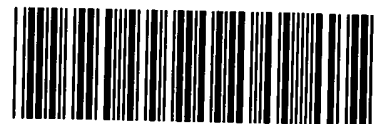


**SAGA GROUP LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 JANUARY 2016**

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**SAGA GROUP LIMITED**  
**Company information**

Directors: J A Goodsell (resigned 24 September 2015)  
L H L Batchelor  
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, 25 Churchill Place, Canary Wharf, London E14 5EY

## **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 2016.

### **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>2016</b>	<b>2015</b>	<b>change</b>
	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Turnover	29,534	25,651	15.1
Cost of sales	(1,915)	(1,136)	(68.6)
Administrative and marketing expenses	(43,431)	(38,353)	(12.2)
Income from shares in group undertakings	-	104,000	(100)
(Loss) before taxation	(18,677)	(127,731)	85.4
Average number of employees	<u>405</u>	<u>389</u>	4.1

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 increased by 4.1% mainly due to successfully filling vacancies and restructuring within the IT and HR areas of the business. Administrative and marketing expenses have increased to £43,431,000, due to the full year impact of on-going costs associated with the restructure of the group included in the prior year. The increase in costs in the prior year was due to 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 the notes to the accounts.

The increase in Turnover is predominately due to an increase in recharges to the companies within the group.

## **SAGA GROUP LIMITED**

### **Strategic Report (continued)**

The loss for the year before taxation amounts to £18,677,000 (2015 loss - £127,731,000). After taxation, a loss of £9,203,000 (2015 loss - £118,541,000) has been taken to reserves. No dividends have been paid in the year (2015 - £nil).

### **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.

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

**Future developments**

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

By order of the Board

A handwritten signature in black ink, appearing to read 'V Haynes', written over a horizontal line.

V Haynes  
Secretary  
26 May 2016

## **SAGA GROUP LIMITED**

### **Directors' report**

The Directors submit the Directors' Report of the Company for the year ended 31 January 2016.

#### **Employee involvement**

During the year the Company has maintained the practice of keeping employees informed about current activities and progress by various methods, including a regular staff newsletter. 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, qualifications and 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 Accounting Standards (United Kingdom General Accepted Accounting Policies): Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 Directors believe that the Company is well placed to successfully manage its business risks and 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 its' report. So far as each Director approving this report is aware, and based on the above steps, there is no relevant audit information of which the auditor is unaware.

**Auditors**

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

By order of the Board



V Haynes  
Secretary  
26 May 2016

## 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 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 27. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 5, 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 2016 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.



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

27 May 2016



**SAGA GROUP LIMITED****Income statement for the year ended 31 January 2016**

	Notes	2016 £'000	2015 £'000
<b>Turnover</b>	3	29,534	25,651
Cost of sales		(1,915)	(1,136)
<b>Gross profit</b>		<u>27,619</u>	<u>24,515</u>
Administrative and marketing expenses		(43,431)	(38,353)
Other operating expenses	5	(1,978)	(217,711)
Other operating income	4	218	318
<b>Operating loss</b>	5	<u>(17,572)</u>	<u>(231,231)</u>
Income from shares in group undertakings		-	104,000
<b>Loss on ordinary activities before interest and taxation</b>		<u>(17,572)</u>	<u>(127,231)</u>
Interest payable		(5)	-
Other finance costs – defined benefit pension plans		(1,100)	(500)
<b>Loss on ordinary activities before taxation</b>		<u>(18,677)</u>	<u>(127,731)</u>
Taxation	8	9,474	9,190
<b>Loss for the financial year</b>	18	<u><u>(9,203)</u></u>	<u><u>(118,541)</u></u>

Notes 1 to 27 form an integral part of these financial statements.

**SAGA GROUP LIMITED****Statement of comprehensive income for the year ended 31 January 2016**

	Notes	2016 £'000	2015 £'000
<b>Loss for the financial year</b>		(9,203)	(118,541)
<b>Other comprehensive income:</b>			
<b>Other comprehensive income not to be reclassified to profit and loss account in subsequent years</b>			
Re-measurement losses on defined benefit plans	19	20,500	(26,400)
Tax on items relating to components of other comprehensive income	8	(3,690)	5,280
<b>Total other comprehensive income, net of tax</b>		<u>16,810</u>	<u>(21,120)</u>
<b>Total comprehensive income for the year</b>		<u><u>7,607</u></u>	<u><u>(139,661)</u></u>

Notes 1 to 27 form an integral part of these financial statements.

**SAGA GROUP LIMITED**  
**Statement of changes in equity**

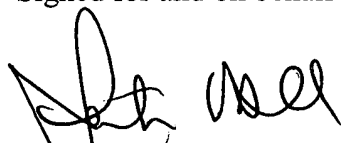
	Called-up Share Capital £'000	Capital Contribution Reserve £'000	Retained Earnings £'000	Share Premium Account £'000	Total Equity £'000
<b>At 1 February 2014</b>	3,617	-	894,013	84	897,714
Loss for the financial year	-	-	(118,541)	-	(118,541)
Other comprehensive losses	-	-	(21,120)	-	(21,120)
Corporate restructuring	-	40,754	-	-	40,754
<b>At 31 January 2015</b>	<u>3,617</u>	<u>40,754</u>	<u>754,352</u>	<u>84</u>	<u>798,807</u>
Loss for the financial year	-	-	(9,203)	-	(9,203)
Other comprehensive income	-	-	16,810	-	16,810
Share based payment charge	-	553	-	-	553
<b>At 31 January 2016</b>	<u><u>3,617</u></u>	<u><u>41,307</u></u>	<u><u>761,959</u></u>	<u><u>84</u></u>	<u><u>806,967</u></u>

Notes 1 to 27 form an integral part of these financial statements.

