



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.