DIRECT CHOICE INSURANCE SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 JANUARY 2016

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DIRECT CHOICE INSURANCE SERVICES LIMITED
Company information

Directors:	J A Goodsell	
	L H L Batchelor	
	P F Callander	
	A Davies	
	A L Hoskins	
	J Edwards	(appointed 1 February 2016)
	J S Hill	(appointed 23 July 2015)
	S M Howard	(resigned 23 July 2015)
	C A Melvin	
	R C Ramsden	
	W R Treen	(resigned 31 March 2016)

Secretary: V Haynes

Registered Office: The Saga Building, Enbrook Park, Folkestone, Kent, CT20 3SE

Company Registration no: 5522196

Auditor Ernst & Young LLP, 25 Churchill Place, Canary Wharf, London E14 5EY

DIRECT CHOICE INSURANCE SERVICES LIMITED

The Directors submit the Annual Report and the audited Financial Statements of Direct Choice Insurance Services Limited ("the Company") for the year ended 31 January 2016.

Strategic Report

Review of Business Developments and Principal Activity

The principal activity of the Company is the provision of insurance intermediary services. The Company is authorised and regulated as an Insurance Intermediary by the Financial Conduct Authority.

The Directors anticipate development of the business in the coming year, as the planned investments such as expanding the footprint of the Motor Panel and the future implementation of a Home Panel are expected to increase the number of policyholders and improve policy margins.

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

	2016 £'000	2015 £'000	change %
Turnover	4,726	4,437	6.5%
Total expenses	(5,521)	(6,651)	(17.0)%
Loss before taxation	(795)	(2,214)	(64.1)%

Turnover for the year to 31 January 2016 was £4,726,000 up 6.5% on the previous year. Turnover includes income of £1,291,000 (2015 - £1,402,000) received from the subsidiary undertaking, Premium Funding Limited, under the terms of a profit share arrangement between the two companies, representing amounts charged to customers as interest on instalment payment plans.

The loss before taxation for the year amounts to £795,000 (2015 – £2,214,000 loss). After taxation, a loss of £634,000 (2015 - £1,743,000 loss) has been transferred to reserves. No dividends have been paid in the year (2015 - £nil).

Risk Management Framework

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

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

The principal risks have been grouped into the following categories:

Competitive Risk
The Company continues to operate in a highly competitive market. This could lead to increased price competition with the effect of reduced margins or reduced market share. These risks are managed through continuing efforts to improve efficiency and margins, and focus on customer service, quality and value for money. Appropriate information is utilised to monitor the external market.

Regulatory Risk
The Company is required to comply with the regulations of the Financial Conduct Authority. A failure to comply with these regulations could cause the Company to incur fines or be unable to continue trading. These risks are managed through a dedicated compliance team.

Operational Risk
Key operational risks the Company faces include call centre disruption through loss of telephony or IT infrastructure, loss of physical infrastructure (such as building loss or access restrictions), loss of data including cyber crime attacks and insufficient staff being available to handle call volumes. The disaster recovery plan is updated twice yearly and key elements of the plan are tested on a revolving basis, and the Company performs on-going contingency planning. The infrastructure investment requirements of the business are reviewed regularly, which ensures that the existing infrastructure is replaced where necessary on an ongoing basis, and training plans help to maximize staff flexibility.

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause financial loss for that other party by failing to discharge an obligation. The Company's policies are aimed at minimising such losses, and require that deferred payment terms are only granted to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures.

In order to manage these risks, the Company 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 by the Risk, Compliance and Internal Audit functions to ensure they are working effectively.

By order of the Board

V Haynes
Secretary
26 May 2016

DIRECT CHOICE INSURANCE SERVICES LIMITED

Directors' Report

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

Employment of disabled persons

It is the policy of the Company to develop a working environment and to offer terms and conditions of service to provide disabled persons, with the appropriate skills and qualifications, equal opportunities to seek and maintain employment with the Company. It is the Company's policy to retain in employment, whenever practicable, employees who become disabled and give all such employees equal consideration for training and career development to enable them to fulfil their promotion potential.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including Financial Reporting Standards 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

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

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

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

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

Disclosure of information to 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 it's 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.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its performance, position, risk management objectives, and its exposure to competitive, regulatory, operational and credit risks, are described on page 3.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Auditors

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

By order of the Board

V Haynes
Secretary
26 May 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIRECT CHOICE INSURANCE SERVICES LIMITED

We have audited the financial statements of Direct Choice Insurance Services Limited for the year ended 31 January 2016 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities as set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

John Headley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 May 2016

DIRECT CHOICE INSURANCE SERVICES LIMITED
Income statement for the year ended 31 January 2016

	Notes	2016 £'000	2015 £'000
Turnover	3	4,726	4,437
Other operating income		9	-
Staff costs	5	(2,270)	(2,364)
Depreciation and amortisation charges	4	(190)	(356)
Other operating charges		(3,070)	(3,931)
Operating loss on ordinary activities before taxation	4	(795)	(2,214)
Taxation	8	161	471
Loss for the financial year	16	(634)	(1,743)

There are no other items of comprehensive income other than those included above in the income statement; accordingly the loss for the financial year is also total comprehensive loss for the year.