**SAGA GROUP LIMITED**  
**Balance sheet as at 31 January 2016**

	Notes	2016 £'000	2015 £'000
<b>Fixed Assets</b>			
Intangible Assets	9	3,178	1,331
Tangible Assets	10	6,993	8,931
Investments in subsidiaries	11	104,677	108,677
		<u>114,848</u>	<u>118,939</u>
<b>Current assets</b>			
Stocks		27	22
Debtors	12	1,134,615	939,007
Cash on deposit	13	155	67,782
Cash at bank and in hand		12	26,038
		<u>1,134,809</u>	<u>1,032,849</u>
<b>Creditors - amounts falling due within one year</b>	14	(425,756)	(319,504)
<b>Net current assets</b>		<u>709,053</u>	<u>713,345</u>
<b>Total assets less current liabilities</b>		823,901	832,284
Provisions for liabilities	16	(1,518)	(1,157)
Retirement benefit scheme obligations	19	(15,416)	(32,320)
<b>Net assets</b>		<u>806,967</u>	<u>798,807</u>
<b>Capital and reserves</b>			
Called-up share capital	17	3,617	3,617
Capital contribution reserve	18	41,307	40,754
Share premium account	18	84	84
Retained earnings	18	761,959	754,352
<b>Shareholders' funds</b>		<u>806,967</u>	<u>798,807</u>

Signed for and on behalf of the Board by



J S Hill  
 Director  
 26 May 2016

Notes 1 to 27 form an integral part of these financial statements.

**SAGA GROUP LIMITED**  
**Notes to the financial statements**

**1. General information**

Saga Group Limited (the “Company”) is a company incorporated and domiciled in the UK.

**2. Significant Accounting policies**

**a) Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”) and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The Company’s financial statements are presented in the Company’s functional currency, Sterling and all values are rounded to the nearest thousand pounds (£’000) except when otherwise indicated.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Saga plc. These financial statements present information about the Company as an individual undertaking and not about its group.

The consolidated financial statements of Saga plc, within which this Company is included, can be obtained from the address given in note 24.

The Company transitioned from previously extant UK GAAP to FRS101 for all periods presented. Transition reconciliations showing all material adjustments are disclosed in note 26. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2016.

The Company has taken advantage of the following disclosure exemptions under FRS101:

- a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 “Share Based Payment” because the share based payment arrangement concerns the instruments of another group entity.
- b) the requirements of IFRS 7 “Financial Instruments: Disclosures”.
- c) the requirements of paragraphs 91 to 99 of IFRS 13 “Fair Value Measurement”.
- d) the requirement in paragraph 38 of IAS 1 “Presentation of Financial Statements” to present comparative information in respect of:
  - i) paragraph 79(a)(iv) of IAS 1;
  - ii) paragraph 73(e) of IAS 16 “Property, Plant and Equipment”; and
  - iii) paragraph 118(e) of IAS 38 “Intangible assets”.
- e) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 39(c), 40A-D, 111 and 134-136 of IAS 1 “Presentation of Financial Statements”.
- f) the requirements of IAS 7 “Statement of Cash Flows”.

**SAGA GROUP LIMITED**  
**Notes to the financial statements**

**2. Significant Accounting policies (continued)**

**a) Basis of preparation (continued)**

- g) the requirements of paragraphs 30 and 31 of IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors”.
- h) the requirements of paragraph 17 of IAS 24 “Related Party Disclosures”.
- i) the requirements in IAS 24 “Related Party Disclosures” to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- j) The requirements of IFRS 1.21 on the comparative period for first time adopters of IFRS.

**b) Judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as the balance sheet date and the amounts reported for revenues and expenses during the year, that are not readily apparent from other sources. However, the nature of estimation means that actual outcomes may differ from those estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**i) Useful economic lives of tangible fixed assets**

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of tangible fixed assets, and note 2(f) for the useful economic lives for each class of assets.

**ii) Taxation**

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

**iii) Valuation of pension benefit obligation**

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**SAGA GROUP LIMITED**  
**Notes to the financial statements**

**2. Significant Accounting policies (continued)**

**c) Financial instruments**

**i) Financial assets**

**Initial recognition and measurement**

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The Company determines the classification of its financial assets at initial recognition and are accounted on a trade date basis. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. The Company has available-for-sale financial investments and receivables financial assets.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in Interest payable and similar costs.

*Available-for-sale financial investments*

Available-for-sale financial investments include money market funds. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve.

**Derecognition**

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or when the Company has transferred substantially all the risks and rewards relating to the asset, to a third party.

