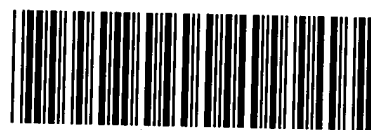


**SAGA GROUP LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 JANUARY 2015**

WEDNESDAY



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## **SAGA GROUP LIMITED**

### **Company information**

Directors: J A Goodsell  
L H L Batchelor (appointed 23 April 2014)  
J S Hill (appointed 23 June 2015)  
S M Howard (resigned 23 June 2015)

Secretary: V Haynes

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

Company Registration no: 638891

Auditor: Ernst & Young LLP, 1 More London Place, London SE1 2AF

**SAGA GROUP LIMITED**  
**Strategic report**

The Directors submit the Annual Report and the audited Financial Statements for Saga Group Limited (“the Company”) for the year ended 31 January 2015.

**Review of Business Developments and Principal Activity**

Saga Group Limited is a subsidiary of Saga plc. Saga plc and its’ subsidiaries are collectively referred to as the Saga Group.

Saga Group Limited’s principal activity is to provide central administrative functions and services to other group companies. These services include IT, human resources, finance and central management functions. The Saga Group’s principal activities are the provision of inclusive holidays, cruises and travel services, insurance and financial services, and domiciliary care services to people aged fifty and over.

The Company’s key financial and other performance indicators during the year were as follows:

	<b>2015</b>	<b>2014</b>	<b>change</b>
	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Turnover	25,284	27,507	(8.1)
Cost of sales	(1,091)	(974)	(12.0)
Administrative and marketing expenses	(257,138)	(44,909)	(472.6)
Income from shares in group undertakings	104,000	130,500	(20.3)
(Loss)/Profit before taxation	<u>(128,621)</u>	<u>113,141</u>	(113.7)
Trading EBITDA	<u>(9,677)</u>	<u>(6,965)</u>	(38.9)
Average number of employees	<u>389</u>	<u>418</u>	(6.9)

The percentage change analysis above reflects business impacts on the Profit and Loss account i.e. a negative movement reflects an adverse impact on the profit.

The average monthly number of employees has decreased by 6.9% following the cessation of certain services provided to the Automobile Association Ltd. Staff costs have decreased by 17.1%, partly reflecting the terminated Automobile Association Ltd services, but mainly as the remuneration of J A Goodsell, S M Howard and L H L Batchelor was transferred to Saga plc from the 1st June 2014. Administrative and marketing expenses have increased significantly to £257,138,000, due to costs associated with the restructure of the group, impairment of inter-company balances with fellow group undertakings, impairment of investment in subsidiaries and share based payment charges arising as part of the IPO of the group. Further analysis is given in note 4 to the accounts.

For decision making and internal performance management, management’s key performance metric is earnings before interest, tax, depreciation and amortisation which is adjusted to exclude exceptional items and income from shares in group undertakings (Trading EBITDA). Trading EBITDA for the year was a loss of £9,677,000, 38.9% worse than the previous year, due to an increase in costs related to the development of new business opportunities and costs associated with departmental reorganisations.

The loss for the year before taxation amounts to £128,621,000 (2014 profit - £113,141,000). After taxation, a loss of £119,251,000 (2014 profit - £116,295,000) has been taken to reserves. No dividends have been paid in the year (2014 - £nil).

**SAGA GROUP LIMITED**  
**Strategic report (continued)**

**Principal Risks and Uncertainties**

The business has developed an embedded enterprise risk management process that facilitates the identification, assessment, escalation and mitigation of the Company's risk exposure across every aspect and activity of the business. This framework enables the business to manage risk using predefined assessment criteria to ensure residual risk levels are in line with the Board's agreed risk appetite.

Risk information is formally reviewed on a quarterly basis and is a standard agenda item at each of the core business forums.

The principal risks have been grouped into the following categories:

1. Legislative Risks

The Group trades within regulated sectors of the economy such as financial services, package holidays and cruising, and domiciliary care. It is therefore required to comply with all relevant regulations.

