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ACROMAS HOLIDAYS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2012

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ACROMAS HOLIDAYS LIMITED

Directors' report

Directors
J A Goodsell
P Diethelm
M Graham
S M Hooper
S M Howard

Secretary J Davies

Registered Office Enbrook Park, Folkestone, Kent CT20 3SE

Company Registration no 2174052

The Directors submit their accounts for Acromas Holidays Limited (the "Company") together with the consolidated accounts for the Acromas Holidays' group of companies (the "Group") for the year ended 31 January 2012

Review of Business Developments and principal activity

The Group's principal activity is to provide inclusive holidays, cruises and travel services to people aged 50 and over, in the United Kingdom

The Group owned and operated three cruise ships, Saga Pearl II, Saga Ruby and Spirit of Adventure. The Spirit of Adventure had its last cruise in April 2012 and was sold in May 2012. The new ship, Saga Sapphire had its inaugural cruise in March 2012 and is held by a fellow group undertaking, Saga Cruises BDF Limited, which is not owned by the Group.

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

	2012 £000	2011 £000	change %
Turnover	340,159	348,170	(2.3)
Gross profit	68,691	69,307	(0.9)
Gross margin	20.2%	19.9%	0.3
Administrative and marketing expenses	(63,400)	(64,063)	1.0
Profit on ordinary activities before tax	<u>5,447</u>	<u>7,610</u>	(28.4)
EBITDA	<u>25,461</u>	<u>22,296</u>	14.2
Average number of employees	<u>1,324</u>	<u>1,111</u>	19.2

ACROMAS HOLIDAYS LIMITED

Directors' report (continued)

Review of Business Developments and principal activity (continued)

Turnover for the year to 31 January 2012 was £340,159,000, down 2.3% on the previous year, and all arose from the Company's principal activity

The average monthly number of employees has risen by 19.2% over the previous year whilst staff costs have decreased 2.9%. Gross profit has decreased 0.9% to £68,691,000 but gross margin has increased 0.3% to 20.2%. Administrative and marketing expenses have decreased 1.0% to £63,400,000

For decision making and internal performance management, management's key performance metric is Earnings before interest paid, tax, depreciation and amortisation (EBITDA). EBITDA for the year was £25,461,000, up 14.2% on the previous year

The profit for the year before taxation amounts to £5,447,000 (2011 - £7,610,000). After taxation, a profit of £3,659,000 (2011 - £5,691,000) has been taken to reserves. No dividends have been paid in the year (2011 - £nil)

ACROMAS HOLIDAYS LIMITED

Directors' report (continued)

Principal Risks And Uncertainties

The Group follows a structured risk identification and assessment process that involves all of its Directors and which is updated on an ongoing basis

The principal risks facing the Group have been grouped under the following four headings

1 Legislative Risks

The Group has to comply with the EEC Package Travel Regulations, and comply with the regulations of both the CAA and ABTA in order to trade as a tour operator

The Group's three cruise ships have to comply with maritime regulations and ensure that regulatory changes are responded to

A failure to comply with these regulations could cause the Group to incur fines or be prevented from trading

2 Operational Risks

The Group provides package holidays where the components of the holiday are exposed to the potential of financial failure, strike actions, extreme weather conditions or other factors causing the hotel, airline, boat or coach operator being unable to provide their service

The Group's cruise ships operate internationally throughout the year and are at risk of damage through collision, fire, grounding or extreme weather conditions. Customers' safety and health are of primary importance in the event of these risks occurring. Additionally the risk of the ships causing environmental damage by pollution is also a key concern. If these risks were to crystallise, the cost of repairs and repatriation would adversely affect future profits, and if not managed appropriately, damage the Group brand

3 Brand Risk

The Group recognises Saga as a quality brand is a source of competitive advantage, and has in place policies and procedures to protect it at all times

4 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to currency risk and commodity price risk. Financial instruments affected by market risk include forward currency contracts and fuel swaps

In order to manage these risks, the Group has put in place rigorous procedures and controls designed to prevent these risks occurring or, where this is not possible, to mitigate their effects. These controls are monitored both by external regulators and the Group Internal Audit function to ensure they are working effectively

ACROMAS HOLIDAYS LIMITED

Directors' report (continued)

Future Developments

As the Group faces a challenging year ahead as a result of the global economic recession, the Directors continue to look to offer attractive and value for money holiday products.

