

SAGA GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2018

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SAGA GROUP LIMITED
Company information

Directors: L H L Batchelor
J S Hill

Secretary: V Haynes

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

Company Registration no: 00638891

Auditor: KPMG LLP, 15 Canada Square, London E14 5GL

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 2018.

Review of Business Developments and Principal Activity

Saga Group Limited is an indirectly held subsidiary of Saga plc. Saga plc and its subsidiaries are collectively referred to as the Saga Group (the "Group").

Saga Group Limited's principal activity is to provide central administrative functions to other companies in the Group. These services include IT, human resources, finance, group marketing, change management, property maintenance, training and development, internal audit, legal advice, risk management, company secretarial services and central management. The Group's principal activities are the provision of package holidays and escorted tours, cruises, insurance, financial services, domiciliary care and other services to people aged fifty and over.

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

	2018	2017	change
	£'000	£'000	%
Turnover	39,925	35,864	11.3
Cost of sales	(2,002)	(1,960)	(2.1)
Administrative and marketing expenses	(58,852)	(50,450)	(16.7)
Income from shares in group undertakings	90,000	101,500	(11.3)
Profit before taxation	41,430	84,426	(50.9)
Average number of employees	<u>494</u>	<u>448</u>	<u>10.3</u>

Administrative and marketing expenses have increased to £58,852k due to the introduction of the Group's new membership scheme, Saga Possibilities, the cost of which reside in Saga Group Limited, coupled with the centralisation of the Group's training function, the costs of which resided in other entities within the Group in previous years.

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

The profit for the year before taxation amounts to £41,430k (2017 - £84,426k). After taxation, a profit of £46,071k (2017 - £87,282k) has been taken to reserves. No dividends have been paid in the year (2017 - £nil).

Dividends received from group undertakings £90,000k (2017 - £101,500k).

Principal Risks and Uncertainties

The Group 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.

SAGA GROUP LIMITED
Strategic Report (continued)

Principal Risks and Uncertainties (continued)

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.

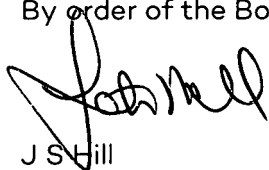
4. Brand Risk

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, trademarks 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



J S Hill
Director

21 August 2018

SAGA GROUP LIMITED

Directors' Report

The Directors submit the Directors' Report of the Company for the year ended 31 January 2018.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, Strategic 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 and applicable law (United Kingdom Generally Accepted Accounting Practice), including 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 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

It is the Group's policy to maintain indemnity insurance for Directors and officers.

SAGA GROUP LIMITED
Directors' Report (continued)

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 employee newsletter. Employee participation and involvement is encouraged. Regular employee engagement surveys are conducted to monitor employee's opinions and to help shape future development. A cultural model called 'The Saga Way' has been introduced to help guide the behaviour of employees in the pursuit of the Group's strategy. It is built around our extraordinary brand and our ability to understand and create what our customer needs in order to make the lives of our customers better.

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.

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

At the Saga plc Annual General Meeting ("AGM") last year KPMG LLP were appointed as the Group's statutory auditors. The Company Board of Directors ratified the decision of the Saga plc Board. Pursuant to section 487(2) of the Companies Act 2006, the Auditor KPMG LLP is deemed re-appointed.

By order of the Board



J. S. Hill
Director

21 August 2018

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

Opinion

We have audited the financial statements of Saga Group Limited ("the Company") for the year ended 31 January 2018 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

The Directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGA GROUP LIMITED (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGA GROUP LIMITED
(continued)

The purpose of our audit work and to whom we owe our responsibilities

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.