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, shipping and domiciliary care businesses, and business disruption due to infrastructure failures. The Group has put in place contingency plans to mitigate the impact of these risks, which are tested on an ongoing basis, and implemented processes and procedures to reduce the likelihood of occurrence, including operational resilience of systems.

3. Market Risk

The Group continues to operate in highly competitive markets with constant pressure on margins and market share. These risks are managed through promotion of the Group brands, continuing efforts to improve efficiency and reduce costs, and focus on customer service, quality and value for money. Appropriate information is utilised to monitor the external market.

4. Brand Risk

The Group recognises that Saga is a quality brand and a source of competitive advantage, and has in place policies and procedures to protect them at all times. Legal protections for brands, trade marks and other points of differentiation are put in place where possible.

**Future developments**

The Company will continue to provide administrative services to other group companies.

By order of the Board



V Haynes  
Secretary  
27 July 2015

## **SAGA GROUP LIMITED**

### **Directors' report**

The Directors submit the Directors' Report of the Company for the year ended 31 January 2015.

#### **Employee involvement**

During the year the Company has maintained the practice of keeping employees informed about current activities and progress by various methods. Employee participation and involvement is encouraged.

#### **Employment of disabled persons**

It is the policy of the Company 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 Company. It is the Company's policy to retain in employment, whenever practicable, employees who become disabled and give all such employees equal consideration for training and career development to enable them to fulfil their promotion potential.

#### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company 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.

**SAGA GROUP LIMITED**  
**Directors' report (continued)**

**Going concern**

The Company'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 and brand risk are described in the business review on pages 2 to 3.

The Directors have a reasonable expectation that the Company 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.

**Disclosure of information to the auditors**

Each current Director has made enquiries of their fellow directors and the Company'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 the report. So far as each director approving this report is aware, and based on the above steps, there is no relevant audit information of which the auditor is unaware.

**Auditors**

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

By order of the Board



V Haynes  
Secretary  
27 July 2015

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGA GROUP LIMITED**

We have audited the financial statements of Saga Group Limited for the year ended 31 January 2015 which comprise the Profit and Loss Account, the Reconciliation of movements in Shareholders' Funds, the Balance Sheet and the related notes 1 to 23. 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 auditor**

As explained more fully in the Statement of Directors' Responsibilities as set out on page 4, 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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2015 and of its 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 Strategic Report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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*

John Headley (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

28 July 2015

**SAGA GROUP LIMITED****Profit and loss account for the year ended 31 January 2015**

	Note	2015 £'000	2014 £'000
<b>Turnover</b>	2	25,284	27,507
Cost of sales		(1,091)	(974)
<b>Gross profit</b>		<u>24,193</u>	<u>26,533</u>
Administrative and marketing expenses		(39,427)	(40,941)
Exceptional items	4	(217,711)	(3,968)
<b>Total administrative and marketing expenses</b>		<u>(257,138)</u>	<u>(44,909)</u>
Other operating income	3	318	1,017
<b>Operating loss</b>	4	<u>(232,627)</u>	<u>(17,359)</u>
Profit on disposal of fixed assets	9	6	-
<b>Loss on ordinary activities before investment income, interest payable and taxation</b>		(232,621)	(17,359)
Income from shares in group undertakings		104,000	130,500
<b>(Loss) / profit on ordinary activities before taxation</b>		<u>(128,621)</u>	<u>113,141</u>
Taxation	8	9,370	3,154
<b>(Loss) / profit on ordinary activities after taxation</b>	17	<u><u>(119,251)</u></u>	<u><u>116,295</u></u>

All income and expenditure arises from continuing operations.

There were no recognised gains or losses other than the amounts included above.

**Reconciliation of movements in shareholders' funds**

	Note	2015 £'000	2014 £'000
Total recognised gains and losses relating to the year		(119,251)	116,295
Capital contribution	17	40,754	-
Net movement in shareholders' funds		<u>(78,497)</u>	<u>116,295</u>
Shareholders' funds brought forward		909,687	793,392
Shareholders' funds carried forward		<u><u>831,190</u></u>	<u><u>909,687</u></u>

Notes 1 to 23 form an integral part of these financial statements.



