchase of fixed interest securities		16.0	49.6
(Decrease)/increase in other deposits		(77.8)	39.2
Change in net debt resulting from cash flows		176.6	111.0
New finance lease agreements		(13.1)	(22.3)
Interest accrued on bank loans		(64.9)	(89.8)
Amortisation of issue costs of long-term loans		(5.7)	(5.5)
Interest accrued on unsecured guaranteed loan notes		-	(0.1)
Interest accrued on subordinated preference certificates		(310.0)	(266.0)
Exchange differences		0.2	0.1
Net realised losses on fixed interest securities		(0.4)	(0.6)
Net unrealised (losses)/gains on fixed interest securities		(0.8)	4.1
Movement in net debt		(218.1)	(269.1)
Opening net debt		(6,179.6)	(5,910.5)
Closing net debt	29	(6,397.7)	(6,179.6)

	Note	2010 £'m	2009 £'m
Analysis of closing net debt			
Net bank and other borrowings		(4,209.1)	(4,301.0)
Shareholder loans		(2,188.6)	(1,878.6)
Closing net debt	29	(6,397.7)	(6,179.6)

COMPANY BALANCE SHEET AS AT 31 JANUARY 2010

	Note	2010 £'m	2009 £'m
Fixed assets			
Investment in subsidiaries	14	0.9	0.9
		0.9	0.9
Current assets			
Debtors	16	0.2	0.2
		0.2	0.2
Creditors - amounts falling due within one year	20	(0.1)	(0.1)
Net current assets		0.1	0.1
Total assets less current liabilities		1.0	1.0
Capital and reserves			
Called up share capital	26	1.0	1.0
Shareholders' funds		1.0	1.0

Signed for and on behalf of the Board by



J A Goodsell
Directors
13 July 2010



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 the Companies Act 2006 s.464.

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 2006 s.408 in not publishing separately a company profit and loss account. The Company's profit for the year was £nil (2009: £nil) and its profit and loss account reserves as at 31 January 2010 were £nil (2009: £nil).

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

d) Revenue recognition

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.

Earned insurance premiums received 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.

Interest income is recognised as interest accrues.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

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:

Buildings, properties and related fixtures:

Buildings	50 years
Related fittings	3 - 20 years
Leasehold properties	over the period of the lease
Cruise ships	2 - 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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Accounting policies (continued)

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 basis 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 (with the exception of the APMP scheme) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

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.

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 by the Group's cruise ships and recovery vehicles. 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.

Derivative instruments are held at historical cost less impairment. The fair values of the Group's various derivative instruments held as at 31 January 2010 were: interest rate caps - £16.8 million; forward foreign currency contracts - £1.8 million; interest rate swaps - (£124.5 million) and fuel swap agreements - (£0.4 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

p) Acquisition costs

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.

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) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

t) Investments

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

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

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

u) Cash settled equity share schemes

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

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 in the prior year related 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.

	2010	2009
Turnover by class of business	£'m	£'m
Roadside Services	623.4	604.3
Financial Services	701.2	677.4
Travel	258.7	266.7
Media	64.7	63.2
Other	0.4	0.2
	1,648.4	1,611.8
Exceptional item (note 2)	-	10.0
	1,648.4	1,621.8

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Gross profit

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

	2010	2009
	£'m	£'m
Group Turnover		
Insurance underwriting activities – net earned premiums	262.4	274.1
Other activities	1,386.0	1,337.7
Group turnover excluding exceptional items	1,648.4	1,611.8
Exceptional item (note 2)	-	10.0
	1,648.4	1,621.8
Cost of sales		
Insurance underwriting activities – net claims incurred & handling costs	(260.4)	(244.1)
Exceptional item – direct costs	(8.1)	-
Exceptional item – stock write-off	(6.5)	-
Other activities	(506.0)	(490.9)
	(781.0)	(735.0)
Gross profit	867.4	886.8

The cost of sales exceptional items relate to: (a) unbudgeted costs not accrued for in a prior period; and (b) stock write-off within the Group's Media operations.

The amount disclosed for claims incurred is net of a £7.5 million (2009 - £26.4 million) favourable run off deviation due to better claims experience than had originally been reserved for.