Notes 1 to 21 form an integral part of these financial statements.

DIRECT CHOICE INSURANCE SERVICES LIMITED
Statement of changes in equity

	Called-up Share Capital £'000	Share Premium £'000	Capital Contribution Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 February 2014	50	1,950	51,627	(25,773)	27,854
Loss for the financial year	-	-	-	(1,743)	(1,743)
At 31 January 2015	50	1,950	51,627	(27,516)	26,111
Loss for the financial year	-	-	-	(634)	(634)
At 31 January 2016	50	1,950	51,627	(28,150)	25,477

Notes 1 to 21 form an integral part of these financial statements.

DIRECT CHOICE INSURANCE SERVICES LIMITED
Balance Sheet as at 31 January 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Goodwill	9	-	-
Intangible assets	10	59	191
Tangible assets	11	2	45
Investment in subsidiary undertakings	12	1,017	1,017
		1,078	1,253
Current assets			
Debtors	13	27,239	26,345
Cash at bank and in hand		407	2,888
		27,646	29,233
Creditors - amounts falling due within one year	14	(3,247)	(4,375)
Net current assets		24,399	24,858
Net assets		25,477	26,111
Capital and reserves			
Called up share capital	15	50	50
Share premium	16	1,950	1,950
Retained earnings	16	(28,150)	(27,516)
Capital contribution reserve	16	51,627	51,627
Shareholders' funds		25,477	26,111

Signed for and on behalf of the Board by

P F Callander
Director
26 May 2016

Notes 1 to 21 form an integral part of these financial statements.

1 General information

Direct Choice Insurance Services Limited (the "Company") is a company incorporated and domiciled in the UK.

2 Significant Accounting policies

a) Basis of preparation

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

The Company's financial statements are presented in 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 18.

The Company transitioned from previously extant UK GAAP to FRS 101 for all periods presented. Transition reconciliations showing all material adjustments are disclosed in note 21. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2016.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of IFRS 7 "Financial Instruments: Disclosures".

b) the requirements of paragraphs 91 to 99 of IFRS 13 "Fair Value Measurement".

c) 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".

d) the requirements of paragraphs 10(d), 10(f), 16, 38A,38B-D, 39(c), 40A-D, 111 and 134-136 of IAS 1 "Presentation of Financial Statements".

e) the requirements of IAS 7 "Statement of Cash Flows".

2 Significant Accounting policies (continued)

a) Basis of preparation (continued)

f) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors".

g) the requirements of paragraph 17 of IAS 24 "Related Party Disclosures".

h) 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.

There are no estimates, assumptions and judgements at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year with the exception of:

Impairment of trade receivables
The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, Management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 13 for the net carrying amount of the receivables and associated impairment provision.

c) Turnover and cost of sales
Revenues received in connection with the sale or renewal of insurance policies are recognised at the commencement of the period of risk. Other revenue is recognised when the Company's right to receive payment is established.

Amounts charged to customers as interest under the Consumer Credit Act 1974 are earned over the term of the related instalment payment plans.

2 Significant Accounting policies (continued)

d) Intangible fixed assets

i) Computer software

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

Intangible computer software fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended.
The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

ii) Goodwill

Goodwill arising on the acquisition of businesses represents the excess of the fair value of consideration given over the fair value of the identifiable assets and liabilities acquired. Positive goodwill is capitalised and classified as an asset on the balance sheet. If the cost of acquisition is less than the fair values of the identifiable assets and liabilities of the acquired business, the difference is treated as negative goodwill and is recognised directly in the income statement in the year of acquisition.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is stated at cost less any accumulated impairment losses.

e) Impairment of non-financial assets
The Company undertakes a full impairment review of the carrying value of goodwill at each reporting date. The Company also assesses at each reporting date whether there is any indication that any other non-financial assets may be impaired. If such an indication exists, the recoverable amount is estimated and compared to the carrying amount. If the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to its recoverable amount and the impairment loss is recognised immediately in the income statement.

2 Significant Accounting policies (continued)

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:

Computer hardware	3 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 the derecognition of the asset is included in the income statement in the period of derecognition

g) Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

h) Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

i) Creditors

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

2 Significant Accounting policies (continued)

j) Pension benefits

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

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

k) 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 on 18 November 2015. 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.