**SAGA GROUP LIMITED**  
**Balance sheet as at 31 January 2015**

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	9	10,262	10,410
Investment in subsidiary undertakings	10	108,677	101,981
		<u>118,939</u>	<u>112,391</u>
<b>Current assets</b>			
Stock		22	22
Debtors	11	939,007	1,594,069
Cash on deposit	12	67,782	32,173
Cash at bank and in hand		26,038	23,523
		<u>1,032,849</u>	<u>1,649,787</u>
<b>Creditors - amounts falling due within one year</b>	13	<u>(319,441)</u>	<u>(851,681)</u>
<b>Net current assets</b>		<u>713,408</u>	<u>798,106</u>
<b>Total assets less current liabilities</b>		832,347	910,497
<b>Provisions for liabilities</b>	15	(1,157)	(810)
<b>Net assets</b>		<u>831,190</u>	<u>909,687</u>
<b>Capital and reserves</b>			
Called up share capital	16	3,617	3,617
Share premium account	17	84	84
Capital contribution reserve	17	40,754	-
Profit and loss account	17	786,735	905,986
<b>Shareholders' funds</b>		<u>831,190</u>	<u>909,687</u>

Signed for and on behalf of the Board by



J S HILL  
 Director  
 27 July 2015

Notes 1 to 23 form an integral part of these financial statements.

**SAGA GROUP LIMITED**  
**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 Company has taken advantage of the exemption under the Companies Act 2006 s.400 not to prepare and deliver group financial statements as it is a wholly owned subsidiary of an intermediate parent company Saga plc. As such, these financial statements show only the results of the individual company and not the group.

Investments in subsidiaries are accounted for at the lower of cost and net realisable value. The carrying values of the subsidiaries are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

**b 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:

Leasehold properties	over the period of the lease.
Fixtures & fittings	3 - 10 years
Plant and Machinery	3 - 10 years

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

**c Operating leases**

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

**d Stocks**

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

**e Deferred taxation**

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.

## **SAGA GROUP LIMITED**

### **Notes to the financial statements (continued)**

#### **1 Accounting policies (continued)**

##### **f Pension benefits**

The Company makes contributions to the Saga Pension Scheme, a defined benefit pension scheme (the 'Scheme') on the advice of actuaries for funding of retirement benefits in order to build up reserves for participating employees during the employee's working life to pay to the employee or dependent a pension after retirement.

The Company is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company accounts for its pension expense on a defined contribution basis in accordance with FRS 17 (Retirement benefits). The costs of providing these benefits are charged to the profit and loss account on a regular basis. Amounts charged to operating profit represent the contributions payable to the Scheme in the year.

##### **g Government grants**

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an item of expense, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

##### **h Provisions for liabilities**

A provision is recognised when the Company 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.

##### **i Cash flow statement**

The Directors have taken advantage of the exemption available under FRS 1 (Cash flow statements) of the requirement to prepare a cash flow statement as a consolidated cash flow statement has been presented in the financial statements of an intermediate parent undertaking, Saga plc.

##### **j Income from shares in group undertakings**

Interim dividend revenue is recognised when paid, and final dividends are recognised when approved.

##### **k Interest income**

Interest on the Company's investment and current accounts is recognised as interest accrues from bank deposits.

##### **l Turnover**

Revenue is recognised when services are provided.

##### **m Exceptional items**

Items which derive from events or transactions that fall outside of the ordinary activities of the Company and which are material, or if of a similar type are material in aggregate, are treated as exceptional. Exceptional items are charged or credited to the profit and loss account as appropriate and are separately reported on the face of the profit and loss account.