5. Other operating income

	2010	2009
	£'m	£'m
Interest on deposits	13.9	29.3
Exceptional item (see below)	-	14.5
	13.9	43.8

The exceptional item in the prior year related to interest received on overpaid VAT now reclaimed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Operating profit

	2010	2009
Operating profit is stated after charging/(crediting):	£'m	£'m
Depreciation of owned tangible fixed assets	33.8	36.5
Depreciation of leased tangible fixed assets	15.3	14.2
Deferred government grant release	(0.1)	(0.1)
Auditors' remuneration (see below)	1.0	1.1
Operating lease rentals – land and buildings	5.7	5.6
Operating lease rentals – plant and machinery	5.6	5.8
Exceptional item – direct costs	8.1	-
Exceptional item – stock write-off	6.5	-
Total exceptional items (Cost of Sales)	14.6	-
Exceptional item – remedial works	0.3	0.2
Exceptional item – restructuring costs	23.3	0.6
Exceptional item – outsourced IT contract break costs	4.1	4.9
Exceptional item – IT system replacement project	0.4	3.6
Exceptional item – property provision costs	-	14.3
Total exceptional items (Overheads)	28.1	23.6

The cost of sales exceptional items relate to: (a) historic direct cost accruals within cost of sales that have been understated due to implementation issues with a new IT system; and (b) stock write-off within the Group's Media operations.

The overhead 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Operating profit (continued)

The remuneration of the auditors is further analysed as follows:

	2010	2009
	£'000	£'000
Audit of the Company and Group financial statements *	50	50
Other fees to auditors:		
- Audit of subsidiary financial statements	738	680
- Additional fees related to prior year audit of subsidiary financial statements	-	30
- Taxation services	100	148
- Audit of Group pension schemes	10	9
- Other services	57	162
	905	1,029
Total Auditors' remuneration	955	1,079

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

In addition to the above amounts payable to the principal auditors, fees for audit services of £37,000 (2009 - £53,000) were payable to other firms.

7. Interest payable and similar charges

	2010	2009
	£'m	£'m
Bank loans and overdrafts	385.2	432.4
Interest on guaranteed unsecured loan notes	-	0.1
Interest on subordinated preference certificates	310.0	266.0
Amortisation of issue costs of bank loans	5.7	5.5
Finance charges payable under finance lease agreements	2.4	3.3
Unwinding of discount rate on provisions (note 25)	1.7	1.5
Other interest payable and finance charges	-	0.4
	705.0	709.2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Directors' emoluments

	2010	2009
	£'000	£'000
Aggregate emoluments in respect of qualifying services	2,297	2,337

	2010	2009
Members of defined benefit pension scheme	2	2

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

	2010	2009
	£'000	£'000
Emoluments	1,477	1,492
Defined benefit pension scheme:	£'000	£'000
Accrued pension at end of year	70	66

9. Staff costs

	2010	2009
	£'m	£'m
Wages and salaries	283.6	290.5
Social security costs	23.1	24.4
Other pension costs	40.3	29.2
	347.0	344.1

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

	2010	2009
	No.	No.
Roadside Services	4,928	4,867
Financial Services	3,957	3,777
Travel	2,229	2,181
Media	455	464
Care	61	33
Central Administration	1,015	848
	12,645	12,170

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Pension costs and other post retirement benefits

Substantially all of the Group's employees at 31 January 2010 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 2011 are estimated to be £6.4 million. Regular employer contributions to the AA schemes in the year to 31 January 2011 are estimated to be £17.1 million. During the year, one-off employer contributions to the AA Pension scheme were £15.1 million. Further 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 2010		At 31 January 2009	
	Saga scheme	AA schemes	Saga scheme	AA schemes
Real rate of increase in salaries	0.0%	1.1%	2.0%	1.1%
Real rate of increase of pensions in payment	0.0%	0.0%	0.0%	0.0%
Real rate of increase of pensions in deferment	0.0%	0.0%	0.0%	0.0%
Discount rate	5.6%	5.6%	6.9%	6.9%
Inflation assumption	3.5%	3.5%	3.5%	3.5%
Medical premium inflation	N/a	7.5%	N/a	7.5%

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)

Pension costs and other post retirement benefits (continued)

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

	2010 £'m	2009 £'m
Saga scheme (note 10(b))	-	8.3
AAPS scheme (note 10(b))	-	16.9
Defined benefit pension assets	-	25.2
Saga scheme (note 10(b))	(5.0)	-
AAPS scheme (note 10(b))	(136.0)	-
AAIPS scheme (note 10(b))	(10.9)	(12.4)
APMP scheme (note 10(b))	(41.6)	(37.2)
Defined benefit pension liabilities	(193.5)	(49.6)
Net defined benefit pension liabilities (note 10(b))	(193.5)	(24.4)