DIRECT CHOICE INSURANCE SERVICES LIMITED
Notes to the financial statements (continued)

2 Significant Accounting policies (continued)

l) 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 fair value loans and receivables financial assets.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification.

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.

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.

2 Significant Accounting policies (continued)

l) 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.

ii) 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 trade and other payables, and loans and borrowings.

2 Significant Accounting policies (continued)

l) Financial instruments (continued)

ii) Financial liabilities (continued)

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.

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

n) Impairment of investment in subsidiaries
The Company undertakes a full impairment review of the carrying value of investment in subsidiaries at each reporting date. If such an indication exists, the recoverable amount is estimated and compared to the carrying amount. If the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to its recoverable amount and the impairment loss is recognised immediately in the income statement.

o) Exceptional items
Items which derive from events or transactions that fall outside of the ordinary activities of the Company and which are material, or if of a similar type are material in aggregate, are treated as exceptional. Exceptional items are charged or credited to the income statement as appropriate.

3 Turnover

Turnover primarily comprises revenues receivable in connection with the sale or renewal of insurance policies, together with amounts charged to customers as interest under the Consumer Credit Act 1974. This interest charged to customers is earned over the term of the related instalment payment plans. Under the terms of the 100% profit share arrangement operated with the Company's subsidiary undertaking, Premium Funding Limited, any surplus income arising in Premium Funding Limited is paid over to the Company as a profit share. Bank interest receivable is also included within other operating income.

All business is carried out in the United Kingdom and the Isle of Man.

4 Operating loss

Operating loss is stated after charging:	2016 £'000	2015 £'000
Amortisation of intangible fixed assets (Note 10)	147	350
Depreciation of tangible fixed assets (Note 11)	43	6
Auditor's remuneration – audit of the financial statements	34	30

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

5 Staff Costs

The average monthly number of persons employed by the Company during the year was 102 (2015: 110).

	2016	2015
	£'000	£'000
Wages and salaries	2,047	2,135
Social security costs	132	154
Pension costs	91	75
	2,270	2,364

6 Pension benefits

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

The Company is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company accounts for its pension expense on a defined contribution basis The IAS 19 deficit (gross of deferred taxation) of the Scheme at 31 January 2016 was £18.8 million (2015 - £40.4 million).

Further details of the Scheme can be found in the financial statements of Saga plc.

7 Directors' remuneration

W R Treen, A Davies, A L Hoskins, R C Ramsden, C A Melvin and P F Callander are remunerated by Saga Services Limited, a fellow subsidiary of Saga plc. None of these Directors received any remuneration during the year in respect of their services as a Director of the Company and it would not be practicable to apportion their remuneration between their services as Directors of the Company and their services as Directors of other subsidiaries. The Company has not been recharged any amount for the remuneration of these Directors.

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

8 Taxation

	2016 £'000	2015 £'000
UK corporation tax at 20.17% (2015 - 21.33%) – current year	(169)	(480)
Current tax	(169)	(480)
Deferred tax – Origination and reversal of timing differences	4	9
Deferred tax – Adjustment in respect of prior periods	(31)	-
Deferred tax – Effect of tax rate change on opening balances	35	-
Total deferred tax	8	9
Total tax credit in the income statement	(161)	(471)

Reconciliation of Total Tax Credit:	2016 £'000	2015 £'000
Pre-tax losses at 20.17% (2015 - 21.33%)	(161)	(472)
Adjustments in respect of prior periods	(31)	-
Effect of tax rate change on opening balances	35	-
Rate change adjustment on temporary differences	(1)	-
Other items	(3)	1
Total tax credit in the income statement	(161)	(471)

There are no circumstances foreseen that are expected to materially impact future tax charges.

9 Goodwill

	2016	2015
	£'000	£'000
Cost		
At 31 January	55,864	55,864
Accumulated amortisation and impairment		
At 31 January	55,864	55,864
Net book value		
At 31 January	-	-

10 Intangible fixed assets

	Software
	£'000
Cost	
At 1 February 2015	2,942
Additions	15
At 31 January 2016	2,957
Amortisation	
At 1 February 2015	2,751
Charge in the year	147
At 31 January 2016	2,898
Net book value	
At 31 January 2016	59
At 31 January 2015	191

11 Tangible fixed assets

	Computer hardware £'000
Cost	
At 1 February 2015	93
Additions	-
At 31 January 2016	93
Depreciation	
At 1 February 2015	48
Charge in the year	43
At 31 January 2016	91
Net book value	
At 31 January 2016	2
At 31 January 2015	45

12 Investment in subsidiary undertakings

	£'000
At 31 January 2015 and at 31 January 2016	1,017

Investments in subsidiary undertakings represent a 100% holding of the ordinary shares of Premium Funding Limited, a company registered in England and Wales. The principal activity of Premium Funding Limited is the provision of credit to the customers of Direct Choice Insurance Services Limited (see note 3).