## **SAGA GROUP LIMITED**

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

#### **2. Significant Accounting policies (continued)**

##### **c) Financial instruments (continued)**

###### **i) Financial assets (continued)**

###### **Impairment of financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors are experiencing significant financial difficulty, or where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or other factors that correlate with defaults.

###### *Loans and receivables*

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets, discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually where significant, or collectively for assets that are not individually significant.

Impairment losses are recognised in the income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for the impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

###### *Available-for-sale financial investments*

When a decline in the fair value of a financial asset is classified as available for sale has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss is removed from equity and recognised in the income statement. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value. Impairment losses on available for sale equity instruments are not reversed through the income statement, but those on available for sale debt instruments are reversed if there is an increase in fair value that is objectively related to a subsequent event. Subsequent increases in the fair value of available for sale debt instruments are all recognised in equity.



## **SAGA GROUP LIMITED**

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

#### **2. Significant Accounting policies (continued)**

##### **c) Financial instruments (continued)**

###### **i) Financial liabilities**

###### **Initial recognition and measurement**

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include intercompany payables and loans and borrowings.

###### **Subsequent measurement**

The measurement of financial liabilities depends on their classification.

###### *Loans and borrowings and other payables:*

After initial recognition, interest bearing loans and borrowings and other payables are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest payable and costs in the income statement.

###### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

##### **d) Turnover**

Turnover represents the invoiced amount of administration 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.

## **SAGA GROUP LIMITED**

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

#### **2. Significant Accounting policies (continued)**

##### **e) Intangible fixed assets**

###### **Computer software**

Computer software costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

Intangible computer software fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. The cost of computer software intangible fixed assets less their expected residual value is amortised by equal instalments over their useful economic lives..

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

##### **f) Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

The cost of fixed assets less their expected residual value is depreciated by equal instalments over their useful economic lives. These lives are as follows:

###### **Land and buildings**

Land	Nil
Buildings	2 years
Fixtures, fittings and equipment	1 - 10 years
Plant and other equipment	1 - 10 years
Computers	3 - 5 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the period of derecognition.

## **SAGA GROUP LIMITED**

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

#### **2. Significant Accounting policies (continued)**

##### **g) Provisions for liabilities**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

##### **h) Leases**

Leases under which substantially all of the risk and rewards of ownership are transferred to the Company are finance leases. All other leases are operating leases.

Assets held under finance leases are recognised at the lower of the fair value of the asset and the present value of the minimum lease payments within property, plant and equipment on the statement of financial position and depreciated over the shorter of the lease term or their expected useful lives. The interest element of finance lease payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

Income arising from operating leases where the Company acts as lessor is recognised on a straight-line basis over the lease term and included in operating income due to its operating nature.

##### **i) Cash and short-term deposits**

Cash and short term deposits in the statement of financial position comprise cash at bank and on hand and short term deposits with a maturity of three months or less from their inception date.

##### **j) Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## **SAGA GROUP LIMITED**

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

#### **2. Significant Accounting policies (continued)**

##### **k) Retirement benefit schemes**

The Company operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method.

Actuarial gains and losses arising in the year are credited/charged to other comprehensive income and comprise the effects of changes in actuarial assumptions and experience adjustments due to differences between the previous actuarial assumptions and what has actually occurred. In particular, the difference between the interest income and the actual return on plan assets is recognised in other comprehensive income.

Other movements in the net surplus or deficit, which include the current service cost, any past service cost and the effect of any curtailment or settlements, are recognised in the income statement. Past service costs are recognised in the income statement on the earlier of the date of plan curtailment and the date that the Company recognises restructuring-related costs. The interest cost less interest income on assets held in the plans is also charged to the income statement.

The defined benefit scheme is funded, with assets of the scheme held separately from those of the Company, in a separate trustee administered fund. Scheme assets are measured using market values, and 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. Full actuarial valuations are obtained at least triennially and are updated at each reporting date. The resulting defined benefit asset or liability is presented separately after other net assets and liabilities on the face of the statement of financial position. The value of a pension benefit asset is restricted to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

For the defined contribution scheme, the amount charged to the income statement is the total contributions payable in the year.

##### **l). Investment in subsidiaries**

Investments in subsidiaries are held at cost less accumulated impairment losses.

##### **m) Income from shares in group undertakings**

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

## **SAGA GROUP LIMITED**

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

#### **2. Significant Accounting policies (continued)**

##### **n) Income taxes**

###### **Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

###### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is dealt with in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

##### **o) Stock**

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.

## **SAGA GROUP LIMITED**

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

#### **2. Significant Accounting policies (continued)**

##### **p) Share-based payments**

Saga plc, the parent company of the Saga group 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 by Saga plc 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.

##### **q) 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 income statement as appropriate.

##### **r) Interest income**

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

##### **s) Gains and losses on financial investments**

Realised and unrealised gains and losses on financial investments are recorded as finance income in the income statement. Realised gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on the date of sale. Unrealised gains and losses, arising on financial assets measured at fair value through profit and loss which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or the purchase value for investments acquired during the year, net of the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

## **SAGA GROUP LIMITED**

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

#### **2. Significant Accounting policies (continued)**

##### **t) Provisions for liabilities**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

#### **3. Turnover**

Turnover represents the invoiced amount of administrative services supplied to other group companies amounting to £26.7m and the remaining revenue of £2.8m, mainly relates to the provision of canteen and crèche services to group employees. All business is carried out in the UK and is stated net of VAT.