Policy on use of financial instruments

The Group enters into derivative transactions (commodity swaps and forward foreign currency contracts) The purpose is to manage the commodity and currency risks arising from the Group's operations The board sets the policies for managing these risks and these policies are summarised below.

The Group has transactional currency exposures that arise from purchases in currencies other than the Group's functional currency. The Group uses forward currency contracts to eliminate the currency exposures on all material transactions The forward contracts to purchase foreign currency are transacted to coincide with identified requirements so that at all times the Group has no material exposures to foreign currency risk Hedge accounting is used where certain criteria are met as explained in accounting policy (k)

The Group is exposed to the market price of fuel relating to the consumption of fuel on the Group's cruise ships The Group uses fuel swap agreements, and occasionally caps, to mitigate this exposure. The agreements hedge all the anticipated fuel requirements of the Group and are transacted to coincide with committed itineraries

Customer protection

The Civil Aviation Authority and the Association of British Travel Agents regulate the business conducted by the Group in the UK From 1st April 2008, the Civil Aviation Authority replaced the system of lodged security bonds with the introduction of ATOL Protection Contributions, which the Group pays into the Air Travel Trust Fund

Employee involvement

During the year the Group 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 Group to develop a working environment and to offer terms and conditions of service to provide disabled persons, with the appropriate skills and qualifications, equal opportunities to seek and maintain employment with the Group It is the Group'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.

ACROMAS HOLIDAYS LIMITED

Directors' report (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 the Group 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

Going concern

The Group's business activities, together with the factors likely to affect its future development, its performance, position, risk management objectives, details of its financial instruments and derivative activities, and its exposure to legislative, operational and brand risk are described in the business review on pages 1 to 3

The Group has considerable financial resources together with long-term contracts with a number of suppliers across different industries As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook

The Directors have a reasonable expectation that the Group 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

ACROMAS HOLIDAYS LIMITED

Directors' report (continued)

Disclosure of information to the auditors

Each current Director has made enquiries of their fellow directors and the Group's auditor and taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Relevant audit information is that information needed by the auditor in connection with preparing the report. So far as each director approving this report is aware, and based on the above steps, there is no relevant audit information of which the auditor is unaware.

Auditors

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

By order of the Board



J Davies

Secretary

24 July 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACROMAS HOLIDAYS LIMITED

We have audited the Group and parent Company financial statements (the "financial statements") of Acromas Holidays Limited for the year ended 31 January 2012 which comprise the Consolidated Profit and Loss Account, the Reconciliation of movements in Consolidated Shareholders' Funds, the Consolidated and Company Balance Sheets and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement 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 Group's and the Parent 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 Directors' report and Financial Statements to identify material inconsistencies with the audited financial statements. 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 Group's and the Parent Company's affairs as at 31 January 2012 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company 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.



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

2 July 2012

ACROMAS HOLIDAYS LIMITED**Consolidated profit and loss account for the year ended 31 January 2012**

	Note	2012 £'000	2011 £'000
Turnover	2	340,159	348,170
Cost of sales		<u>(271,468)</u>	<u>(278,863)</u>
Gross profit		68,691	69,307
Administrative and marketing expenses		(63,400)	(64,063)
(Loss) / profit on disposal of fixed assets	3	(104)	1,431
Other operating income	4	<u>323</u>	<u>972</u>
Operating profit	3	5,510	7,647
Interest Payable & similar Charges	5	<u>(63)</u>	<u>(37)</u>
Profit on ordinary activities before taxation		5,447	7,610
Taxation	9	<u>(1,788)</u>	<u>(1,919)</u>
Profit on ordinary activities after taxation	22	<u>3,659</u>	<u>5,691</u>

All income and expenditure arises from continuing operations.