13 Debtors

	2016 £'000	2015 £'000
Trade debtors	1,222	437
Amounts owed by fellow group undertakings	25,482	25,444
Prepayments and accrued income	71	72
Deferred tax	307	315
Other debtors	157	77
	27,239	26,345

Amounts owed by group undertakings are unsecured, have no repayment terms and bear no interest.

Trade debtors are stated after provisions for impairment of £609, 000 (2015 - £566,000).

Deferred tax comprises an excess of depreciation over capital allowances of £198,000 (2015 - £233,000) and short-term timing differences of £109,000 (2015 - £82,000).

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

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

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

14 Creditors - amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	2,689	3,716
Amounts owed to fellow group undertakings	65	101
Taxation and social security	-	50
Accruals and deferred income	493	508
	3,247	4,375

15 Called up share capital

	2016 £	2015 £
Allotted, called up and fully paid		
50,002 ordinary shares of £1 each	50,002	50,002

16 Reserves

	Share Premium £'000	Retained earnings £'000	Capital contribution reserve £'000
At 1 February 2015	1,950	(27,516)	51,627
Loss for the financial year	-	(634)	-
At 31 January 2016	1,950	(28,150)	51,627

The capital contribution is non-repayable and non-interest bearing and its use carries no restrictions.

17 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

18 Ultimate parent undertaking

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

In respect of the year ending 31 January 2016, Saga plc is the parent company of the smallest group of which the Company is a member and for which group financial statements are prepared.

A copy of the financial statements of Saga plc for the year ended 31 January 2016 may be obtained from the corporate website www.corporate.saga.co.uk or from the Company Secretary, Saga plc, Enbrook Park, Folkestone, Kent, CT20 3SE.

19 Cross company guarantees

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

At the balance sheet date the principal, accrued interest, guarantees and other facilities outstanding on these bank loans was £587.4 million (2015 - £734.6 million).

20 Ultimate controlling party

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

21 Transition to FRS 101

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

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

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

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards"

21 Transition to FRS 101 (continued)

Reconciliation of equity as at 1 February 2014

	Notes	UK GAAP £'000	FRS 101 Re-classification / Re-measurements £'000	FRS 101 £'000
Fixed Assets				
Goodwill		-	-	-
Intangible assets	(b)	-	530	530
Tangible assets	(b)	569	(530)	39
Investment in subsidiary undertakings		1,017	-	1,017
		1,586	-	1,586
Current assets				
Debtors		25,791	-	25,791
Cash at bank and in hand		3,704	-	3,704
		29,495	-	29,495
Creditors - amounts falling due within one year	(a)	(3,223)	(4)	(3,227)
Net current assets		26,272	(4)	26,268
Net assets		27,858	(4)	27,854
Capital and reserves				
Called-up share capital		50	-	50
Share premium		1,950	-	1,950
Retained earnings	(a)	(25,769)	(4)	(25,773)
Capital contribution reserve		51,627	-	51,627
Shareholders' funds		27,858	(4)	27,854

21 Transition to FRS 101 (continued)

Reconciliation of equity as at 31 January 2015

	Notes	UK GAAP £'000	FRS 101 Re-classification / Re-measurements £'000	FRS 101 £'000
Fixed Assets				
Goodwill		-	-	-
Intangible assets	(b)	-	191	191
Tangible assets	(b)	236	(191)	45
Investment in subsidiary undertakings		1,017	-	1,017
		1,253	-	1,253
Current assets				
Debtors		26,345	-	26,345
Cash at bank and in hand		2,888	-	2,888
		29,233	-	29,233
Creditors - amounts falling due within one year	(a)	(4,365)	(10)	(4,375)
Net current assets		24,868	(10)	24,858
Net assets		26,121	(10)	26,111
Capital and reserves				
Called-up share capital		50	-	50
Share premium		1,950	-	1,950
Retained earnings	(a)	(27,506)	(10)	(27,516)
Capital contribution reserve		51,627	-	51,627
Shareholders' funds		26,121	(10)	26,111

21 Transition to FRS 101 (continued)

a) Employee Benefits

Holiday pay accrual - On transition to FRS 101, a holiday pay accrual has been accounted for of £10,000 at 31 January 2015 (£4,000 at 1 February 2014).

b) Intangibles

Software - On transition to FRS 101, software has been reclassified from tangible fixed assets to intangible fixed assets of £191,000 at 31 January 2015 (£530,000 at 1 February 2014).