#### **4. Other operating income**

	2016	2015
	£'000	£'000
Interest on deposits	<u>218</u>	<u>318</u>

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

<b>5. Operating loss</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
This is stated after charging:-		
Depreciation of owned tangible fixed assets	4,665	4,013
Depreciation of leased tangible fixed assets	5	5
Amortisation of intangible fixed assets	812	1,221
Operating lease rentals – land and buildings	4,058	3,924
Operating lease rentals – plant and machinery	873	838
Auditor's remuneration - audit of financial statements	46	41
Exceptional Items:		
Operational restructuring and other costs	179	1,265
IPO related costs	-	198,284
Impairment review – inter-company balances	<u>1,799</u>	<u>18,162</u>

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 the ultimate 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 £17,000 (2015 - £49,000).

The exceptional operational costs primarily relate to restructuring costs.

The IPO related exceptional items in 2015 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 in relation to the Group's Care business which was sold by the Group on 30 November 2015. These balances were irrecoverable from the purchaser.



**SAGA GROUP LIMITED****Notes to the financial statements (continued)****6. Directors' remuneration**

The remuneration of the Directors of the Company during the year was as follows:

	2016 £'000	2015 £'000
Aggregate remuneration in respect of qualifying services	-	1,685
Members of defined benefit pension scheme	3	3

The Directors remuneration shown above for the prior year 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.

J A Goodsell, J S Hill and L H L Batchelor are, and S M Howard was, also Directors of Saga plc and various fellow subsidiaries, and received total remuneration for the year of £4,714,000 (2015 - £4,645,000). None of these Directors received any remuneration during the current or comparative years in respect of their services as Directors of the Company, except as shown above, and it would not be practicable to apportion their remuneration between their services as Directors of the Company, their services as Directors of Saga plc and their services as Directors of any other group companies.

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

Aggregate remuneration in respect of qualifying services	2015 £'000 1,144
Defined benefit pension scheme:	2015 £'000
Accrued pension at end of year	2

Further details of the short term benefits, share-based payments and post-employment benefits of the Company's Directors can be found in the financial statements of the ultimate parent company, Saga plc.

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

<b>7. Staff costs</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	14,816	13,055
Social security costs	1,316	1,233
Pension costs	979	873
	<u>17,111</u>	<u>15,161</u>

Current pension service cost	<u>8,800</u>	<u>5,600</u>
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Average number of persons employed during the year was:	<u>405</u>	<u>389</u>
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Included in wages and salaries is a total expense of share-based payments of £553,000 (2015: £203,000).

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

8. Taxation	2016 £'000	2015 £'000
<b>Tax credited in the income statement</b>		
<b>Current tax</b>		
UK corporation tax at 20.17% (2015 – 21.33%)	(5,406)	(3,969)
Adjustment in respect of prior periods	(7,744)	(17)
Total current income tax	<u>(13,150)</u>	<u>(3,986)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,743	(4,966)
Retirement benefit scheme liabilities	198	180
Effect of tax rate change on opening balances	1,600	-
Adjustment in respect of prior periods	135	(418)
Total deferred tax	<u>3,676</u>	<u>(5,204)</u>
Tax credit on profit on ordinary activities	<u>(9,474)</u>	<u>(9,190)</u>

Current tax adjustments in respect of prior periods include £7,647,000 benefit from the utilisation under the group relief rules of tax losses from Acromas, which arose when saga was a part of the Acromas group.

	2016 £'000	2015 £'000
<b>Tax relating to items charged or credited to other comprehensive income</b>		
<b>Deferred tax</b>		
Actuarial loss on defined benefit pension plans	3,690	(5,280)
Total deferred tax	<u>3,690</u>	<u>(5,280)</u>
Tax expense / (credit) in the statement of other comprehensive income	<u>3,690</u>	<u>(5,280)</u>

	2016 £'000	2015 £'000
Pre tax loss at 20.17% (2015 – 21.33%)	(3,767)	(27,245)
Non-taxable dividend income	-	(22,183)
Permanent differences	499	40,348
Adjustments relating to prior years	(7,609)	(435)
Effect of tax rate change on opening balances	1,600	-
Rate change adjustment on temporary differences	(192)	331
Other items	(5)	(6)
Total tax credit for the year	<u>(9,474)</u>	<u>(9,190)</u>

The tax credit relating to exceptional items amounts to £36,000 (2015 - £5,855,000).

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

**8. Taxation (continued)**

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.

**9. Intangible fixed assets**

	Software
<b>Cost</b>	£'000
At 1 February 2015	8,467
Reclassification	742
Additions	2,612
Disposals	(5,420)
At 31 January 2016	<u>6,401</u>
<b>Amortisation</b>	
At 1 February 2015	7,136
Reclassification	695
Charge for year	812
Disposals	(5,420)
At 31 January 2016	<u>3,223</u>
<b>Net book value</b>	
At 31 January 2016	<u>3,178</u>
At 31 January 2015	<u>1,331</u>

Intangible assets amortisation is recorded in administrative expenses in the income statement.