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

Notes 1 to 29 form an integral part of these financial statements

ACROMAS HOLIDAYS LIMITED**Reconciliation of movements in shareholders' funds****Consolidated shareholders' funds**

	Note	2012 £'000	2011 £'000
Total recognised gains and losses relating to the year		3,659	5,691
Issue of ordinary share capital	21	-	8,550
Net movement in shareholders' funds		3,659	14,241
Shareholders' funds brought forward		52,039	37,798
Shareholders' funds carried forward		55,698	52,039

Parent shareholders' funds

	Note	2012 £'000	2011 £'000
Total recognised gains and losses relating to the year	25	3,425	5,334
Issue of ordinary share capital	21	-	8,550
Net movement in shareholders' funds		3,425	13,884
Shareholders' funds brought forward		77,158	63,274
Shareholders' funds carried forward		80,583	77,158

Notes 1 to 29 form an integral part of these financial statements

ACROMAS HOLIDAYS LIMITED
Consolidated balance sheet as at 31 January 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Intangible assets	11	20,906	22,091
Tangible assets	10	101,135	109,334
Other Fixed Asset investments		<u>1</u>	<u>1</u>
		122,042	131,426
Current assets			
Stocks	13	3,388	2,868
Debtors	14	17,031	15,102
Cash on deposit	15	52,466	42,114
Cash at bank and in hand		<u>5,463</u>	<u>4,362</u>
		78,348	64,446
Creditors - amounts falling due within one year	16	<u>(128,415)</u>	<u>(137,052)</u>
Net current liabilities		(50,067)	(72,606)
Total assets less current liabilities		71,975	58,820
Creditors - amounts falling due after more than one year	17	(14,670)	(4,750)
Provisions for liabilities	20	<u>(1,607)</u>	<u>(2,031)</u>
Net assets		<u>55,698</u>	<u>52,039</u>
Capital and reserves			
Called up share capital	21	45,892	45,892
Profit and loss account	22	<u>9,806</u>	<u>6,147</u>
Shareholders' funds		<u>55,698</u>	<u>52,039</u>

Signed for and on behalf of the Board by

Michael S Graham

M Graham
Director

24 July 2012

Notes 1 to 29 form an integral part of these financial statements

ACROMAS HOLIDAYS LIMITED
Company balance sheet as at 31 January 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Intangible Assets	11	20,520	21,681
Tangible assets	10	48,188	46,968
Investment in subsidiary undertakings	12	46,213	46,213
Other Fixed Asset investments		1	1
		<u>114,922</u>	<u>114,863</u>
Current assets			
Stocks	13	15	-
Debtors	14	77,949	73,181
Cash on deposit	15	52,464	42,112
Cash at bank and in hand		4,117	3,506
		<u>134,545</u>	<u>118,799</u>
Creditors - amounts falling due within one year	16	(153,863)	(150,459)
Net current liabilities		<u>(19,318)</u>	<u>(31,660)</u>
Total assets less current liabilities		95,604	83,203
Creditors - amounts falling due after more than one year	17	(13,750)	(4,750)
Provisions for liabilities	20	(1,271)	(1,295)
Net assets		<u>80,583</u>	<u>77,158</u>
Capital and reserves			
Called up share capital	21	45,892	45,892
Profit and loss account	22	34,691	31,266
Shareholders' funds		<u>80,583</u>	<u>77,158</u>

Signed for and on behalf of the Board by

Michael S Graham

M Graham
Director

24 July 2012

ACROMAS HOLIDAYS LIMITED

Notes to the financial statements

1 Accounting policies

a) Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards as defined in the Companies Act 2006 s 464

b) Basis of consolidation

The consolidated financial statements incorporate the results of the Company and its subsidiaries up to 31 January 2012

In the parent company financial statements, investments in subsidiaries are accounted for at the lower of cost and net realisable value. No profit and loss for the company is presented as permitted by the Companies Act 2006 s 408