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

	As at 31 January 2010				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'m
Fair value of scheme assets (note 10(e))	110.4	1,165.8	28.7	-	1,304.9
Present value of defined benefit obligation (note 10(d))	(117.4)	(1,354.7)	(41.2)	(44.2)	(1,557.5)
Defined benefit scheme asset/(liability) (note 10(c))	(7.0)	(188.9)	(12.5)	(44.2)	(252.6)
Related deferred tax asset (note 11(e))	2.0	52.9	1.6	2.6	59.1
Asset/(liability) recognised in balance sheet (note 10(a))	(5.0)	(136.0)	(10.9)	(41.6)	(193.5)

	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)

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 2010				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'m
Opening defined benefit asset/(liability) (note 10(b))	11.5	23.4	(14.1)	(37.2)	(16.4)
Profit and loss expense (note 10(h))	(3.9)	(21.6)	2.7	(2.8)	(25.6)
Contributions by employer (note 10(e))	6.4	30.5	2.0	1.4	40.3
(Loss)/gain recognised via the STRGL (note 10(j))	(21.0)	(221.2)	(3.1)	(5.6)	(250.9)
Closing defined benefit asset/(liability) (note 10(b))	(7.0)	(188.9)	(12.5)	(44.2)	(252.6)
Related deferred tax asset/(note 11(e))	2.0	52.9	1.6	2.6	59.1
Asset/(liability) recognised in balance sheet (note 10(b))	(5.0)	(136.0)	(10.9)	(41.6)	(193.5)

	Year to 31 January 2009				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'m
Opening defined benefit asset/(liability)	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)
Contributions by employer (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)

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 2010				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'m
Opening defined benefit obligation	77.3	982.9	39.0	37.2	1,136.4
Current service cost (note 10(h))	4.0	17.5	1.0	0.2	22.7
Interest cost (note 10(ii))	5.4	67.6	2.1	2.6	77.7
Contributions by scheme participants (note 10(e))	0.4	2.4	0.3	-	3.1
Actuarial losses on scheme liabilities	32.1	325.9	5.7	5.6	369.3
Net benefits paid out (note 10(e))	(1.8)	(41.6)	(1.4)	(1.4)	(46.2)
Currency gain	-	-	(1.2)	-	(1.2)
Cost of curtailments (note 10(h))	-	-	(4.3)	-	(4.3)
Closing defined benefit obligation (note 10(b))	117.4	1,354.7	41.2	44.2	1,557.5

	Year to 31 January 2009				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'m
Opening defined benefit obligation	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(ii))	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 (note 10(e))	(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

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 2010				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'m
Opening fair value of scheme assets (note 10(b))	88.8	1,006.3	24.9	-	1,120.0
Expected return on scheme assets (note 10(g))	5.5	63.5	1.5	-	70.5
Actuarial gains on scheme assets (note 10(g))	11.1	104.7	2.2	-	118.0
Contributions by employer (note 10(c))	6.4	30.5	2.0	1.4	40.3
Contributions by scheme participants (note 10(d))	0.4	2.4	0.3	-	3.1
Net benefits paid out (note 10(d))	(1.8)	(41.6)	(1.4)	(1.4)	(46.2)
Currency loss	-	-	(0.8)	-	(0.8)
Closing fair value of scheme assets (note 10(b))	110.4	1,165.8	28.7	-	1,304.9

	Year to 31 January 2009				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'m
Opening fair value of scheme assets	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 (note 10(d))	(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

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 2010			
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme
Equities	45%	48%	52%	-
Bonds	53%	39%	41%	-
Property	-	8%	6%	-
Other	2%	5%	1%	-
Total	100%	100%	100%	-

	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%	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

	Year to 31 January 2010				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'m
Expected return on scheme assets (note 10(e))	5.5	63.5	1.5	-	70.5
Actuarial gains on scheme assets (note 10(e))	11.1	104.7	2.2	-	118.0
Actual return on scheme assets	16.6	168.2	3.7	-	188.5

	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)

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 2010				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'m
Current service cost (note 10(d))	4.0	17.5	1.0	0.2	22.7
Interest cost (note 10(ii))	5.4	67.6	2.1	2.6	77.7
Expected return on scheme assets (note 10(i))	(5.5)	(63.5)	(1.5)	-	(70.5)
Cost of curtailments (note 10(d))	-	-	(4.3)	-	(4.3)
Expense taken in the profit and loss account (note 10(c))	3.9	21.6	(2.7)	2.8	25.6

	Year to 31 January 2009				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'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 (note 10(c))	1.1	5.1	0.8	2.6	9.6

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

	Year to 31 January 2010				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'m
Interest cost (note 10(d) and note 10(h))	5.4	67.6	2.1	2.6	77.7
Expected return on scheme assets (note 10(h))	(5.5)	(63.5)	(1.5)	-	(70.5)
Net finance (return)/cost recognised	(0.1)	4.1	0.6	2.6	7.2