## SAGA GROUP LIMITED

### Notes to the financial statements (continued)

#### 1 Accounting policies (continued)

##### n Share-based payments

Saga plc, the parent company of the Saga group and an intermediate parent of the Company, provides benefits to employees of the Company (including Directors) in the form of long term incentives whereby employees render services in consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is measured at fair value and is recognised as an expense over the relevant vesting period, ending on the date on which the employee becomes fully entitled to any award.

In valuing equity settled transactions, assessment is made of any vesting conditions to categorise these into market performance conditions, non-market performance conditions, and service conditions.

Where the equity settled transactions have market performance conditions (that is, performance which is directly or indirectly linked to the share price of Saga plc), the fair value of the award is assessed at the time of grant and is not changed, regardless of the actual level of vesting achieved, except where an employee ceases to be employed prior to the vesting date.

For service conditions and non-market performance conditions, the fair value of the award is assessed at the time of grant and is reassessed at each reporting date to reflect updated expectations for the level of vesting. No expense is recognised for awards that ultimately do not vest.

The Company records the cost of share options granted to employees during the year as a capital contribution from Saga plc within Shareholders' funds. Upon exercise, the cost of the share options is transferred from the capital contribution reserve and retained earnings.

#### 2. Turnover

Turnover represents the invoiced amount of administrative services supplied to other group companies and revenue from the provision of canteen and crèche services to group employees. All business is carried out in the UK and is stated net of VAT.

#### 3. Other operating income

	2015	2014
	£'000	£'000
Interest on deposits	318	1,017

**SAGA GROUP LIMITED**  
**Notes to the financial statements (continued)**

4. Operating loss	2015	2014
	£'000	£'000
Operating loss is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	5,234	6,421
Depreciation of leased tangible fixed assets	5	5
Deferred government grant release	-	(1,949)
Auditor's remuneration - audit of financial statements	41	30
Operating lease rentals – land and buildings	3,924	4,015
Operating lease rentals – plant and machinery	838	754
Exceptional items:		
Operational restructuring and other costs	1,265	3,968
IPO related costs	198,284	-
Impairment review – inter-company balances	18,162	-
	<u>                    </u>	<u>                    </u>

The exceptional operational costs primarily relate to redundancy costs and related professional fees.

The IPO related exceptional items relate to the impairment of old inter-company balances of £157,733,000 which arose in previous group restructures, and share based payment costs of £40,551,000 associated with various grants and the bonus share offers made to staff and customers by the group on the IPO date.

The inter-company balances impairment review exceptional item relates to the impairment of inter-company balances.

Any fees paid to the Company's auditor, Ernst & Young LLP, for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated financial statements of an intermediate parent undertaking, Saga plc, are required to disclose non-audit fees on a consolidated basis.

The audit fee that the Company has paid on behalf of other Group entities is £49,000 (2014 - £67,000).

**SAGA GROUP LIMITED**  
**Notes to the financial statements (continued)**

<b>5. Directors' remuneration</b>	2015	2014
	£'000	£'000
Aggregate remuneration in respect of qualifying services	1,685	2,426
	<u>          </u>	<u>          </u>
Members of defined benefit pension scheme	3	2
	<u>          </u>	<u>          </u>

The Directors remuneration shown above relates to J A Goodsell, S M Howard and L H L Batchelor for the period 1<sup>st</sup> February 2014 to the 31<sup>st</sup> May 2014. From the 1<sup>st</sup> June 2014 the Directors were remunerated by Saga plc. No amount is included above in respect of their remuneration after 1<sup>st</sup> June 2014 as it would not be practicable to apportion their remuneration between their services as Directors of Saga plc and their services as Directors of other group companies.

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

	2015	2014
	£'000	£'000
Aggregate remuneration in respect of qualifying services	1,144	1,557
	<u>          </u>	<u>          </u>
Defined benefit pension scheme:	2015	2014
	£'000	£'000
Accrued pension at end of year	2	96
	<u>          </u>	<u>          </u>

<b>6. Staff costs</b>	2015	2014
	£'000	£'000
Wages and salaries	12,761	15,749
Social security costs	1,295	1,597
Pension costs	873	941
Other costs	471	279
	<u>15,400</u>	<u>18,566</u>
Average number of persons employed during the year was:	<u>391</u>	<u>418</u>

**7. Pension benefits**

The Company is a member of the Saga Pension Scheme which is a defined benefit scheme.