At each balance sheet date, the Company assesses the events and circumstances around its material subsidiaries to identify any impairment indicators. In case impairment indicators are noted, a detailed impairment assessment is carried out using the future cash flows projection of the subsidiary. An impairment charge is recognised in the profit or loss account if the carrying value of investment in subsidiary is higher than the recoverable amount using future cash flows

c) Turnover

Turnover from tour operations is recognised upon departure date with the exception of cruises where passenger revenue is recognised as earned, on a daily basis, if the cruise ship is operated by the Group. Turnover from other activities is recognised when the Group's right to receive payment is established

d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. The cost of fixed assets less their expected residual value is depreciated by equal instalments over their useful economic lives. These lives are as follows

Land and buildings

Land	nil
Buildings	50 years
Related fittings	3 - 10 years
Cruise ships	2 - 13 years
Computers	3 - 7 years
Vehicles	3 years
Plant and other equipment	5 - 10 years

Costs relating to mandatory cruise-ship dry-dockings are capitalised and depreciated over the period up to the next dry-dock where appropriate. The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

ACROMAS HOLIDAYS LIMITED
Notes to the financial statements (continued)

1 Accounting policies (continued)

e) Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

f) Goodwill

Goodwill is the difference between the fair value of the consideration paid for an acquired entity and the aggregate of the fair values of that entity's separately identifiable assets and liabilities. Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised through the profit and loss account on a systematic basis over its estimated useful life. The useful life of goodwill has been estimated to be 20 years. The directors review the appropriateness of this useful life at the end of each period and revise it if necessary.

Additionally, the directors review goodwill for impairment at the end of the first full financial year following the acquisition and at other times should events indicate that the carrying values may not be recoverable. An impairment charge is recognised in the profit or loss account if the goodwill is impaired.

g) Advance receipts

All booking fees and balance payments for holidays and cruises with starting dates after the year end are treated as receipts in advance at the balance sheet date and are separately disclosed within creditors.

h) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the Directors consider it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

i) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

ACROMAS HOLIDAYS LIMITED
Notes to the financial statements (continued)

1 Accounting policies (continued)

j) Pension benefits

Annual contributions are made to the UK defined benefit pension Scheme on the advice of actuaries for funding of retirement benefits in order to build up reserves for participating employees during the employee's working life to pay to the employee or dependent a pension after retirement

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

k) Derivative instruments

The Group uses forward foreign currency contracts to manage its exposure to movements in foreign exchange rates. The Group considers its derivative instruments qualify for hedge accounting when certain criteria are met.

The criteria for forward foreign currency contracts are

- The instrument must relate to a future foreign currency commitment,
- It must be denominated in the same currency as the hedged item, and
- It must reduce the risk of foreign currency exchange movements on the Group's operations

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a future transaction are not recognised until the transaction occurs.

The Group is exposed to the market price of fuel relating to the consumption of fuel on the Group's cruise ships. The Group uses fuel swap agreements, and occasionally caps, to mitigate this exposure. The agreements hedge all the anticipated fuel requirements of the Group and are transacted to coincide with committed itineraries. The cost of fuel purchases are recorded at the hedged rate with any profit or loss from mismatches recognised as incurred.

ACROMAS HOLIDAYS LIMITED

Notes to the financial statements (continued)

l) Cash flow statement

The Directors have taken advantage of the exemption available under FRS 1 (Cash flow statements) of the requirement to prepare a cash flow statement as a consolidated cash flow statement has been presented in the financial statements of the ultimate parent undertaking, Acromas Holdings Limited

m) Stocks

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 further costs expected to be incurred to disposal

n) Marketing expenditure

Expenditure on holiday brochures is expensed to the profit and loss account as incurred

o) Interest income

Revenue is recognised as interest accrues

p) Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

q) Use of estimates

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates

The list below sets out those items management considers particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy

- Deferred tax (note 1(h))
- Goodwill (note 1(f))
- Provisions for liabilities (note 1(p))

2 Turnover

Turnover represents sales to third parties net of VAT. All business is carried out in the UK

ACROMAS HOLIDAYS LIMITED**Notes to the financial statements (continued)**

3	Operating profit	2012	2011
	Operating profit is stated after charging/(crediting)	£'000	£'000
	Depreciation - owned tangible fixed assets	13,987	11,025
	- leased tangible fixed assets	331	497
	- deferred maintenance	4,344	3,406
	Goodwill amortisation	1,185	1,152
	Operating lease rentals – land and buildings	556	565
	Operating lease rentals - plant and machinery	275	263
	Fees for the audit of the group (*)	95	91
	Loss / (profit) on disposal of fixed assets	104	(1,431)

In the prior year the Group disposed of a Cruise Ship, the Saga Rose, resulting in a profit of £1,431,000. In the current year, the Group disposed of vehicles, fixtures & fittings and computers, resulting in a loss of £104,000.