Cheryl Mason (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

22 August 2018

SAGA GROUP LIMITED**Income statement for the year ended 31 January 2018**

	Notes	2018 £'000	2017 £'000
Turnover	3	39,925	35,864
Cost of sales		(2,002)	(1,960)
Gross profit		<u>37,923</u>	<u>33,904</u>
Administrative and marketing expenses		(58,852)	(50,450)
Loss on disposal of subsidiaries	4	(27,350)	-
Operating loss	4	<u>(48,279)</u>	<u>(16,546)</u>
Income from shares in group undertakings		90,000	101,500
Profit on ordinary activities before interest and taxation		<u>41,721</u>	<u>84,954</u>
Interest receivable and similar income	5	6	14
Interest payable and similar costs		(97)	(42)
Other finance costs – defined benefit pension plans	19	(200)	(500)
Profit on ordinary activities before taxation		<u>41,430</u>	<u>84,426</u>
Taxation	8	4,641	2,856
Profit for the financial year		<u><u>46,071</u></u>	<u><u>87,282</u></u>

Notes 1 to 26 form an integral part of these financial statements.

SAGA GROUP LIMITED**Statement of comprehensive income for the year ended 31 January 2018**

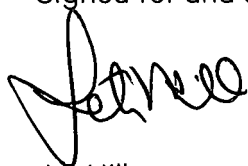
	Notes	2018 £'000	2017 £'000
Profit for the financial year		46,071	87,282
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit and loss account in subsequent years			
Re-measurement gains on defined benefit plans	19	10,200	4,600
Tax on items relating to components of other comprehensive income	8	(1,734)	(1,055)
Total other comprehensive income, net of tax		<u>8,466</u>	<u>3,545</u>
Total comprehensive income for the year		<u><u>54,537</u></u>	<u><u>90,827</u></u>

Notes 1 to 26 form an integral part of these financial statements.

SAGA GROUP LIMITED
Balance sheet as at 31 January 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	9	9,501	4,568
Tangible assets	10	5,480	5,780
Investments in subsidiaries	11	77,327	104,677
		<u>92,308</u>	<u>115,025</u>
Current assets			
Stocks		31	34
Debtors	12	1,284,763	1,243,126
Cash on deposit	13	76	76
Cash at bank and in hand		-	8
		<u>1,284,870</u>	<u>1,243,244</u>
Creditors - amounts falling due within one year	14	(414,141)	(444,161)
Net current assets		<u>870,729</u>	<u>799,083</u>
Total assets less current liabilities		963,037	914,108
Provisions for liabilities	16	(1,706)	(1,538)
Retirement benefit scheme obligations	19	(7,000)	(13,700)
Net assets		<u>954,331</u>	<u>898,870</u>
Capital and reserves			
Called-up share capital	17	3,617	3,617
Capital contribution reserve	18	43,307	42,383
Share premium account		84	84
Retained earnings		907,323	852,786
Shareholders' funds		<u>954,331</u>	<u>898,870</u>

Signed for and on behalf of the Board by



J S Hill
 Director
 21 August 2018

Notes 1 to 26 form an integral part of these financial statements.

SAGA GROUP LIMITED**Statement of changes in equity for the year ended 31 January 2018**

	Called-up Share Capital £'000	Capital Contribution Reserve £'000	Retained Earnings £'000	Share Premium Account £'000	Total Shareholders' Funds £'000
At 1 February 2016	3,617	41,307	761,959	84	806,967
Loss for the financial year	-	-	87,282	-	87,282
Other comprehensive income	-	-	3,545	-	3,545
Share based payment charge	-	1,076	-	-	1,076
At 31 January 2017	3,617	42,383	852,786	84	898,870
Profit for the financial year	-	-	46,071	-	46,071
Other comprehensive income	-	-	8,466	-	8,466
Share based payment charge	-	924	-	-	924
At 31 January 2018	3,617	43,307	907,323	84	954,331

Notes 1 to 26 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 (Company No. 00638891) with a Registered Office; Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE.

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 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, 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 (continued)

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.

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 at 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 reassessed 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 (continued)

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 companies in the Group 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 ordinarily 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.

Intangible assets capitalised as a result of development activities are amortised from the point in time when the asset is available for commercial use.