During the year the Company wrote off to the profit and loss account a number of fully depreciated assets that no longer remain within the business.

During the FRS101 conversion process, a number of assets have been reclassified to accurately reflect the current fixed asset register.

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

**10. Tangible fixed assets**

	Short Leasehold Land & Buildings £'000	Fixtures & Fittings £'000	Computers Plant & Machinery equipment £'000	Total £'000
<b>Cost</b>				
At 1 February 2015	5,019	22,926	11,797	39,742
Reclassification	(72)	(4,551)	(6,632)	(11,255)
Additions	-	1,243	1,538	2,781
Disposals	-	(2,181)	(920)	(3,101)
At 31 January 2016	<u>4,947</u>	<u>17,437</u>	<u>5,783</u>	<u>28,167</u>
<b>Depreciation</b>				
At 1 February 2015	3,046	19,098	8,667	30,811
Reclassification	801	(5,424)	(6,583)	(11,206)
Charge for year	312	2,781	1,577	4,670
Disposals	-	(2,181)	(920)	(3,101)
At 31 January 2016	<u>4,159</u>	<u>14,274</u>	<u>2,741</u>	<u>21,174</u>
<b>Net book value</b>				
At 31 January 2016	<u>788</u>	<u>3,163</u>	<u>3,042</u>	<u>6,993</u>
At 31 January 2015	<u>1,973</u>	<u>3,828</u>	<u>3,130</u>	<u>8,931</u>

During the year the Company wrote off to the profit and loss account of a number of fully depreciated assets that no longer remain within the business.

During the FRS101 conversion process, a number of assets have been reclassified to accurately reflect the current fixed asset register.

**SAGA GROUP LIMITED****Notes to the financial statements (continued)****11. Investment in subsidiaries**

	Subsidiary undertakings
<b>Cost</b>	£'000
At 1 February 2015	135,938
Capital repayment	(4,000)
At 31 January 2016	<u>131,938</u>
<b>Provision for impairment</b>	
At 1 February 2015 and 31 January 2016	<u>(27,261)</u>
<b>Net book amount</b>	
At 31 January 2016	<u>104,677</u>
At 31 January 2015	<u>108,677</u>

A list of the subsidiary undertakings of Saga Group Limited is included in note 27 to the accounts.

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

<b>12. Debtors</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	283	4
Amounts owed by group undertakings	1,124,456	928,384
Other debtors	1,798	1,175
Prepayments and deferred expenditure	2,652	1,349
Corporation tax recoverable	34	34
Deferred tax	5,392	8,061
	<u>1,134,615</u>	<u>939,007</u>

Deferred tax comprises short term timing differences of £2,826,000 (2015 - £5,049,000) and an excess of depreciation over capital allowances of £2,566,000 (2015 - £3,012,000).

A reduction in the Corporation Tax rate from 21% to 20% took effect on 1 April 2015, and further reductions were enacted in the Finance Act 2015 to reduce the rate to 19% from 1 April 2017 and 18% from 1 April 2020. As a result, the closing deferred tax balances have been reflected at 18%.

On 16 March 2016 the Chancellor presented the 2016 budget in which he announced a further reduction in the future corporation tax rate. Instead of the corporation tax rate reducing from 19% to 18%, on 1 April 2020, the rate will now fall to 17%. As the new rate of 17% was not substantively enacted at the balance sheet date the impact of this reduction has not been reflected in the deferred tax calculation. The effect of this additional rate reduction would be to reduce the deferred tax asset by £300,000.

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>13. Cash on deposit</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Deposits with financial institutions	<u>155</u>	<u>67,782</u>

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

<b>14. Creditors - amounts falling due within one year</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Bank overdraft	13,872	3
Trade creditors	3,286	603
Amounts due to group undertakings	394,569	305,469
Other taxes and social security	2,625	3,245
Other creditors	3,045	1,702
Accruals	8,359	8,482
	<u>425,756</u>	<u>319,504</u>

**SAGA GROUP LIMITED****Notes to the financial statements (continued)****15. Lease commitments**

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

	2016	2015
	£'000	£'000
<b>Land and buildings</b>		
Within one year	4,050	3,962
Between two and five years	16,018	15,412
After five years	52,543	54,389
	<u>72,611</u>	<u>73,763</u>

	2016	2015
	£'000	£'000
<b>Plant and machinery</b>		
Within one year	765	154
Between two and five years	768	1,512
	<u>1,533</u>	<u>1,666</u>

**16. Provisions for liabilities**

	Employer Liability Provisions £'000
Balance as at 1 February 2015	1,157
Utilised during the year	(139)
Funded during the year	500
<b>Balance as at 31 January 2016</b>	<u>1,518</u>

The provision relates to various group related, self-funded insurance arrangements. The outflow from this provision depends on the timing of the settlement of claims.