Any fees paid to the Group's auditor, Ernst & Young LLP, for services other than the statutory audit of the Group are not disclosed in these financial statements since the consolidated financial statements of the ultimate parent undertaking, Acromas Holdings Limited, are required to disclose non-audit fees on a consolidated basis

* 2012 - £25,000 (2011 - £22,000) of this relates to the Company

4	Other operating income	2012	2011
		£'000	£'000
	Interest on deposits	323	198
	Interest on overpaid tax receivable	-	774
		<u>323</u>	<u>972</u>
5	Interest payable and similar charges	2012	2011
		£'000	£'000
	Finance lease and hire purchase interest	63	37
		<u>63</u>	<u>37</u>

ACROMAS HOLIDAYS LIMITED**Notes to the financial statements (continued)**

6 Directors' emoluments	2012	2011
	£'000	£'000
Aggregate emoluments in respect of qualifying services	<u>373</u>	<u>523</u>

	2012	2011
Members of defined benefit pension scheme	<u>4</u>	<u>4</u>

The Directors emoluments shown above relate to M Graham, P Diethelm and S M Hooper. Whilst S M Hooper holds directorships in other group companies, the full amount of her emoluments are included above as it would not be practicable to apportion her emoluments between her services as Director of the Company and her services as Director of other group companies.

J A Goodsell and S M Howard are remunerated by Saga Group Limited, a fellow subsidiary of the ultimate holding company, Acromas Holdings Limited. Neither of these Directors received any emoluments during the year in respect of their services as a Director of the Company (2011: £nil) and it would not be practicable to apportion their emoluments between their services as Directors of the Company and their services as Directors of other group companies. The Company has not been recharged any amount for the emoluments of these Directors (2011: £nil).

Among the Directors remunerated by the Company, the amounts paid in respect of the highest paid Director were as follows -

	2012	2011
	£'000	£'000
Aggregate emoluments in respect of qualifying services	<u>209</u>	<u>312</u>
Defined benefit pension scheme	2012	2011
	£'000	£'000
Accrued pension at end of year	<u>8</u>	<u>5</u>

ACROMAS HOLIDAYS LIMITED**Notes to the financial statements (continued)**

7	Staff costs	2012	2011
		£'000	£'000
	Wages and salaries	22,974	23,923
	Social security costs	2,200	2,124
	Pension costs	1,352	1,280
		<u>26,526</u>	<u>27,327</u>

The monthly average number of employees during the year was as follows -	2012	2011
	No	No

Sales & marketing	315	294
Operations	874	695
Administration and management	135	122
	<u>1,324</u>	<u>1,111</u>

8 Pension benefits

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

The Company is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company is accounting for its pension expense on a defined contribution basis in accordance with FRS 17 (Retirement benefits). The FRS 17 surplus (gross of deferred taxation) of the Scheme at 31 January 2012 was £0.9 million (2011 - £7.2 million).

Further details of the Scheme can be found in the financial statements of the ultimate holding company, Acromas Holdings Limited

ACROMAS HOLIDAYS LIMITED**Notes to the financial statements (continued)**

9 Taxation	2012	2011
	£'000	£'000
UK corporation tax at 26 32% (2011 – 28%) – current year	2,155	1,199
Adjustments relating to prior years	74	(77)
Current tax	2,229	1,122
Deferred tax – current year	(297)	937
Effect of tax rate change on opening balance	(79)	(7)
Deferred tax – prior years	(65)	(133)
	<u>1,788</u>	<u>1,919</u>
 Reconciliation of Current Tax Charge -	 2012	 2011
	£'000	£'000
Pre-tax profits at 26 32% (2011 – 28%)	1,434	2,131
Decelerate/(accelerated) capital allowances	321	(970)
Permanent differences	403	32
Other timing differences	(9)	(1)
Adjustments relating to prior years	74	(77)
Non-deductible amortisation of goodwill	6	7
Current tax charge for the year	<u>2,229</u>	<u>1,122</u>