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	
Leasehold Properties	over the period of the lease
Buildings	50 years
Fixtures, fittings and equipment	3 - 20 years
Plant and other equipment	3 - 10 years
Computers	3 - 6 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, 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) Non-trading 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 non-trading. Non-trading 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 companies in the Group amounting to £38.1m (2017 - £33.9m) and the remaining revenue of £1.8m (2017 - £1.9m), mainly relates to the provision of canteen and crèche services to employees of the Group. All business is carried out in the UK and is stated net of VAT.

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

4. Operating loss	2018	2017
	£'000	£'000
This is stated after charging:-		
Depreciation of owned tangible fixed assets	2,751	4,145
Depreciation of leased tangible fixed assets	5	35
Amortisation of intangible fixed assets	1,952	1,437
Operating lease rentals – land and buildings	4,824	4,162
Operating lease rentals – plant and machinery	967	891
Auditor's remuneration - audit of financial statements	48	44
Loss on disposal of fixed asset investments	27,350	-
Non-trading items:		
Operational restructuring and other costs	<u>2,032</u>	<u>302</u>

Any fees paid to the Company's auditor, KPMG 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 £18k (2017 - £16k).

The non-trading operational costs primarily relate to restructuring costs.

5. Interest receivable and similar income	2018	2017
	£'000	£'000
Interest on deposits	<u>6</u>	<u>14</u>

SAGA GROUP LIMITED
Notes to the financial statements (continued)

6. Directors' remuneration

The remuneration of the directors of the company during the year was £Nil (2017: £Nil)

7. Staff costs	2018 £'000	2017 £'000
Wages and salaries	18,694	16,987
Social security costs	1,975	1,780
Pension costs	6,662	2,253
	<u>27,331</u>	<u>21,020</u>

Current pension service cost (note 19)	<u>14,600</u>	<u>10,000</u>
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Average number of persons employed during the year was:	<u>494</u>	<u>448</u>
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Included in wages and salaries is a total expense of share-based payments of £924k (2017: £1,076k).

8. Taxation	2018 £'000	2017 £'000
Tax credited in the income statement		
Current tax		
UK corporation tax at 19.17% (2017 – 20.00%)	(4,681)	(4,451)
Adjustment in respect of prior periods	<u>(304)</u>	<u>(91)</u>
Total current income tax	<u>(4,985)</u>	<u>(4,542)</u>
Deferred tax		
Origination and reversal of timing differences	(25)	1,002
Retirement benefit scheme liabilities	(595)	85
Effect of tax rate change on opening balances	-	192
Adjustment in respect of prior periods	<u>964</u>	<u>407</u>
Total deferred tax	<u>344</u>	<u>1,686</u>
Tax credit on profit on ordinary activities	<u>(4,641)</u>	<u>(2,856)</u>

SAGA GROUP LIMITED**Notes to the financial statements (continued)****8. Taxation (continued)**

	2018 £'000	2017 £'000
Tax relating to items charged or credited to other comprehensive income		
Deferred tax		
Actuarial gains on defined benefit pension plans	1,734	1,055
Total deferred tax	<u>1,734</u>	<u>1,055</u>
Tax expense in the statement of other comprehensive income	<u>1,734</u>	<u>1,055</u>
	2018 £'000	2017 £'000
Pre-tax profit at 19.17% (2017 – 20.00%)	7,942	16,885
Non-taxable dividend income	(17,250)	(20,300)
Permanent differences	5,356	138
Adjustments relating to prior years	660	316
Effect of tax rate change on opening balances	-	192
Rate change adjustment on temporary differences	106	(156)
Exercise of share options	(1,455)	-
Other items	-	69
Total tax credit for the year	<u>(4,641)</u>	<u>(2,856)</u>

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 £1,743k. 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. Intangible fixed assets

