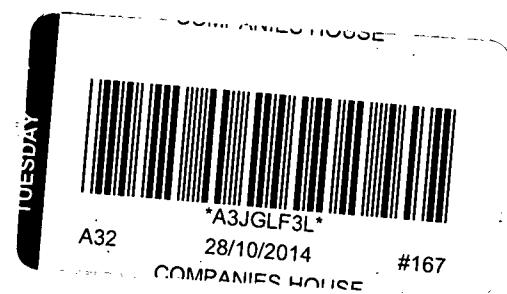


ACROMAS MID CO LIMITED

**STRATEGIC REPORT, DIRECTORS' REPORT
AND FINANCIAL STATEMENTS**

31 JANUARY 2014



ACROMAS MID CO LIMITED
Company Information

Directors: J A Goodsell
S M Howard

Secretary: V Haynes (appointed 31 July 2013)
A P Stringer (resigned 31 July 2013)

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

Company Registration no: 6252749

ACROMAS MID CO LIMITED

Strategic report

Principal activity and review of business developments

The Company's principal activity is to provide senior and mezzanine secured debt finance to the rest of the Acromas Group and act as an intermediate holding company.

The Directors believe that analysis using KPI's for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business.

Results and dividends

The loss for the year before taxation amounts to £160,245,000 (2013 - £250,104,000). After taxation, a loss of £123,132,000 (2013 - £189,254,000) has been taken to reserves. No dividends have been paid in the year (2013 - £nil).

Principal Risks and Uncertainties

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

The principle risks facing the company as a result of its role within the Acromas Group have been grouped under the following two headings:

1. Credit Risk

The Group is required to comply with the provisions of its loan agreements. The Group has put in place corporate governance procedures and financial controls to ensure that these are complied with and has taken out interest rate hedges in line with its policy on managing interest rate risk.

2. Liquidity Risk

The Group pays a significant proportion of the cash it generates to its lenders in line with the provisions of its loan agreements. The Group produces rolling three month cash flow forecasts each week and monitors these closely to ensure that the Group is generating sufficient free cash flow to make these payments as they fall due.

Subsequent events and future developments

The Company will continue to act as an intermediate holding company.

ACROMAS MID CO LIMITED
Strategic report (continued)

Policy on use of financial instruments

The Company enters into derivative transactions (interest rate caps). The purpose is to manage the interest rate risks arising from the Acromas Holdings Group's operations and its sources of finance. The board reviews and agrees policies for managing these risks and they are summarised below.

Interest rate caps are used by the Company to fix interest rates on a proportion of the group's debt instruments to reduce the interest rate risk to an acceptable level.

By order of the Board

A handwritten signature in black ink, appearing to read 'V Haynes', is positioned above the printed name and title.

V Haynes
Secretary
12 August 2014

ACROMAS MID CO LIMITED

Directors' report

The Directors submit their report together with the Strategic report and the audited profit and loss account, balance sheet and notes to the financial statements for the year ended 31 January 2014.

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.

The Company has net liabilities at the year end. The Directors have considered the future cash flows of the Company, the maturity of debt detailed in note 10, the post balance sheet event detailed in note 13, and taking into account the undertaking provided by its fellow group undertaking, Saga Group Limited, to continue to provide financial support as required, have concluded that the Company has sufficient financial resources to meet its liabilities as they fall due for the foreseeable future and have therefore presented the results for the year on a going concern basis.

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 the auditors

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

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

ACROMAS MID CO LIMITED
Directors' report (continued)

Post balance sheet events

On 25 April 2014, the Group entered into new debt financing arrangements and the bank loans held by Acromas Mid Co Limited were repaid in full.

On 29 May 2014, Saga plc, an intermediate subsidiary undertaking, was admitted to the London Stock Exchange. On 23 June 2014, AA plc, an immediate subsidiary undertaking, was admitted to the London Stock Exchange.