The tax charge for the current year included £590,000 credit (2011 - £1,122,000 debit) in respect of payments to other group companies for group relief

ACROMAS HOLIDAYS LIMITED
Notes to the financial statements (continued)

10 Tangible fixed assets

Group	Freehold Land & Buildings £'000	Cruises Ships £'000	Vehicles (owned) £'000	Vehicles (leased) £'000	Other Assets £'000	Total £'000
Cost						
At 1 February 2011	45,759	95,556	525	860	13,969	156,669
Additions	-	1,932	9	1,548	7,099	10,588
Disposals	-	(231)	(27)	-	(248)	(506)
At 31 January 2012	45,759	97,257	507	2,408	20,820	166,751
Depreciation						
At 1 February 2011	6,631	33,689	184	707	6,124	47,335
Charge for year	1,270	13,193	154	331	3,714	18,662
Disposals	-	(231)	(23)	-	(127)	(381)
At 31 January 2012	7,901	46,651	315	1,038	9,711	65,616
Net book amounts						
At 31 January 2012	37,858	50,606	192	1,370	11,109	101,135
At 31 January 2011	39,128	61,867	341	153	7,845	109,334
Company						
Cost						
At 1 February 2011	45,759	-	-	-	13,800	59,559
Additions	-	-	-	-	6,216	6,216
Disposals	-	-	-	-	(248)	(248)
At 31 January 2012	45,759	-	-	-	19,768	65,527
Depreciation						
At 1 February 2011	6,631	-	-	-	5,960	12,591
Charge for year	1,270	-	-	-	3,605	4,875
Disposals	-	-	-	-	(127)	(127)
At 31 January 2012	7,901	-	-	-	9,438	17,339
Net book amounts						
At 31 January 2012	37,858	-	-	-	10,330	48,188
At 31 January 2011	39,128	-	-	-	7,840	46,968

Included in freehold land and buildings are amounts in respect of land, with an original cost of £5,000,000 (2011 – £5,000,000), which have not been depreciated.

The Cruise Ships' depreciation charge for the year of £13,193,000 includes £1,843,000 of accelerated charges to reduce one of the Cruise Ship's net book value down to its net realisable value at the date of its disposal in May 2012

ACROMAS HOLIDAYS LIMITED**Notes to the financial statements (continued)****11 Intangible Assets****Goodwill - Group****Cost**

As at 1 February

Adjustments

As at 31 January

2012 2011

£'000 £'000

23,708 25,368

- (1,660)

23,708 23,708**Amortisation**

As at 1 February

Charge for the period

As at 31 January

1,617 465

1,185 1,152

2,802 1,617**Net book amount**

As at 31 January

20,906 22,091**Goodwill - Company****Cost**

As at 1 February

Adjustments

As at 31 January

2012 2011

£'000 £'000

23,224 24,883

- (1,659)

23,224 23,224**Amortisation**

As at 1 February

Charge for the period

As at 31 January

1,543 414

1,161 1,129

2,704 1,543**Net book amount**

As at 31 January

20,520 21,681

Adjustments in the prior period relate to corrections to the goodwill arising on the acquisition of the trade and net liabilities of Titan Travel Limited in the year ended 31 January 2010, as a result of a review of the transaction

ACROMAS HOLIDAYS LIMITED
Notes to the financial statements (continued)

12 Investment in subsidiary undertakings

Company	2012	2011
	£'000	£'000
Cost		
As at 1 February 2011 & 31 January 2012	<u>46,788</u>	<u>46,788</u>
Provisions		
As at 1 February 2011 & 31 January 2012	<u>575</u>	<u>575</u>
Net book amount		
At 31 January	<u>46,213</u>	<u>46,213</u>

The main operating subsidiary undertakings of Acromas Holidays Limited, all of which are wholly owned, are listed below. The Company's subsidiary, Acromas Shipping Limited, holds the shares in Saga Cruises Limited, Saga Cruises II Limited and Enbrook Cruises Limited.