	2016	2015
	£'000	£'000
<b>Called up share capital</b>		
<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)**

**18. Reserves**

	Share Premium		Profit and Loss	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Balance at beginning of the year	84	84	754,352	894,013
Loss for the year	-	-	(9,203)	(118,541)
Other comprehensive income	-	-	16,810	(21,120)
Balance at the end of the year	84	84	761,959	754,352

	Capital Contribution	
	2016	2015
	£'000	£'000
Balance at beginning of the year	40,754	-
Movement for the year	553	40,754
Balance at the end of the year	41,307	40,754

The capital contribution reserve is in respect of contributions from the ultimate 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.

**19. Retirement benefit scheme**

The Company is the sponsoring employer of two pension retirement benefit schemes for the employees of the Group consisting of a defined contribution plan and defined benefit plan.

**a. Defined contribution plan:**

The total charge for the year in respect of the employers' contributions for the defined contribution scheme was £1.0m (2015: £0.9m). Employees' contributions amounted to £1.0m (2015: £0.9m). The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

**b. Defined benefit plan**

The Saga Pension Scheme ("Saga scheme") is open to new members who accrue benefits on a career average salary basis. The assets of the scheme are held separately from those of the Group in independently administered funds.

These plans are governed by the employment laws of the UK, which require final salary payments to be adjusted for the consumer price index once in payment during retirement. The level of benefits provided depends on the member's length of service and salary at retirement age. The defined benefit pension plan requires contributions to be made to a separately administered fund. The fund is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

**SAGA GROUP LIMITED****Notes to the financial statements (continued)****19. Retirement benefit scheme (continued)**

The long-term investment objectives of the Trustees and the Group are to limit the risk of the assets failing to meet the liabilities of the schemes over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of the schemes. To meet those objectives, each scheme's assets are invested in different categories of assets, with different maturities designed to match liabilities as they fall due. The investment strategy will continue to evolve over time and is expected to match to the liability profile increasingly closely. The pension liability is exposed to inflation rate risks and changes in the life expectancy for pensioners. As the plan assets include investments in quoted equities, the Group is exposed to equity market risk.

	2016	2015
	£'000	£'000
Fair value of scheme assets	218,600	212,300
Present value of defined benefit obligation	(237,400)	(252,700)
Defined benefit scheme liability	(18,800)	(40,400)
Related deferred tax asset	3,384	8,080
Liability recognised in balance sheet	<u>(15,416)</u>	<u>(32,320)</u>

- a. The assets and liabilities of the scheme as at 31 January are:

	2016	2015
	£'m	£'m
Scheme assets at fair value		
Equities	42.0	62.7
Bonds	117.1	117.0
Property	23.8	20.2
Hedge funds	33.7	-
Cash and other	2.0	12.4
Fair value of scheme assets	<u>218.6</u>	<u>212.3</u>
Present value of scheme liabilities	(237.4)	(252.7)
Defined benefit pension plan deficit	<u>(18.8)</u>	<u>(40.4)</u>

Equities, Government bonds and Corporate bonds are all quoted in active markets whilst property and Insurance policies are not.

The pension scheme has not invested in any of the company's own financial instruments.

# SAGA GROUP LIMITED

## Notes to the financial statements (continued)

### 19. Retirement benefit scheme (continued)

- b. The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the year are analysed as follows:

	2016 £'m	2015 £'m
<i>Pension cost charge to the Income Statement</i>		
Current service cost	(8.8)	(5.6)
Net interest cost	(1.1)	(0.5)
Net cost	<u>(9.9)</u>	<u>(6.1)</u>

	2016 £'m	2015 £'m
<i>Net interest cost recognised in the Income Statement</i>		
On scheme assets	6.7	7.6
On defined benefit obligation	(7.8)	(8.1)
Net interest cost	<u>(1.1)</u>	<u>(0.5)</u>

	2016 £'m	2015 £'m
<i>Taken to the Statement of Comprehensive Income</i>		
Return on scheme assets	(7.0)	29.7
Actuarial changes arising from demographic assumptions	(0.3)	(0.4)
Actuarial changes arising from changes in financial assumptions	27.5	(47.0)
Experience adjustments	0.3	(8.7)
Recognised in the statement of comprehensive income	<u>20.5</u>	<u>(26.4)</u>

**SAGA GROUP LIMITED****Notes to the financial statements (continued)****19. Retirement benefit scheme (continued)**

c. Changes in the present value of the defined benefit obligations are as follows:

	2016	2015
	£'m	£'m
Opening defined benefit obligation	252.7	186.1
Current service cost	8.8	5.6
Interest cost	7.8	8.1
Contributions by scheme participants	0.1	0.1
Experience (gains) / losses	(0.3)	8.7
Changes in assumptions underlying the present value of scheme liabilities	(27.2)	47.4
Net benefits paid out	(4.5)	(3.3)
Closing defined benefit obligation (a)	<u>237.4</u>	<u>252.7</u>

d. Changes in the fair value of plan assets are as follows:

	2016	2015
	£'m	£'m
Opening fair value of scheme assets	212.3	171.2
Interest income on scheme assets	6.7	7.6
Contributions by employer	11.0	7.0
Contributions by scheme participants	0.1	0.1
Benefits paid	(4.5)	(3.3)
Actuarial gains and losses	(7.0)	29.7
Closing fair value of scheme assets (a)	<u>218.6</u>	<u>212.3</u>