	Year to 31 January 2009				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'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)/cost recognised	(2.0)	(11.5)	0.1	2.4	(11.0)

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 2010				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'m
Actuarial gains on scheme assets (note 10(g))	11.1	104.7	2.2	-	118.0
Currency gain	-	-	0.4	-	0.4
Changes in assumptions underlying the present value of scheme liabilities	(32.1)	(325.9)	(5.7)	(5.6)	(369.3)
Scheme loss recognised in STRGL	(21.0)	(221.2)	(3.1)	(5.6)	(250.9)
Movement in deferred tax (note 11(e))	5.9	61.9	0.4	1.6	69.8
Total loss in STRGL	(15.1)	(159.3)	(2.7)	(4.0)	(181.1)

	Year to 31 January 2009				
	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'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 recognised 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)

	Saga scheme	AAPS scheme	AAIPS scheme	APMP scheme	Total
	£'m	£'m	£'m	£'m	£'m
Cumulative scheme losses recognised in the STRGL	(35.6)	(489.8)	(17.8)	(3.5)	(546.7)

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.

	2010	2009	2008
	£'m	£'m	£'m
Saga scheme			
Fair value of scheme assets (note 10(e))	110.4	88.8	103.0
Present value of defined benefit obligation (note 10(d)) (note 10(d))	(117.4)	(77.3)	(82.7)
Defined benefit scheme (liability)/asset	(7.0)	11.5	20.3
Experience adjustments arising on plan liabilities	(1.7)	-	(0.1)
Experience adjustments arising on plan assets	11.1	(17.0)	(1.2)
	2010	2009	2008
	£'m	£'m	£'m
AAPS scheme			
Fair value of scheme assets (note 10(e))	1,165.8	1,006.3	1,209.2
Present value of defined benefit obligation (note 10(d))	(1,354.7)	(982.9)	(1,014.5)
Defined benefit scheme (liability)/asset	(188.9)	23.4	194.7
Experience adjustments arising on plan liabilities	11.4	-	-
Experience adjustments arising on plan assets	104.7	(273.2)	(52.8)
	2010	2009	2008
	£'m	£'m	£'m
AAIPS scheme			
Fair value of scheme assets (note 10(e))	28.7	24.9	26.2
Present value of defined benefit obligation (note 10(d))	(41.2)	(39.0)	(28.1)
Defined benefit scheme liability	(12.5)	(14.1)	(1.9)
Experience adjustments arising on plan liabilities	-	(0.9)	-
Experience adjustments arising on plan assets	2.2	(8.3)	0.7
	2010	2009	2008
	£'m	£'m	£'m
APMP scheme			
Present value of defined benefit obligation (note 10(d))	(44.2)	(37.2)	(37.9)
Experience adjustments arising on plan liabilities	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

	Medical cost trend rates adopted £'m	Medical cost trend rates of 1% pa lower £'m	Medical cost trend rates of 1% pa higher £'m
Actuarial value of APMP liabilities at 31 January 2010	44.2	(5.4)	6.5
Total of interest cost and service cost for the year to 31 January 2010	2.8	(0.5)	0.5

11. Taxation

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2010 £'m	2009 £'m
Current tax:		
UK corporation tax at 28% (2009 - 28.33%)	-	-
Adjustments relating to prior years	(1.4)	(0.9)
Foreign tax	2.2	1.5
Group current tax	0.8	0.6
Deferred tax:		
Origination and reversal of timing differences – current year	10.8	19.7
Origination and reversal of timing differences – prior years	(9.0)	(10.7)
Group deferred tax	1.8	9.0
Tax on loss on ordinary activities	2.6	9.6

(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	(69.8)	(46.2)
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Taxation (continued)

(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% (2009 – 28.33%). The differences are reconciled below:

	2010	2009
	£'m	£'m
Pre-tax losses at 28% (2009 – 28.33%)	(148.0)	(143.5)
(Accelerated)/decelerated capital allowances	(2.4)	2.6
Permanent differences	91.5	77.1
Other timing differences	(14.5)	(17.1)
Lower rate of foreign tax	(2.0)	(1.8)
Tonnage tax adjustment	(0.2)	(1.3)
Utilisation of losses	(4.3)	-
Consortium relief not paid for	(3.9)	-
Non-deductible amortisation of goodwill	85.9	85.7
Adjustments relating to prior years	(1.4)	(0.9)
Other items	0.1	(0.2)
	0.8	0.6

The tax credit relating to exceptional items amounts to £7.5 million (2009 - £0.2 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% (2009 - 13%).