Company	Country of registration	Nature of business
Acromas Transport Limited	England	Tour operating
Titan Transport Limited	England	Tour operating
Acromas Shipping Limited	England	Cruising
Saga Cruises Limited	England	Cruise ship owner
Saga Cruises II Limited	England	Cruise ship owner
Enbrook Cruises Limited	England	Cruise ship owner
Automobile Association Travel Limited	England	Holding Company

13 Stock

	Group	Group	Company	Company
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Fuel and oil	1,591	1,293	-	-
Technical stocks	485	-	-	-
Passenger and crew food stocks	717	1,001	-	-
Bar and other sundry stocks	595	574	15	-
	<u>3,388</u>	<u>2,868</u>	<u>15</u>	<u>-</u>

During the current year the Group has changed its accounting policy for capitalisation of technical stocks. Technical stocks capitalised in the year amounted to £485,000. In prior years such amounts had been charged to the profit & loss account. The prior year figures have not been restated due to practical limitations in determining the value of technical stocks.

ACROMAS HOLIDAYS LIMITED**Notes to the financial statements (continued)**

14 Debtors	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade debtors	3,150	3,404	3,019	3,400
Amounts owed by fellow group undertakings	1,064	-	65,500	62,315
Other debtors	4,486	4,928	2,699	2,643
Prepayments and deferred expenditure	8,331	6,770	6,731	4,823
	<u>17,031</u>	<u>15,102</u>	<u>77,949</u>	<u>73,181</u>

All amounts above are due in less than one year

15 Cash on deposit

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Deposits with financial institutions	52,466	42,114	52,464	42,112
	<u>52,466</u>	<u>42,114</u>	<u>52,464</u>	<u>42,112</u>

There are no deposits that have maturity dates in excess of one year

16 Creditors - amounts falling due within one year

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Bank overdraft	171	451	166	451
Finance leases & hire purchase contracts (note 18)	474	177	-	-
Advance holiday receipts	84,171	85,739	50,664	61,598
Trade creditors	14,486	28,297	13,639	19,648
Amounts due to fellow group undertakings	640	3,989	78,580	57,865
Corporation tax payable	2,743	28	-	-
Other creditors	229	744	183	610
Accruals and deferred income	25,501	17,627	10,631	10,287
	<u>128,415</u>	<u>137,052</u>	<u>153,863</u>	<u>150,459</u>

ACROMAS HOLIDAYS LIMITED
Notes to the financial statements (continued)

17 Creditors - amounts falling due after more than one year

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Subordinated loan	13,750	4,750	13,750	4,750
Finance leases & hire purchase contracts (note 18)	920	-	-	-
Subordinated loan	<u>14,670</u>	<u>4,750</u>	<u>13,750</u>	<u>4,750</u>

The subordinated loan will not fall due for repayment for as long as the Company holds an Air Travel Organisers' Licence (ATOL). If the Company ceases to hold an ATOL, the loan will only fall due for repayment once the Company has satisfied all liabilities which were incurred prior to this point. The loan is interest free.

18 Obligations under finance leases & hire purchase contracts

The Group's capital amounts due under finance lease and hire purchase obligations are:

	2012 £'000	2011 £'000
Within one year (note 16)	474	177
In two to five years (note 17)	920	-
	<u>1,394</u>	<u>177</u>

ACROMAS HOLIDAYS LIMITED
Notes to the financial statements (continued)

19 Lease commitments

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

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Land & Buildings				
Leases expiring				
Within one year	-	7	-	7
In two to five years	9	-	9	-
After five years	549	556	20	20
	<u>558</u>	<u>563</u>	<u>29</u>	<u>27</u>
Plant & Machinery				
Leases expiring				
Within one year	240	55	-	-
In two to five years	96	8	-	8
After five years	9	-	9	-
	<u>345</u>	<u>63</u>	<u>9</u>	<u>8</u>
Total commitments	<u>903</u>	<u>626</u>	<u>38</u>	<u>35</u>