	Software
Cost	£'000
At 1 February 2017	8,994
Additions	6,885
Disposals	-
At 31 January 2018	<u>15,879</u>
Amortisation	
At 1 February 2017	4,426
Charge for year	1,952
Disposals	-
At 31 January 2018	<u>6,378</u>
Net book value	
At 31 January 2018	<u>9,501</u>
At 31 January 2017	<u>4,568</u>

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

SAGA GROUP LIMITED
Notes to the financial statements (continued)

10. Tangible fixed assets

	Short Leasehold Land & Buildings	Fixtures & Fittings	Computers Plant & Machinery equipment	Total
Cost	£'000	£'000	£'000	£'000
At 1 February 2017	4,947	18,596	7,135	30,678
Additions	776	523	1,152	2,451
Disposals	-	-	-	-
At 31 January 2018	<u>5,723</u>	<u>19,119</u>	<u>8,287</u>	<u>33,129</u>
Depreciation				
At 1 February 2017	4,444	15,761	4,693	24,898
Charge for year	147	1,174	1,430	2,751
Disposals	-	-	-	-
At 31 January 2018	<u>4,591</u>	<u>16,935</u>	<u>6,123</u>	<u>27,649</u>
Net book value				
At 31 January 2018	<u>1,132</u>	<u>2,184</u>	<u>2,164</u>	<u>5,480</u>
At 31 January 2017	<u>503</u>	<u>2,835</u>	<u>2,442</u>	<u>5,780</u>

11. Investment in subsidiaries

	2018 £'000	2017 £'000
Cost		
At 1 February	104,677	104,677
Disposals	(27,350)	-
At 31 January	<u>77,327</u>	<u>104,677</u>
Provision for impairment		
At 1 February and 31 January	<u>-</u>	<u>-</u>
Net book amount		
At 31 January	<u>77,327</u>	<u>104,677</u>

A list of the subsidiary undertakings of Saga Group Limited is included in note 26 to the accounts.

SAGA GROUP LIMITED
Notes to the financial statements (continued)

12. Debtors	2018	2017
	£'000	£'000
Trade debtors	244	233
Amounts owed by group undertakings	1,276,466	1,234,476
Other debtors	1,519	1,234
Prepayments and deferred expenditure	2,577	1,148
Deferred tax	3,957	6,035
	<u>1,284,763</u>	<u>1,243,126</u>

Deferred tax comprises short term timing differences of £512k (2017 - £1,228k) and an excess of depreciation over capital allowances of £2,255k (2017 - £2,478k) and retirement benefit scheme liabilities of £1,190k (2017 - £2,329k).

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.

13. Cash on deposit	2018	2017
	£'000	£'000
Deposits with financial institutions	<u>76</u>	<u>76</u>

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

14. Creditors - amounts falling due within one year	2018	2017
	£'000	£'000
Bank overdraft	5,531	5,052
Trade creditors	1,223	932
Amounts due to group undertakings	395,863	422,331
Other taxes and social security	2,745	2,563
Other creditors	981	2,183
Accruals	7,798	11,100
	<u>414,141</u>	<u>444,161</u>

SAGA GROUP LIMITED
Notes to the financial statements (continued)

15. Lease commitments

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

	2018	2017
	£'000	£'000
Land and buildings		
Within one year	4,824	4,578
Between two and five years	18,320	17,644
After five years	43,806	49,000
	<u>66,950</u>	<u>71,222</u>
	2018	2017
	£'000	£'000
Plant and machinery		
Within one year	594	651
Between two and five years	859	820
	<u>1,453</u>	<u>1,471</u>

16. Provisions for liabilities

	Property Dilapidation Provisions £'000	Employer Liability Provisions £'000	Total Provisions £'000
Balance as at 1 February 2017	-	1,538	1,538
Utilised during the year	-	(128)	(128)
Funded during the year	246	50	296
Balance as at 31 January 2018	<u>246</u>	<u>1,460</u>	<u>1,706</u>

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

	2018	2017
	£'000	£'000
17. Called up share capital		
Allotted, called up and fully paid		
18,086,076 ordinary shares at 20p each	<u>3,617</u>	<u>3,617</u>

18. Capital Contribution reserve

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.