(d) Factors that may affect future tax charges

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Taxation (continued)

(e) Deferred tax

Group

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

	2010	2009
	£'m	£'m
Included in debtors (note 16)	53.1	51.6
Included in net defined benefit pension asset/(liability) (note 10(b))	59.1	(8.0)
	112.2	43.6

	2010	2009
	£'m	£'m
At start of period	43.6	6.4
Deferred tax charge in Group profit and loss account (note 11(a))	(1.8)	(9.0)
Deferred tax acquired with subsidiary undertakings	0.6	-
Amount recognised in the statement of total recognised gains and losses (note 10(j))	69.8	46.2
At 31 January	112.2	43.6

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Intangible fixed assets

Goodwill

	2010	2009
	£'m	£'m
Cost		
At start of period	6,117.7	6,116.9
Additions (note 14c)	60.2	0.8
At 31 January	6,177.9	6,117.7
Amortisation		
At start of period	418.0	112.1
Charge for the year	307.2	305.9
At 31 January	725.2	418.0
Net book amount		
At 31 January	5,452.7	5,699.7

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 2009	72.5	11.4	73.5	109.4	266.8
Exchange adjustment	-	-	-	(0.1)	(0.1)
Additions	7.3	0.1	30.9	48.1	86.4
Acquisition of subsidiaries	-	-	-	1.1	1.1
Disposals	-	(0.2)	-	(6.3)	(6.5)
At 31 January 2010	79.8	11.3	104.4	152.2	347.7
Depreciation					
At 1 February 2009	2.6	1.1	13.1	26.4	43.2
Provided during the year	2.0	1.3	14.2	31.6	49.1
Disposals	-	(0.1)	-	(5.4)	(5.5)
At 31 January 2010	4.6	2.3	27.3	52.6	86.8
Net book amounts					
At 31 January 2010	75.2	9.0	77.1	99.6	260.9
At 31 January 2009	69.9	10.3	60.4	83.0	223.6

Included in freehold land and buildings are amounts in respect of land, with an original cost on acquisition of £6.9 million (2009 - £6.9 million), which have not been depreciated.

The net book amount of Other Assets for the Group includes £38.1 million (2009 - £40.7 million) in respect of plant & machinery held under finance lease agreements. The accumulated depreciation on these assets is £15.0 million (2009 - £4.0 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Investments

a) Group

	2010	2009
	£'m	£'m
Joint venture (i)	-	1.3
Associates (ii)	1.2	1.2
Other fixed asset investments	1.4	1.5
At 31 January	2.6	4.0

	2010	2009
	£'m	£'m
(i) Joint venture	-	1.3
At 31 January	-	1.3

Automobile Association Personal Finance Limited was a personal finance joint venture which terminated on 15 October 2009. The joint venture's principal place of business was Trinity Road, Halifax, West Yorkshire, HX1 2RG.

	2010	2009
	£'m	£'m
(ii) Associates	1.2	1.2
At 31 January	1.2	1.2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Investments (continued)

b) Company

Investment in subsidiary undertaking

	2010	2009
Cost	£'m	£'m
At 1 February and 31 January	0.9	0.9

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	England	Tour Operating
Acromas Shipping Limited	England	Cruising
Saga Services Limited	England	Financial services
Acromas Insurance Company Limited	Gibraltar	Insurance underwriting
Claimfast Limited	England	Vehicle rental
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	Guernsey	Insurance services
Direct Choice 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 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.

c) Acquisitions

On 30 June 2009 the Group acquired the entire share capital of DriveTech (UK) Limited, a leading provider of driver training and assessment schemes. Goodwill arising on acquisition was £29.1 million. The acquisition generated turnover of £8.9 million and created operating profits of £2.2 million in the seven month period ended 31 January 2010.

On 1 October 2009 the Group acquired the trade and net liabilities of Titan Travel Limited, the UK's leading provider of escorted holidays. Goodwill arising on acquisition was £24.9 million. The acquisition generated turnover of £20.0 million and created operating losses of £1.7 million in the four month period ended 31 January 2010.

On 30 November 2009 the Group acquired the entire share capital of AutoWindshields (UK) Limited, a vehicle glass repair and replacement business. Goodwill arising on acquisition was £6.2 million. The acquisition generated turnover of £1.0 million and created operating profits of £0.2 million in the two month period ended 31 January 2010.

