



ANDREW GOODSSELL
CHIEF EXECUTIVE

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CHIEF EXECUTIVE'S REVIEW OF THE BUSINESS

GROWTH DURING AN AGE OF AUSTERITY

Acromas businesses have continued to grow strongly despite a challenging economic climate. Turnover has now topped two billion pounds and we have delivered an Adjusted EBITDA of £592.0 million, which is 3.8% higher than last year.

We serve the needs of some 18 million people across the UK and our brands provide work for some 38,000 people.

Throughout the year, we have continued the significant investment programme which was outlined and started last year. Our strong financial performance has enabled all investments to be made from cash generated by the business.

INVESTING TO LEAD THE WAY

Our commitment to invest heavily in our iconic British brands, Saga and the AA, supports the continuation of their market-leading positions.

We have a strategic intent to grow our healthcare business and invested almost £250 million in the acquisitions of Nestor Healthcare and Allied Healthcare. The combination of these with our existing care business has created Saga Homecare, a nationwide domiciliary care business. Our 16,000 carers make some 40 million visits a year delivering over 20 million hours of care. We also have a significant role in the provision of primary health care.

Within the AA, the new Home Emergency Response service has a growing dedicated team of engineers and yellow-liveried vans. Service-ratings from customers are as high as those for our well-established roadside assistance business, confirming this as a product where our core skills can add significant value for customers.

The AA's patrol fleet has benefitted from over 700 new vehicles during the year including a motorbike replacement programme involving larger bikes with greater tool-carrying capacity. In addition, BSM, which we rescued at the end of last year, and the AA Driving School have enjoyed a rolling programme of car replacements – in fact, over 7,000 throughout the year.

AA DriveTech has grown by 44% this year as speed awareness courses instead of driving licence points becomes the favoured route for dealing with first-time speeding offenders. The service offered has been enhanced by the acquisition of a complementary business, Intelligent Data Systems.

During the year, we created a new visual identity for Saga which was rolled out across our brand and marketing material. The first to adopt this new fresher format was Saga Magazine which retains its leadership position as the nation's favourite subscription magazine.

The new identity also featured in our memorable cruise TV advertisement, which gave life to the "nothing is too much trouble" standard of service we deliver for customers. The £65 million investment in Saga Sapphire, the new flagship for our cruise business, is now complete and she joined the fleet in Spring 2012.

TRUSTED BRANDS DELIVERING AWARD WINNING PRODUCTS AND SERVICE

Acromas's brands are trusted because they deliver the right products and services, at the right price, backed by excellence in customer service.

Our own research indicates that 97% of Saga Home Insurance customers and 96% of new AA Home Insurance customers rate the service as good to excellent, and 95% of new Saga Motor Insurance customers and 93% of AA Motor Insurance customers would recommend us to a friend.

The external validation of our research findings comes from the IPSOS Mori Survey, which once again scored Saga and the AA in the top two places for overall customer favourability and for satisfaction with service.

The AA was named the nation's top breakdown provider in both membership and car manufacturer categories by Which? Magazine and, for the fifth year running, has won the top accolade – the AA is a "recommended provider". International acclaim came with the AA winning the FIA European Patrol of the Year.

Which? Magazine awarded Saga a variety of plaudits this year including best buy or recommended provider status for motor, home and travel insurance and also the Saga Platinum Visa Card.

Judged against the high standards set by cruise customers, Saga Cruising was voted as the best cruise operator for the third consecutive year by readers of Which? Holiday magazine.

GIVING SOMETHING BACK

We continue to support a number of charitable initiatives and have donated £715,000 during the year. Our primary focus has been on our three associated charities:

- The Saga Charitable Trust works with local communities in travel destinations to make a sustainable difference in four key areas – education, training, healthcare and income generation and has delivered over £1 million to projects in the last four years.
- The Saga Respite for Carers Trust recognises the unpaid work of family carers by providing holidays so they can have a break from their caring responsibilities and funding the respite care needed by their loved ones whilst they are away. During 2011 the Trust gave 115 people a break.
- The AA Charitable Trust for Road Safety and the Environment promotes safer and more responsible driving through education and training. The Drive Smart initiative offers free training for new drivers and Drive Confident is aimed at lapsed drivers. To date more than 6,000 free courses have been provided.

OUR PEOPLE

Our success is built upon the service that we deliver to customers. The driving force behind our success is the dedication of our people – whether they are an AA patrol, a waiter on a cruise ship, a carer, a contact centre agent, or a driving instructor.

Our people can take great pride in the high regard customers have for their attention to detail and commitment. I too pay tribute to our staff as it is their focus on delivering the very best service for our customers that ensures we can thrive as a business at a time when others fail.

BUSINESS AND ECONOMIC OUTLOOK

Acromas has performed strongly in a difficult economic climate, enabling us to continue to grow our business.

Investing heavily in our brands has proved to be the right decision, enabling us to continue to provide the products and services that people want, delivered with exceptional customer service. Our focus on sharing expertise across the Group and our financial strength means we have been able to continue to improve services whilst maintaining excellent value.

In the coming year the UK economy faces a somewhat bumpy ride out of recession. Yet the fundamentals of our businesses are strong and we remain a company that will not just endure the economic challenges, but is able to thrive and capitalise on new opportunities.

I am very positive about the future of our business. Our commitment to invest in the future and a relentless pursuit of excellence in customer service means that we have the ability to continue to grow and provide a better future for our customers, our staff and shareholders.