The Company is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company accounts for its pension expense on a defined contribution basis in accordance with FRS 17 (Retirement benefits). The FRS 17 deficit (gross of deferred taxation) of the Scheme at 31 January 2015 was £40.4 million (2014 - £14.9 million).

Further details of the Scheme can be found in the financial statements of the intermediate parent company, Saga plc.

**SAGA GROUP LIMITED**  
**Notes to the financial statements (continued)**

**8. Taxation**

	2015	2014
	£'000	£'000
<b>Current tax</b>		
UK corporation tax at 21.33% (2014 – 23.16%) – current year	(3,969)	(3,108)
Adjustments relating to prior years	(17)	869
	<u>(3,986)</u>	<u>(2,239)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(4,966)	(641)
Adjustment in respect of prior periods	(418)	(579)
Effect of tax rate change on opening balance	-	305
	<u>(5,384)</u>	<u>(915)</u>
	<u><u>(9,370)</u></u>	<u><u>(3,154)</u></u>

Reconciliation of Current Tax Credit:	2015	2014
	£'000	£'000
Pre-tax (loss) / profit at 21.33% (2014 – 23.16%)	(27,435)	26,203
Non taxable dividend income	(22,183)	(30,223)
Depreciation in excess of capital allowances	18	703
Permanent differences	40,348	170
Other timing differences	5,283	39
Adjustments relating to prior years	(17)	869
Current tax credit for the year	<u>(3,986)</u>	<u>(2,239)</u>

The tax credit relating to the exceptional items amounts to £5,855,000 (2014 - £415,000).

The tax credit for the current and prior year is entirely made up of receipts from other group companies for group relief.

Recognition of company deferred tax assets is based on profitability of other group companies and anticipated group relief claims.

The Company has capital losses of £1,743,000. These losses can only be utilised against future capital gains that the Company might generate. As such capital gains are not anticipated, no deferred tax asset has been recognised.

**SAGA GROUP LIMITED**  
**Notes to the financial statements (continued)**

**9. Tangible fixed assets**

	Short Leasehold Land & Buildings £'000	Fixtures & Fittings £'000	Computers Plant & Machinery £'000	Total £'000
<b>Cost</b>				
At 1 February 2014	5,020	21,539	16,568	43,127
Additions	-	1,397	3,694	5,091
Disposals	-	(10)	-	(10)
At 31 January 2015	<u>5,020</u>	<u>22,926</u>	<u>20,262</u>	<u>48,208</u>
<b>Depreciation</b>				
At 1 February 2014	3,042	15,996	13,679	32,717
Charge for year	5	3,112	2,122	5,239
Disposals	-	(10)	-	(10)
At 31 January 2015	<u>3,047</u>	<u>19,098</u>	<u>15,801</u>	<u>37,946</u>
<b>Net book amounts</b>				
At 31 January 2015	<u>1,973</u>	<u>3,828</u>	<u>4,461</u>	<u>10,262</u>
At 31 January 2014	<u>1,978</u>	<u>5,543</u>	<u>2,889</u>	<u>10,410</u>

During the year the Company disposed of fixtures and fittings, resulting in a profit of £6,000.

**10. Investment in subsidiaries**

	Subsidiary Undertakings £'000
<b>Cost</b>	
At 1 February 2014	129,242
Additions	8,196
Capital repayment	(1,500)
At 31 January 2015	<u>135,938</u>
<b>Provision for impairment</b>	
At 1 February 2014 and 31 January 2015	<u>27,261</u>
<b>Net book amount</b>	
At 31 January 2015	<u>108,677</u>
<b>Net book amount</b>	
At 31 January 2014	<u>101,981</u>



## SAGA GROUP LIMITED

### Notes to the financial statements (continued)

#### 10. Investment in subsidiaries (continued)

In March 2014, the Company invested an additional amount of £8,196,000 in the share capital of Acromas Travel Limited. This amount was settled in cash.