Disclosure of information to the auditors

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

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

Auditors

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

By order of the Board



V Haynes
Secretary
12 August 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACROMAS MID CO LIMITED

We have audited the financial statements of Acromas Mid Co Limited for the year ended 31 January 2014 which comprise the Profit and Loss Account, the Reconciliation of movements in Shareholders' Funds, the Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report, Directors' 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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



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

London

13 August 2014

ACROMAS MID CO LIMITED**Profit and loss account for year ended 31 January 2014**

	Note	2014 £'000	2013 £'000
Administrative and marketing expenses - exceptional items	2	(3,920)	-
Operating loss	2	(3,920)	-
Interest payable and similar charges	3	(156,325)	(250,104)
Loss on ordinary activities before taxation		(160,245)	(250,104)
Taxation	6	37,113	60,850
Retained loss for the year	12	<u>(123,132)</u>	<u>(189,254)</u>

All income and expenditure arises from continuing operations.

There were no recognised gains or losses other than the loss for the year.

Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Total recognised gains and losses relating to the year	(123,132)	(189,254)
Net movement in shareholders' deficit	(123,132)	(189,254)
Shareholders' deficit brought forward	(1,190,312)	(1,001,058)
Shareholders' deficit carried forward	<u>(1,313,444)</u>	<u>(1,190,312)</u>

Notes 1 to 18 form an integral part of these financial statements.

ACROMAS MID CO LIMITED
Balance sheet as at 31 January 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Investment in subsidiaries	7	<u>910</u>	<u>910</u>
		910	910
Current assets			
Debtors	8	1,481,494	5,212,519
Creditors - amounts falling due in less than one year	9	<u>(1,538,548)</u>	<u>(1,352,766)</u>
Net current assets		<u>(57,054)</u>	<u>3,859,753</u>
Total assets less current liabilities		(56,144)	3,860,663
Creditors - amounts falling due after more than one year	10	<u>(1,257,300)</u>	<u>(5,050,975)</u>
Net liabilities		<u>(1,313,444)</u>	<u>(1,190,312)</u>
Capital and reserves			
Called up share capital	11	910	910
Profit and loss account	12	<u>(1,314,354)</u>	<u>(1,191,222)</u>
Shareholders' deficit		<u>(1,313,444)</u>	<u>(1,190,312)</u>

Signed for and on behalf of the Board by



S M Howard
Director
12 August 2014

Notes 1 to 18 form an integral part of these financial statements.

ACROMAS MID CO LIMITED

Notes to the financial statements

1 Accounting policies

a Accounting convention

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

The Company has taken advantage of the exemption under the Companies Act 2006 s.400 not to prepare and deliver group financial statements as it is a wholly owned subsidiary of the ultimate parent company Acromas Holdings Limited. As such, these financial statements show only the results of the individual Company and not the group.

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

b 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.

c Debt instruments

Debt is initially stated in the balance sheet at the amount of the cash proceeds raised less finance costs incurred directly in connection with the issue of the instrument. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period. Finance costs of debt are recognised in the profit and loss account over the term of capital instruments at a constant rate on the carrying amount.

d Interest rate caps

Currency options are occasionally used to hedge interest rate exposures, usually when the forecast payment amounts are uncertain. Option premiums are recognised at their historic cost in the balance sheet as prepayments, less any provision for impairment. At maturity, or upon exercise, the option premiums net of any impairment losses and realised gains on exercise are taken to the profit and loss account. The net fair value of interest rate caps held as at 31 January 2014 was £1,374,000 (2013 - £37,000).

e Exceptional items

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

ACROMAS MID CO LIMITED**Notes to the financial statements (continued)****2 Operating loss**

	2014	2013
	£'000	£'000
Operating loss is stated after charging:		
Exceptional item – refinancing	3,920	-
Auditors' remuneration - audit of financial statements	<u>22</u>	<u>20</u>

The exceptional items relate to costs associated with the refinancing of the Company's debt.