All of the acquisitions described above have been included in the Group balance sheet at their fair value at the date of acquisition. The business combinations have all been accounted for using Acquisition accounting. There were no recognised gains and losses in the post-acquisition period other than those described above.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Stocks

	2010	2009
	Group	Group
	£'m	£'m
Raw materials and consumables	1.4	0.9
Work in progress	1.2	3.7
Finished goods	6.5	12.6
	9.1	17.2

16. Debtors

	2010	2009	2010	2009
	Group	Group	Company	Company
	£'m	£'m	£'m	£'m
Trade debtors	311.4	321.4	-	-
Amounts owed by group undertakings	-	-	0.2	0.2
Other debtors	25.2	19.0	-	-
Deferred acquisition costs	8.5	13.5	-	-
Prepayments and accrued income	24.1	39.0	-	-
Corporation tax recoverable	4.8	-	-	-
Other taxes and social security costs	2.9	11.7	-	-
Deferred tax (note 11(e))	53.1	51.6	-	-
	430.0	456.2	0.2	0.2

Deferred tax comprises an excess of depreciation over capital allowances of £37.9 million (2009 - £29.3 million) and short-term differences of £15.2 million (2009 - £22.3 million).

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

17. Financial investments

	2010	2009
	Group	Group
	£'m	£'m
Fixed interest securities		
At start of period	100.7	66.2
Additions	16.0	49.6
Disposals	(14.0)	(18.6)
Net realised losses	(0.4)	(0.6)
Net unrealised revaluation (losses)/gains (note 27)	(0.8)	4.1
At 31 January	101.5	100.7

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

	2010	2009
	Group	Group
	£'m	£'m
Deposits with financial institutions	645.5	500.7
	645.5	500.7

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 £426.9 million (2009 - £374.5 million).

No deposits have maturity dates in excess of one year.

19. Cash at bank and in hand

	2010	2009
	Group	Group
	£'m	£'m
Cash at bank and in hand	31.5	18.1
	31.5	18.1

Cash at bank and in hand includes £11.0 million (2009 - £5.0 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

	2010	2009	2010	2009
	Group	Group	Company	Company
	£'m	£'m	£'m	£'m
Bank overdraft	7.1	7.7	-	-
Guaranteed unsecured loan notes	0.4	0.6	-	-
Obligations under finance lease agreements (note 22)	14.7	15.1	-	-
Advance receipts	287.4	276.5	-	-
Trade creditors	217.0	195.8	-	-
Amounts owed to group undertakings	-	-	0.1	0.1
Corporation tax	0.7	2.2	-	-
Other taxes and social security costs	23.7	22.1	-	-
Deferred government grants	0.1	0.1	-	-
Other creditors	26.3	31.4	-	-
Accruals and deferred income	167.7	153.1	-	-
	745.1	704.6	0.1	0.1

The guaranteed unsecured loan notes were issued on 18 September 2007. 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

	2010	2009
	Group	Group
	£'m	£'m
Bank loans – senior	4,118.4	4,113.3
Bank loans – mezzanine	828.7	763.2
Subordinated preference certificates	2,188.6	1,878.6
Obligations under finance lease agreements (note 22)	18.3	20.6
Deferred government grants	2.1	2.2
Other creditors	5.4	-
Deferred income	1.1	1.3
	7,162.6	6,779.2

	2010	2009
	Group	Group
	£'m	£'m
The senior and mezzanine bank loans fall due for repayment:		
In more than five years	4,984.3	4,919.4
	4,984.3	4,919.4
Less: Deferred issue costs	(37.2)	(42.9)
	4,947.1	4,876.5

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Creditors falling due after more than one year (continued)

	2010	2009
	Group	Group
	£'m	£'m
The bank loans falling due after more than five years are repayable as follows:		
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	834.3	769.4
	<u>4,984.3</u>	<u>4,919.4</u>

	2010	2009
	Group	Group
	£'m	£'m
The subordinated preference certificates fall due for repayment:		
In more than five years	2,188.6	1,878.6

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

	2010	2009
	Group	Group
	£'m	£'m
Amounts due under finance lease agreements are:		
Within one year (note 20)	14.7	15.1
Within two to five years (note 21)	18.3	20.6
	33.0	35.7

23. Lease commitments

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

	Land and Buildings		Plant and Machinery	
	2010	2009	2010	2009
	Group	Group	Group	Group
	£'m	£'m	£'m	£'m
Leases expiring:				
Within one year	0.5	0.1	0.5	0.7
Between two and five years	0.8	1.2	1.2	1.6
After five years	4.5	4.2	-	-
	5.8	5.5	1.7	2.3

24. Insurance technical provisions

	2010	2009
	Group	Group
	£'m	£'m
Unearned premium reserve	177.3	180.1
Reinsurers' share of unearned premium reserve	(3.4)	(3.5)
	173.9	176.6
Outstanding claims provisions	329.3	293.1
Reinsurers' share of outstanding claims provisions	(13.3)	(13.1)
	489.9	456.6

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 2009	2.7	47.5	5.9	56.1
Utilised during the year	(19.4)	(6.6)	(5.8)	(31.8)
Unwinding of discount rate (note 7)	-	1.7	-	1.7
Released during the year	(0.7)	(0.4)	(0.1)	(1.2)
Charge for the year	21.3	0.1	10.3	31.7
Balance at 31 January 2010	3.9	42.3	10.3	56.5

In 2007, 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 28 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 (2009: nil).