SAGA GROUP LIMITED

Notes to the financial statements (continued)

19. Retirement benefit scheme

The Company is a 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 employer's contributions for the defined contribution scheme was £0.6m (2017: £0.8m). 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.

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.

	2018	2017
	£'000	£'000
Fair value of scheme assets	307,300	276,800
Present value of defined benefit obligation	(314,300)	(290,500)
Defined benefit scheme liability	<u>(7,000)</u>	<u>(13,700)</u>

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

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

	2018 £'m	2017 £'m
Scheme assets at fair value		
Equities	61.4	63.7
Bonds	160.3	135.9
Property	17.9	25.7
Hedge funds	63.0	50.5
Insured Annuities	1.2	-
Cash and other	3.5	1.0
Fair value of scheme assets	<u>307.3</u>	<u>276.8</u>
Present value of scheme liabilities	<u>(314.3)</u>	<u>(290.5)</u>
Defined benefit pension plan deficit	<u>(7.0)</u>	<u>(13.7)</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:

	2018 £'m	2017 £'m
<i>Pension cost charge to the Income Statement</i>		
Current service cost	(14.6)	(10.0)
Net interest cost	(0.2)	(0.5)
Net cost	<u>(14.8)</u>	<u>(10.5)</u>

	2018 £'m	2017 £'m
<i>Net interest cost recognised in the Income</i>		
On scheme assets	8.2	8.2
On defined benefit obligation	(8.4)	(8.7)
Net interest cost	<u>(0.2)</u>	<u>(0.5)</u>

	2018 £'m	2017 £'m
<i>Taken to the Statement of Comprehensive Income</i>		
Return on scheme assets	17.2	49.7
Actuarial changes arising from demographic	4.0	29.5
Actuarial changes arising from changes in financial assumptions	(6.1)	(78.8)
Experience adjustments	(4.9)	4.2
Recognised in the statement of comprehensive income	<u>10.2</u>	<u>4.6</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:

	2018	2017
	£'m	£'m
Opening defined benefit obligation	290.5	237.4
Current service cost	14.6	10.0
Interest cost	8.4	8.7
Contributions by scheme participants	0.6	0.5
Experience (gains) / losses	4.9	(4.2)
Changes in assumptions underlying the present value of scheme liabilities	2.1	49.3
Net benefits paid out	(6.8)	(11.2)
Closing defined benefit obligation (a)	<u>314.3</u>	<u>290.5</u>

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

	2018	2017
	£'m	£'m
Opening fair value of scheme assets	276.8	218.6
Interest income on scheme assets	8.2	8.2
Contributions by employer	11.3	11.0
Contributions by scheme participants	0.6	0.5
Benefits paid	(6.8)	(11.2)
Actuarial gains and losses	17.2	49.7
Closing fair value of scheme assets (a)	<u>307.3</u>	<u>276.8</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:

	2018	2017
Real rate of increase in salaries	0.00%	0.00%
Real rate of increase of pensions in payment	2.95%	3.15%
Real rate of increase of pensions in deferment	2.90%	3.15%
Discount rate – Pensioner	2.60%	2.85%
Discount rate – Non Pensioner	2.60%	2.95%
Inflation – Pensioner	3.10%	3.40%
Inflation – Non Pensioner	3.05%	3.40%

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 27 years if they are male and on average for a further 29 years if they are female.