In April 2014, the Company received a repayment of part of the investment in Acromas Holidays Limited of £1,500,000. This amount was received in cash.

The subsidiary undertakings of Saga Group Limited are listed below.

<b>Company</b>	<b>Country of registration</b>	<b>Nature of business</b>
Saga Services Limited	England	Financial services
Direct Choice Insurance Services Limited	England	Insurance services
Premium Funding Limited	England	Insurance services
Acromas Financial Services Limited	England	Regulated investment products
Saga Publishing Limited	England	Publishing
MetroMail Limited	England	Mailing house
Acromas Travel Limited	England	Dormant company
Acromas Holidays Limited	England	Tour operating
Acromas Transport Limited	England	Tour operating
Titan Transport Limited	England	Tour operating
Destinology Limited	England	Tour operating
Acromas Shipping Limited	England	Cruising
Saga Cruises Limited	England	Cruising
Saga Cruises IV Limited	England	Cruising
Enbrook Cruises Limited	England	Cruising
Automobile Association Travel Limited	England	Holding Company
Acromas Holidays (USA) Inc.	United States	Holding Company
Saga Cruises II Limited	England	Dormant company
Saga Cruises III Limited	England	Dormant company
Driveline Europe Limited	England	Provision of services
Driveline Travel Limited	England	Dormant company
Inter-Church Travel Limited	England	Dormant company
Saga Establecimientos Hoteleros, S.L.	Spain	Holding Company
Saga Hotels (Caribbean) Limited	St. Lucia	Holding Company
Bel Jou (St Lucia) Limited	St. Lucia	Hotel operator
Saga Holidays Limited	England	Dormant company
Saga Shipping Company Limited	England	Dormant company
Saga Tours Limited	England	Dormant company
Spirit Of Adventure Cruises Limited	England	Dormant company
Spirit Of Adventure Holidays Limited	England	Dormant company
Spirit Of Adventure Limited	England	Dormant company
Titan Travel Holdings Limited	England	Dormant company
All Canada Limited	England	Dormant company
Canadian Connections Limited	England	Dormant company
Connections Worldwide Holidays Limited	England	Dormant company
Grand Touring Club (France) Limited	England	Dormant company
Grand Touring Club Limited	England	Dormant company
Grandstand Sports Tours Limited	England	Dormant company

**SAGA GROUP LIMITED**  
**Notes to the financial statements (continued)**

**10. Investment in subsidiaries (continued)**

The subsidiary undertakings of Saga Group Limited (continued):

<b>Company</b>	<b>Country of registration</b>	<b>Nature of business</b>
Grandstand Worldwide Limited	England	Dormant company
New Zealand Connections Limited	England	Dormant company
Tailor-Made Travel Limited	England	Dormant company
The Classic Traveller Limited	England	Dormant company
Titan Aviation Limited	England	Dormant company
Titan Connections Limited	England	Dormant company
Titan Connections To Australia Limited	England	Dormant company
Titan Connections To Italy Limited	England	Dormant company
Titan Hitours Limited	England	Dormant company
Titan Investment Property Company Limited	England	Dormant company
Titan Music Productions Limited	England	Dormant company
Titan Personal Finance Limited	England	Dormant company
Titan Specialist Tours Limited	England	Dormant company
Titan Travel Limited	England	Dormant company
Confident Services Limited	England	Dormant company
Saga Coach Holidays Limited	England	Dormant company
Saga Communications Limited	England	Dormant company
Saga Cruises BDF Limited	England	Dormant company
Saga Digital Radio Limited	England	Dormant company
Saga Financial Limited	England	Dormant company
Saga Financial Planning Limited	England	Dormant company
Saga Flights.com Limited	England	Dormant company
Saga Healthcare Limited	England	Dormant company
Saga Homes Limited	England	Dormant company
Saga Independent Living Limited	England	Dormant company
Saga (International) Holidays Limited	England	Dormant company
Saga Investments Limited	England	Dormant company
Enbrook Services Limited	England	Dormant company
Saga Media Limited	England	Dormant company
Saga Personal Finance Limited	England	Dormant company
Saga Property Management Limited	England	Dormant company
Saga Radio (North West) Limited	England	Dormant company
Saga Retirement Housing Limited	England	Dormant company
Saga Rose Limited	England	Dormant company
Saga Ruby Limited	England	Dormant company
Saga Ventures Limited	England	Dormant company
Saga Vitamins Limited	England	Dormant company
Taylor Price Insurance Services Limited	England	Dormant company