During the year, 545,835 (2009 - 4,162,863) 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 lease 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 insurance returned premiums, life insurance commission clawbacks and insurance policies that cancel post-year end. These items are reviewed and updated annually and derive from repayments of commission received that the Group's Financial Services businesses may have to make as a result of the mid-term cancellation or adjustment of policies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. Called up share capital

	2010	2009
	£	£
Allotted, called up and fully paid		
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
13,728,085 "C" ordinary shares of £0.01 each	137,281	131,823
	987,233	981,775

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	Currency Equalisation Account	Profit and Loss Account	Total
	£'m	£'m	£'m	£'m
At 1 February 2009	5.2	0.1	(1,007.0)	(1,001.7)
Retained loss for the year	-	-	(531.4)	(531.4)
Unrealised losses on financial investments (note 17)	(0.8)	-	-	(0.8)
Realisation of revaluation gains on financial investments	(1.1)	-	1.1	-
Exchange differences on retranslation of net assets of subsidiary undertakings	-	0.2	-	0.2
Actuarial gains and losses recognised on defined benefit pension schemes (note 10(j))	-	-	(250.9)	(250.9)
Movement in deferred tax relating to pension assets and liabilities (note 10(j))	-	-	69.8	69.8
At 31 January 2010	3.3	0.3	(1,718.4)	(1,714.8)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2010	2009
	£'m	£'m
Operating profit before share of profits from joint arrangement	177.2	187.9
Amortisation of goodwill	307.2	305.9
Other operating income	(13.9)	(43.8)
Depreciation of tangible fixed assets	49.1	50.7
Stock decrease/(increase)	8.1	(3.6)
Debtor decrease/(increase)	15.6	(43.0)
Provisions decrease	(1.3)	(3.0)
Creditors increase/(decrease)	14.7	(24.9)
Advance receipts increase/(decrease)	10.9	(12.5)
Deferred government grants released	(0.1)	(0.1)
Insurance technical provisions increase	33.4	50.3
Difference between pension charge and cash contributions	(22.0)	(8.6)
Net cash inflow from operating activities	578.9	455.3

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 £0.3 million (2009 - £0.2 million); (b) restructuring expenditure costs primarily relating to redundancy costs, professional fees and the re-organising of Group operations of £28.7 million (2009 - £1.5 million); (c) exit penalty costs as a result of serving notice on a long term IT outsourcing contract of £3.0 million (2009 - £4.9 million); (d) IT system replacement project costs of £0.4 million (2009 - £3.0 million); (e) onerous property provision future lease costs in respect of vacant properties, net of expected sub-letting income of £6.6 million (2009 - £nil); and (f) overpaid VAT now reclaimed of £10.0 million (2009 - £nil); and (i) interest received on overpaid VAT now reclaimed of £14.5 million (2009: £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. Analysis of net debt

	At 1 February 2009	Cash Flows	Exchange Differences	Other Non-Cash Movements	At 31 January 2010
	£'m	£'m	£'m	£'m	£'m
Cash at bank and in hand ¹	225.2	235.8	0.2	-	461.2
Bank overdrafts	(7.7)	0.6	-	-	(7.1)
Cash	217.5	236.4	0.2	-	454.1
Other deposits	293.6	(77.8)	-	-	215.8
Current asset investments	100.7	2.0	-	(1.2)	101.5
Bank loans	(4,876.5)	-	-	(70.6)	(4,947.1)
Guaranteed unsecured loan notes	(0.6)	0.2	-	-	(0.4)
Subordinated preference certificates	(1,878.6)	-	-	(310.0)	(2,188.6)
Finance leases	(35.7)	15.8	-	(13.1)	(33.0)
	(6,179.6)	176.6	0.2	(394.9)	(6,397.7)

The other non-cash movements relating to the subordinated preference certificates comprises 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 £64.9 million (2009 - £89.8 million), plus amortisation of issue costs of long-term loans of £5.7 million (2009 - £5.5 million).