A quantitative sensitivity analysis for significant assumptions as at 31 January 2018 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>	<i>Increase</i>	<i>Decrease</i>	
Impact £m	(15.4)	17.2	13.2	(10.9)	9.9	(9.1)	+ / - 0.0

Note: a positive 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 £10.6m and the average duration of the defined benefit scheme obligation at the end of the reporting period is 21 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 2017. Further to this valuation a recovery plan is in place. Under the recovery plan the Group will make payments totalling £30.7m over the next seven years, with the last payment being made by 29 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:

	LTIP
Outstanding at 1 February 2017	2,279,102
Granted during the year	1,007,742
Forfeited during the year	(675,551)
Exercised during the year	(333,155)
Outstanding at 31 January 2018	<u>2,278,138</u>
Exercise price	<u>£nil</u>
Exercisable at 31 January 2018	<u>277,350</u>
Average remaining contractual life	<u>1.3 years</u>
Average fair value at grant	<u>£1.84</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, acted as Obligor on bank loans held by Saga Mid Co Limited in the prior year and up to the 12 May 2017.

On 12 May 2017, Saga Mid Co Limited refinanced its bank facilities which resulted in the company ceasing to act as an obligor. Therefore, the Company does not have any cross company guarantees at 31 January 2018.

At the prior year balance sheet date the principal, accrued interest, guarantees and other facilities outstanding on these bank loans was £500.3 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 2018, 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 2018 may be obtained from the corporate website 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.

SAGA GROUP LIMITED**Notes to the financial statements (continued)****26. Subsidiary undertakings**

The entities listed below are wholly owned subsidiaries of the Company. The registered office address for all entities registered in England is Enbrook Park, Sandgate, Folkestone, Kent, CT20 3SE. The registered office address of Saga Cruises GmbH is Industriegebiet Süd, 26871, Papenburg, Niedersachsen, Germany.

Company	Country of registration	Nature of business
Saga Services Limited	England	Financial services
Saga Personal Finance Limited (formerly Acromas Financial Services Limited)	England	Regulated investment products
Saga Publishing Limited	England	Publishing
MetroMail Limited	England	Mailing house
ST&H Group Limited	England	Dormant company
ST&H Limited	England	Tour operating
ST&H Transport Limited	England	Tour operating
Titan Transport Limited	England	Tour operating
Destinology Limited	England	Tour operating
Saga Cruises Limited	England	Cruising
Saga Cruises I Limited	England	Cruising
Saga Cruises IV Limited	England	Cruising
Enbrook Cruises Limited	England	Cruising
Saga Cruises V Limited	England	Cruising
Saga Cruises GmbH	Germany	Cruising
Driveline Group Limited	England	Holding Company
Saga Healthcare Limited	England	Provision of domiciliary care
Saga Retirement Villages Limited	England	Marketing of retirement villages
PEC Services Limited	England	Repair of automotive vehicles
Saga Cruises II Limited	England	Dormant company
Saga Cruises III Limited	England	Dormant company
Saga Cruises VI Limited	England	Cruising
Driveline Europe Limited	England	Dormant company
Driveline Travel Limited	England	Dormant company
Saga Holidays Limited	England	Dormant company
Saga Shipping Company Limited	England	Dormant company
Spirit Of Adventure Limited	England	Dormant company
Titan Travel Holdings Limited	England	Dormant company

SAGA GROUP LIMITED**Notes to the financial statements (continued)****26. Subsidiary undertaking (continued)**

Company	Country of registration	Nature of business
Titan Aviation Limited	England	Dormant company
Titan Travel Limited	England	Dormant company
Confident Services Limited	England	Dormant company
Country Cousins (Horsham) Limited	England	Dormant company
Patricia White's Personal	England	Dormant company
Home Care Limited		
Saga Coach Holidays Limited	England	Dormant company
Saga Membership Limited	England	Customer loyalty scheme
(formerly Saga Communications Limited)		
Saga Cruises BDF Limited	England	Dormant company
Saga Flights.com Limited	England	Dormant company
Saga Independent Living Limited	England	Dormant company
Saga Funding Limited	England	Dormant company
(formerly Saga Personal Finance Limited)		
Saga Communications Limited	England	Dormant company
(formerly Saga Property Management Limited)		
Saga Radio (North West) Limited	England	Dormant company

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

Saga Investment Services Limited services	England	Wealth management
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The Group holds a 50% interest in Saga Investment Services Limited.