**SAGA GROUP LIMITED****Notes to the financial statements (continued)****19. Retirement benefit scheme (continued)**

The principal assumptions used in determining pension benefit obligations for the Saga scheme are shown below:

	2016	2015
Real rate of increase in salaries	0.00%	0.00%
Real rate of increase of pensions in payment	0.00%	0.00%
Real rate of increase of pensions in deferment	0.00%	0.00%
Discount rate - Pensioner	3.55%	2.90%
Discount rate – Non Pensioner	3.80%	3.15%
Inflation - Pensioner	2.95%	2.60%
Inflation – Non Pensioner	3.15%	2.85%

Mortality assumptions are set using standard tables based on scheme specific experience where available. The scheme's mortality assumptions are based on mortality tables which allow for future mortality improvements. The scheme's assumption is that a member currently aged 60 will live on average for a further 29 years if they are male and on average for a further 31 year if they are female.

A quantitative sensitivity analysis for significant assumptions as at 31 January 2016 and their impact on the net defined benefit obligation is as follows:

Assumptions	Discount rate		Future inflation		Life expectancy	Future salary
Sensitivity	+ / - 0.25%		+ / - 0.25%		+ / - 1 year	+ / - 0.5%
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>		
Impact £m	(13.6)	14.7	9.2	(9.4)	+ / - 6.9	+ / - 0.0

Note: a negative impact represents an increase in the net defined benefit liability.

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions are constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

The expected contribution to the scheme for the next year is £11.0m and the average duration of the defined benefit scheme obligation at the end of the reporting period is 22 years.

Formal actuarial valuations take place every three years. The assumptions adopted for actuarial valuations are determined by the Trustee and are agreed with the Group and are normally more prudent than the assumptions adopted for IAS19 purposes, which are best estimate. Where a funding deficit is identified, the Group and Trustee may agree a deficit recovery plan.

The latest valuation for the scheme was 31 January 2014. Further to this valuation a recovery plan is in place.

Under the recovery plan the Group will make payments totalling £18.0m over the next nine years, with the last payment being made by 28 February 2024. Total additional payments of £2.0m were made during the current financial year.

## **SAGA GROUP LIMITED**

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

#### **20. Share-based payments**

Saga plc, the ultimate parent of the Saga group, uses equity-settled share plans to grant options and shares to the Company's Directors and employees. Equity-settled share-based payments issued to the Company'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.

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:

	<b>LTIP</b>
Outstanding at 1 February 2015	701,726
Granted during the year	785,615
Forfeited during the year	(202,927)
Outstanding at 31 January 2016	<u>1,284,414</u>
Exercise price	<u>£nil</u>
Exercisable at 31 January 2016	<u>-</u>
Average remaining contractual life	<u>1.9 years</u>
Average fair value at grant	<u>£1.98</u>

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

#### **21. Related party transactions**

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries in the Saga group of companies.

#### **22. 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)**

#### **23. Cross company guarantees**

The Company, along with certain of its fellow subsidiaries, acts as Obligor on bank loans held by Saga Mid Co Limited.

At the balance sheet date the principal, accrued interest, guarantees and other facilities outstanding on these bank loans was £587.4 million (2015 - £734.4 million).

The Company also acts as guarantor on a contract for the construction of a new cruise ship for delivery in 2019 held by Saga Cruises V Limited, a fellow group undertaking.

#### **24. 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.

In respect of the year ending 31 January 2016, 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 2016 may be obtained from the corporate 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.

#### **25. Ultimate controlling party**

The Directors consider the ultimate controlling party to be Saga plc.

#### **26. Transition to FRS101**

For all periods up to and including the year ended 31 January 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These statements, for the year ended 31 January 2016, are the first the company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 February 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 February 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 February 2014 prepared under extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 January 2015.

On transition to FRS101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards"

**SAGA GROUP LIMITED****Notes to the financial statements (continued)****26. Transition to FRS101 (continued)****Reconciliation of equity as at 1 February 2014**

	Notes	UK GAAP £'000	FRS101 Re- classification / Re- measurements £'000	FRS101 £'000
<b>Fixed Assets</b>				
Intangible Assets	(b)	-	2,893	2,893
Tangible Assets	(b)	10,410	(2,893)	7,516
Investment in subsidiaries		101,981	-	101,981
		<u>112,391</u>	<u>-</u>	<u>112,390</u>
<b>Current assets</b>				
Stocks		22	-	22
Debtors		756,760	-	756,760
Cash on deposit			-	
Cash at bank and in hand		55,696	-	55,696
		<u>812,478</u>	<u>-</u>	<u>812,478</u>
<b>Creditors - amounts falling due within one year</b>	(a)	(14,372)	(52)	(14,424)
<b>Net current assets</b>		<u>798,106</u>	<u>(52)</u>	<u>798,054</u>
<b>Total assets less current liabilities</b>		910,497	(52)	910,444
Provisions for liabilities		(810)	-	(810)
Retirement benefit scheme obligations	(c)	-	(14,900)	(14,900)
Deferred tax on retirement benefit scheme obligations	(d)	-	2,980	2,980
<b>Net assets</b>		<u>909,687</u>	<u>(11,972)</u>	<u>897,714</u>