	2010 Group	2009 Group
	£'m	£'m
Analysis of Cash on deposit (from Consolidated balance sheet):		
Classified as cash at bank and in hand (see below)	429.7	207.1
Classified as other deposits (see above)	215.8	293.6
	645.5	500.7

	2010 Group	2009 Group
	£'m	£'m
Analysis of Cash at bank and in hand ¹		
As shown on Consolidated balance sheet	31.5	18.1
Included within Cash on deposit (see above)	429.7	207.1
	461.2	225.2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. Contingent liabilities

At 31 January 2010 the Group had secured £192.6 million (2009 - £244.6 million) of financial bonds and other guarantees on its £270.0 million (2009 - £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 Association of British Travel Agents regulate the 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 £3.8 million (2009 - £1.6 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. 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 31 January
		2010	2010
Joint Ventures and Associates	Type of transactions –	£'m	£'m
A.C.T.A. S.A.	Call handling fees paid	2.2	
	Amounts payable		0.2
ARC Transistance S.A.	Registration fees paid	0.4	
	Amounts payable		0.1
AA Financial Services	Revenue received	6.3	
	Amounts receivable		nil
Automobile Association Personal Finance Limited	Intermediary services provided	4.0	
	Amounts payable		nil

		Transactions	Amounts outstanding as at 31 January
		2009	2009
Joint Ventures and Associates	Type of transactions –	£'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	
	Amounts payable		0.1
AA Financial Services	Revenue received	3.6	
	Amounts receivable		0.7
Automobile Association Personal Finance Limited	Intermediary services provided	3.9	
	Amounts receivable		0.6

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Related party transactions (continued)

Of the subordinated preference certificates in issue as at 31 January 2010, 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 2010	Payable at 31 January 2009
Funds advised by Charterhouse Capital Partners	£642.8 million	£923.1 million	£792.7 million
Funds advised by CVC Capital Partners	£357.4 million	£513.2 million	£440.7 million
Funds advised by Permira Advisers	£357.4 million	£513.2 million	£440.7 million
Employees and Employee Trust	£89.8 million	£121.3 million	£104.2 million

The guaranteed unsecured loan notes in issue as at 31 January 2010 were owned by certain employees of the Group. The subscription price on the guaranteed unsecured loan notes outstanding at 31 January 2010 was £0.4 million (2009 - £0.6 million). This principal amount accrues interest charged at 6.0% per annum. The total amount payable as at 31 January 2010 is £0.4 million (2009 - £0.6 million). The guaranteed unsecured loan notes are redeemable by 18 September 2010.

33. 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 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliation of Consolidated Shareholders' Deficit, the Consolidated Cash Flow Statement, and the Consolidated and Company Balance Sheets and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 January 2010 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ernst & Young LLP

Kevin Senior (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 July 2010

UNAUDITED PRO FORMA RESULTS

YEAR ENDED 31 JANUARY 2010

	Year ended 31 January 2010			Year ended 31 January 2009		
	Before amortisation of goodwill and exceptional items £'m	Amortisation of goodwill and exceptional items £'m	Total £'m	Before amortisation of goodwill and exceptional items £'m	Amortisation of goodwill and exceptional items £'m	Total £'m
Group turnover	1,648.4	-	1,648.4	1,611.8	10.0	1,621.8
Cost of sales	(766.4)	(14.6)	(781.0)	(735.0)	-	(735.0)
Gross profit	882.0	(14.6)	867.4	876.8	10.0	886.8
Administrative and marketing expenses	(350.4)	-	(350.4)	(392.6)	-	(392.6)
Exceptional items	-	(28.1)	(28.1)	-	(23.6)	(23.6)
Amortisation of goodwill	-	(307.2)	(307.2)	-	(305.9)	(305.9)
Current pensionable service cost	(22.7)	-	(22.7)	(20.6)	-	(20.6)
Cost of pension curtailments	-	4.3	4.3	-	-	-
Total expenses	(373.1)	(331.0)	(704.1)	(413.2)	(329.5)	(742.7)
Other operating income	13.9	-	13.9	29.3	14.5	43.8
Operating profit before joint arrangement	522.8	(345.6)	177.2	492.9	(305.0)	187.9
Share of profits from joint arrangement	6.3	-	6.3	3.6	-	3.6
Operating Profit	529.1	(345.6)	183.5	496.5	(305.0)	191.5
EBITDA reconciliation						
Operating profit	529.1			496.5		
Depreciation	49.1			50.7		
Adjusted EBITDA	578.2			547.2		
Bank Debt Interest Payable						
Cash Interest	303.6			339.1		
Interest accrued but not due	81.6			93.3		
Total Bank Interest	385.2			432.4		