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

3 Interest payable and similar charges

	2014	2013
	£'000	£'000
Bank loan interest	156,325	250,104
	<u>156,325</u>	<u>250,104</u>

4 Staff costs

The Company does not employ any staff.

5 Directors remuneration

J A Goodsell and S M Howard are also Directors of Acromas Holdings Limited and various fellow subsidiaries, and received total remuneration for the year of £2,426,000 (2013 - £2,430,000) which was paid by Saga Group Limited, a fellow group undertaking. Neither 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 Acromas Holdings Limited and their services as Directors of any fellow subsidiaries.

6 Taxation

	2014	2013
	£'000	£'000
UK corporation tax at 23.16% (2013 – 24.33%)	(37,113)	(60,850)
Current tax	<u>(37,113)</u>	<u>(60,850)</u>

Reconciliation of Current Tax Credit:-

	2014	2013
	£'000	£'000
Pre-tax loss at 23.16% (2013 – 24.33%)	(37,113)	(60,850)
Current tax credit for the year	<u>(37,113)</u>	<u>(60,850)</u>

The tax credit is entirely made up of receipts from other group companies for group relief.

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

ACROMAS MID CO LIMITED**Notes to the financial statements (continued)****7 Investment in subsidiary undertakings**

	2014	2013
Cost	£'000	£'000
At 31 January	<u>910</u>	<u>910</u>

The main operating subsidiary undertakings of Acromas Mid Co Limited, all of which are wholly owned except where stated, are listed below.

All of the principal subsidiary undertakings of Acromas Mid Co Limited are indirectly held by the company, with the exception of Acromas Bid Co Limited which is directly held.

Company	Country of registration	Nature of business
<u>Subsidiary undertakings</u>		
Acromas Bid Co Limited	England	Holding company
Saga Group Limited	England	Holding company
Acromas Holidays Limited	England	Tour Operating
Acromas Shipping Limited	England	Cruising
Saga Services Limited	England	Financial services
Acromas Insurance Company Limited	Gibraltar	Insurance underwriting
CHMC Limited	England	Motor accident management
Saga Publishing Limited	England	Publishing
Acromas Financial Services Limited	England	Regulated investment products
Nestor Healthcare Group Limited	England	Holding company
Nestor Primecare Services Limited	England	Primary and social care
Allied Healthcare International LLC	USA	Holding company
Allied Healthcare Group Limited	England	Primary and social care
AA Limited	England	Holding company
AA Corporation Limited	England	Holding company
The Automobile Association Limited	Jersey	Roadside services
Automobile Association Developments Limited	England	Roadside & other services
Automobile Association Underwriting Services Limited	England	Roadside & insurance services
AA Ireland Limited	Ireland	Roadside & insurance services
Automobile Association Insurance Services Limited	England	Roadside & insurance services
DriveTech (UK) Limited	England	Driving Services
Acromas Reinsurance Company Limited	Guernsey	Insurance services
Direct Choice Insurance Services Limited	England	Insurance services

ACROMAS MID CO LIMITED

Notes to the financial statements (continued)

7 Investment in subsidiary undertakings (continued)

Company	Country of registration	Nature of business
<u>Associates (20% interest held)</u>		
	(i)	
ARC Europe S.A.	Belgium	Roadside services
<u>Associates (22% interest held)</u>		
	(i)	
A.C.T.A. Assistance S.A.	France	Roadside services
A.C.T.A. Assurance S.A. services	France	Roadside & insurance
A.C.T.A. S.A.	France	Roadside services

(i) The Group holds these associate undertakings directly with the exception of A.C.T.A. S.A. and A.C.T.A. Assurance S.A., which are both subsidiaries of A.C.T.A. Assistance S.A. There is no difference between percentage holding and percentage voting rights in ordinary shares.