The joint venture undertakings of Saga Group Limited are listed below.

Saga Law Limited	England	Legal support services
Saga Investment Services Limited	England	Wealth management services

**SAGA GROUP LIMITED**  
**Notes to the financial statements (continued)**

<b>11. Debtors</b>	2015	2014
	£'000	£'000
Trade debtors	4	678
Amount owed by group undertakings	928,384	1,584,472
Other debtors	1,175	1,519
Prepayments and deferred expenditure	1,349	4,690
Corporation tax recoverable	34	34
Deferred taxation	8,061	2,676
	<u>939,007</u>	<u>1,594,069</u>

Deferred tax comprises of short term timing differences of £5,049,000 (2014 - £94,000) and an excess of depreciation over capital allowances of £3,012,000 (2014 - £2,582,000).

A reduction in the main rate of corporation tax to 20% has been enacted in the Finance Act 2013 to take effect from 1 April 2015. As a result, the deferred tax balances at 31 January 2015 and 31 January 2014 have been stated at 20%.

Recognition of Company deferred tax assets is based on profitability of other group companies and anticipated group relief claims.

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

<b>12. Cash on deposit</b>	2015	2014
	£'000	£'000
Deposits with financial institutions	<u>67,782</u>	<u>32,173</u>

There are no deposits with maturity dates in excess of one year.

**13. Creditors - amounts falling due within one year**

	2015	2014
	£'000	£'000
Bank overdraft	3	9
Trade creditors	603	418
Amounts due to group undertakings	305,469	837,309
Other taxes and social security	3,245	2,983
Other creditors	1,702	1,359
Accruals	8,419	9,603
	<u>319,441</u>	<u>851,681</u>

**SAGA GROUP LIMITED**  
**Notes to the financial statements (continued)**

**14. Lease commitments**

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

	2015	2014
	£'000	£'000
Land and buildings		
Leases expiring:		
Between two and five years	130	115
After five years	3,833	3,880
	<u>3,963</u>	<u>3,995</u>
Plant and machinery		
Leases expiring:		
Within one year	154	151
Between two and five years	715	260
	<u>869</u>	<u>411</u>

**15. Provisions for liabilities**

	Other Provisions £'000
Balance as at 1 February 2014	810
Utilised during the year	(103)
Funded during the year	450
Balance as at 31 January 2015	<u>1,157</u>

The provision relates to various group related, self-funded insurance arrangements.

**16. Called up share capital**

	2015	2014
	£'000	£'000
<b>Allotted, called up and fully paid</b>		
18,086,076 ordinary shares at 20p each	<u>3,617</u>	<u>3,617</u>

**SAGA GROUP LIMITED****Notes to the financial statements (continued)****17. Reserves**

	Share Premium		Profit and Loss	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Balance at beginning of the year	84	84	905,986	789,691
(Loss) / profit for the year	-	-	(119,251)	116,295
Balance at the end of the year	<u>84</u>	<u>84</u>	<u>786,735</u>	<u>905,986</u>

	Capital Contribution	
	2015	2014
	£'000	£'000
Balance at beginning of the year	-	-
Movement for the year	40,754	-
Balance at the end of the year	<u>40,754</u>	<u>-</u>

The capital contribution reserve is in respect of contributions from an intermediate parent company, Saga plc, in relation to share-based awards made by it to the Company's employees. Further information can be found in the financial statements of Saga plc.

