



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.