ACROMAS HOLIDAYS LIMITED
Notes to the financial statements (continued)

20 Provisions for liabilities

	Group £'000	Company £'000
Deferred taxation	685	349
Other	922	922
As at 31 January 2012	<u>1,607</u>	<u>1,271</u>

	Deferred taxation	
	Group £'000	Company £'000
As at 1 February	1,126	390
Credit for year	<u>(441)</u>	<u>(41)</u>
As at 31 January	<u>685</u>	<u>349</u>

Group deferred taxation comprises excess of capital allowances over depreciation of £734,000 (2011 £1,188,000) less short-term timing differences of £13,000 (2011 £23,000) less tax losses of £36,000 (2011 £39,000)

Company deferred taxation comprises excess of capital allowances over depreciation of £398,000 (2011 £452,000) less short-term timing differences of £13,000 (2011 £23,000) less tax losses of £36,000 (2011 £39,000)

Legislation was introduced in Finance Act 2011 to reduce the main rate of corporation tax from 26% to 25% with effect from 1 April 2012. The effect of this reduction is reflected in the deferred tax balance recorded on the balance sheet. Since the balance sheet date, the UK government has substantively enacted new legislation to reduce the corporation tax rate further to 24% with effect from 1 April 2012 and announced its intent to legislate to reduce the rate further by 1% per annum to 22% with effect from 1 April 2014.

The Directors estimate that the effect of these changes will reduce the Group's deferred tax liability by £52,000. There is not expected to be a material impact on the Company's deferred tax liability.

	Other	
	Group £'000	Company £'000
As at 1 February	905	905
Charge for year	<u>17</u>	<u>17</u>
As at 31 January	<u>922</u>	<u>922</u>

Other provisions relate to potential tax liabilities on overseas representatives. These liabilities are reviewed and updated annually.

ACROMAS HOLIDAYS LIMITED
Notes to the financial statements (continued)

21 Called up share capital

	2012	2011
	£'000	£'000
Allotted, called up and fully paid		
As at 1 February	45,892	37,342
Additions during the year	-	8,550
As at 31 January	<u>45,892</u>	<u>45,892</u>

On 10 May 2010, 8,550,000 ordinary shares of £1 each were allotted at par (for cash consideration) to the sole shareholder, Acromas Travel Limited. The purpose of the allotment was to fund the completion of the refit of the cruise ship, the Saga Pearl II, by the Company's subsidiary undertaking, Enbrook Cruises Limited.

22 Reserves

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
At 1 February	6,147	456	31,266	25,932
Profit for the year	3,659	5,691	3,425	5,334
At 31 January	<u>9,806</u>	<u>6,147</u>	<u>34,691</u>	<u>31,266</u>

23 Contingent liabilities

At 31 January 2012 there were contingent liabilities under counter indemnities given in the normal course of trade to the Company's bankers in respect of financial bonds and other guarantees amounting to £17,717,000 (2011 - £16,912,000). Due to the nature of these contingent liabilities, it is not practicable to provide an indication of the uncertainties on the amount and timing of them.

ACROMAS HOLIDAYS LIMITED

Notes to the financial statements (continued)

24 Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2011 - £nil)

25 Result for the financial year

A profit on ordinary activities after taxation of £3,425,000 (2011 - £5,334,000) has been recognised in the financial statements of the Company. The Directors have taken advantage of the exemption given by the Companies Act 2006 s 408 in not publishing separately a company profit and loss account

26 Derivatives

The fair value of foreign currency forwards as at 31 January 2012 amounts to £1,467,000 losses (2011 - £2,642,000 losses) These forward contracts are held to hedge the Company's exposure to foreign currencies

The fair value of fuel swaps as at 31 January 2012 is an asset of £1,019,000 (2011 - £1,548,000) These swaps are held to hedge the price risk on fuel

27 Related party transactions

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

28 Ultimate parent undertaking

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

29 Ultimate controlling party

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