**18. Share-based payments**

Saga plc, the ultimate parent of the Saga group, uses equity-settled share plans to grant options and shares to the Group's Directors and employees. FRS 20 requires that equity-settled share-based payments issued to the Group's employees are measured at fair value and that this value is expensed over the vesting period.

Share options are granted under the Saga plc Long-Term Incentive Plan (LTIP).

The LTIP is a discretionary executive share plan. Under the LTIP, the Saga plc Board may, within certain limits and subject to applicable performance conditions, grant options over shares in Saga plc. These options have a non-market vesting condition (50%) and a market vesting condition (50%). The fair value of the options has been calculated using a Black-Scholes valuation.

**SAGA GROUP LIMITED****Notes to the financial statements (continued)****18. Share-based payments (continued)**

The table below summarises the movements in the number of share options outstanding for the employees of the Company and their weighted average exercise price:

	<u>LTIP</u>
Outstanding at 1 February 2014	-
Granted during the year	805,320
Forfeited during the year	(103,594)
Exercised during the year	-
Outstanding at 31 January 2015	<u>701,726</u>
Exercise price	<u>£nil</u>
Exercisable at 31 January 2015	<u>-</u>
Average remaining contractual life	<u>2.4 years</u>
Average fair value at grant	<u>£1.74</u>

Details of the information relevant in determining the fair value of options granted is available in the financial statements of Saga plc.

**19. Related party transactions**

The Company has taken advantage of the exemption within FRS 8 (Related party disclosures) in not disclosing transactions with other entities in the Acromas group of companies.

**20. Contingent liabilities**

Whilst the Company has committed to provide ongoing financial support (as required) to certain other group companies with net liabilities at the year end, in the opinion of the Directors no material loss will arise in respect of this financial support.

## **SAGA GROUP LIMITED**

### **Notes to the financial statements (continued)**

#### **21. Cross company guarantees**

The Company, along with certain of its fellow subsidiaries, acted as an Obligor on bank loans made to Acromas Mid Co Limited.

On 2 July 2013 and 7 November 2013, Acromas Mid Co Limited repaid a significant part of its bank loans reducing the outstanding principal amount to £1,257.3 million. At 31 January 2014, the principal, accrued interest, guarantees and other facilities outstanding on these bank loans was £1,295.8 million.

On 25 April 2014, the Saga group entered into new debt financing arrangements and the bank loans held by Acromas Mid Co Limited were repaid and the obligations of the Company in respect of those bank loans were discharged.

The Company, along with certain of its fellow subsidiaries, acts as Obligor on the banks loans held by Saga Mid Co Limited which, on 25 April 2014, had an outstanding principal amount of £1,250.0 million. On 29 May 2014, Saga Mid Co Limited repaid £550.0 million of its bank loans reducing the outstanding principal amount to £700.0 million.

At the balance sheet date the principal, accrued interest, guarantees and other facilities outstanding on these bank loans was £734.4 million.

#### **22. Ultimate parent undertaking**

The immediate parent undertaking is Saga Leisure Limited, a company which is registered in England and Wales. The Company is wholly owned by Saga Leisure Limited.

On 29 May 2014, Saga plc, an intermediate parent undertaking and the ultimate parent undertaking for the Saga group, was admitted to the London Stock Exchange.

In respect of the year ending 31 January 2015, Saga plc is the parent company of the smallest group of which the Company is a member and for which group financial statements are prepared.

A copy of the financial statements of Saga plc for the year ended 31 January 2015 may be obtained from the company's website [www.corporate.saga.co.uk](http://www.corporate.saga.co.uk) or from the Company Secretary, Saga plc, Enbrook Park, Folkestone, Kent, CT20 3SE.

The financial statements of the Company have also been consolidated in the group financial statements of Acromas Holdings Limited (the ultimate parent undertaking), a company which is registered in England and Wales.

#### **23. Ultimate controlling party**

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