8 Debtors	2014	2013
	£'000	£'000
Amounts due from group undertakings	1,480,120	5,212,482
Prepayments and accrued income	1,374	37
	<u>1,481,494</u>	<u>5,212,519</u>

All amounts above are due in less than one year.

9 Creditors - amounts falling due in less than one year	2014	2013
	£'000	£'000
Amount owed to group undertakings	1,523,605	1,344,075
Accruals	14,943	8,691
	<u>1,538,548</u>	<u>1,352,766</u>

ACROMAS MID CO LIMITED
Notes to the financial statements (continued)

10 Creditors - amounts falling due after more than one year

	2014	2013
	£'000	£'000
Bank loans – senior	1,257,300	4,138,414
Bank loans – mezzanine	-	912,561
	<u>1,257,300</u>	<u>5,050,975</u>

The bank loans fall due for repayment:	2014	2013
	£'000	£'000
In two to five years	<u>1,257,300</u>	<u>5,064,668</u>
	1,257,300	5,064,668
Less: Deferred issue costs	-	(13,693)
	<u>1,257,300</u>	<u>5,050,975</u>

Interest rates on bank loans are on a variable basis linked to LIBOR. The bank loan facilities are secured by a floating charge over the Group's assets.

On 2 July 2013 the Group repaid a significant part of its bank debt to leave only £1,545.0 million outstanding and due for payment on 30 September 2017. Further details of this transaction are given in note 13.

On 25 April 2014, the Group entered into new debt financing arrangements and the bank loans held by Acromas Mid Co Limited were repaid in full.

11 Called up share capital	2014	2013
	£	£
Allotted, called up and fully paid		
91,000,601 ordinary shares of £0.01 each	<u>910,006</u>	<u>910,006</u>

12 Profit and loss account

	2014	2013
	£'000	£'000
At 1 February	(1,191,222)	(1,001,968)
Retained loss for the year	<u>(123,132)</u>	<u>(189,254)</u>
At 31 January	<u>(1,314,354)</u>	<u>(1,191,222)</u>

ACROMAS MID CO LIMITED

Notes to the financial statements (continued)

13 Refinancing during the year

On 2 July 2013, the Group raised new financing of £3,055.0 million through a Whole Business Securitisation of the AA. The funds generated from the new financing, together with £579.0 million of cash held within the Group and available for this purpose, were used to repay the most expensive existing senior and mezzanine debt within Acromas Mid Co Limited.

Following the repayment, the amount outstanding on these bank loans was reduced to £1,545.0 million of senior debt remaining and due to be repaid in September 2017. A corresponding reduction also arose in the net amount due from group undertakings.

On 25 April 2014, the Group entered into new debt financing arrangements and the bank loans held by Acromas Mid Co Limited were repaid in full.

14 Contingent liabilities

At 31 January 2014 the Company had secured £38.5 million (2013 - £67.4 million) of financial bonds and other guarantees on its £215.0 million (2013 - £270.0 million) revolving credit facility. If these bonds were called, the facility would be treated as drawn and recognised as a liability on the Company's balance sheet. The revolving credit facility is secured by a floating charge over the Group's assets.

The Association of British Travel Agents regulates the Group's UK tour operating business and requires the Group to put in place bonds provided by the Group's bankers in order to provide customer protection. These bonds are included within the financial bonds described above.

15 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.

16 Ultimate parent undertaking

The immediate parent undertaking is Acromas SPC Co 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 and Wales.

ACROMAS MID CO LIMITED

Notes to the financial statements (continued)

17 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.

18 Post balance sheet events

On 25 April 2014, the Group entered into new debt financing arrangements and the bank loans held by Acromas Mid Co Limited were repaid in full.

On 29 May 2014, Saga plc, an intermediate subsidiary undertaking, and parent undertaking for the Saga group, was admitted to the London Stock Exchange. On 23 June 2014, AA plc, an immediate subsidiary undertaking, was admitted to the London Stock Exchange.