**SAGA GROUP LIMITED****Notes to the financial statements (continued)****26. Transition to FRS101 (continued)****Reconciliation of equity as at 1 February 2014 (continued)**

	Notes	UK GAAP £'000	FRS101 Re- classification / Re- measurements £'000	FRS101 £'000
<b>Capital and reserves</b>				
Called-up share capital		3,617	-	3,617
Share Premium		84	-	84
Retained earnings		905,985	(11,972)	894,013
<b>Shareholders' funds</b>		<u>909,686</u>	<u>(11,972)</u>	<u>897,714</u>

**SAGA GROUP LIMITED**

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

**26. Transition to FRS101 (continued)**

**Reconciliation of equity as at 31 January 2015**

	Notes	UK GAAP £'000	FRS101 Re- classification / Re- measurements £'000	FRS101 £'000
<b>Fixed Assets</b>				
Intangible Assets	(b)	-	1,331	1,331
Tangible Assets	(b)	10,262	(1,331)	8,931
Investment in subsidiaries		108,677	-	108,677
		<u>118,939</u>	<u>-</u>	<u>118,939</u>
<b>Current assets</b>				
Stocks		22	-	22
Debtors		633,505	-	633,505
Cash on deposit			-	
Cash at bank and in hand		93,820	-	93,820
		<u>727,346</u>	<u>-</u>	<u>727,346</u>
<b>Creditors - amounts falling due within one year</b>	(a)	(13,938)	(63)	(14,001)
<b>Net current assets</b>		<u>713,408</u>	<u>(63)</u>	<u>713,345</u>
<b>Total assets less current liabilities</b>		832,347	(63)	832,284
Provisions for liabilities		(1,157)	-	(1,157)
Retirement benefit scheme obligations	(c)	-	(40,400)	(40,400)
Deferred tax on retirement benefit scheme obligations	(c)	-	8,080	8,080
<b>Net assets</b>		<u>831,190</u>	<u>(32,383)</u>	<u>798,807</u>

**SAGA GROUP LIMITED****Notes to the financial statements (continued)****26. Transition to FRS101 (continued)****Reconciliation of equity as at 31 January 2015 (continued)**

	Notes	UK GAAP £'000	FRS101 Re- classification / Re- measurements £'000	FRS101 £'000
<b>Capital and reserves</b>				
Called-up share capital		3,617	-	3,617
Capital contribution reserve		40,754	-	40,754
Share Premium		84	-	84
Retained earnings		786,735	(32,383)	754,352
<b>Shareholders' funds</b>		<u>831,190</u>	<u>(32,383)</u>	<u>798,807</u>

On transition to FRS101 the following transactions have been made:

a) Employee Benefits

Holiday pay accrual – for holiday days accrued but not yet taken, an accrual has been accounted for of £63,000 at 31 January 2015 (£52,000 at 1 February 2014).

b) Intangibles

Software - On transition to FRS101, software has been reclassified from tangible fixed assets to intangible fixed assets of £1,331,000 at 31 January 2015 (£2,893,000 at 1 February 2014).

c) Retirement benefit scheme

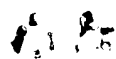
Retirement benefit scheme - On transition to FRS101, the pension liability is required to be shown gross on the balance sheet, the amount reclassified is £40,400,000 at 31 January 2015 (£14,900,000 at 1 February 2014).

Deferred tax on retirement benefit scheme - On transition to FRS101, the pension liability is required to be shown gross and the related deferred tax included within deferred tax asset on the balance sheet, the amount reclassified is £8,080,000 at 31 January 2015 (£2,980,000 at 1 February 2014).

**SAGA GROUP LIMITED****Notes to the financial statements (continued)****27. Subsidiary undertakings**

The wholly owned 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
Bennetts Biking Services 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
Saga Cruises II Limited	England	Dormant company
Saga Cruises III Limited	England	Dormant company
Saga Cruises V Limited	England	Dormant company
Saga Cruises VI Limited	England	Dormant company
Driveline Europe Limited	England	Dormant company
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
ST & H Limited (formerly 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
ST and H Transport Limited (formerly Grand Touring Club Limited)	England	Dormant company
Grandstand Sports Tours Limited	England	Dormant company
Grandstand Worldwide Limited	England	Dormant company
New Zealand Connections Limited	England	Dormant company
Tailor-Made Travel Limited	England	Dormant company



# **SAGA GROUP LIMITED**

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

### **27. Subsidiary undertaking (continued)**

The wholly owned subsidiary undertakings of Saga Group Limited (continued):

<b>Company</b>	<b>Country of registration</b>	<b>Nature of business</b>
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 Retirement Villages Limited (formerly Saga Ventures Limited)	England	Dormant company
Saga Vitamins Limited	England	Dormant company
Taylor Price Insurance Services Limited	England	Dormant company
PEC 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

The Group held a 49% interest in Saga Law Limited up to 23 November 2015. The Group holds a 50% interest in Saga Investment Services Limited.