Interim Results

for the six months ended 31 July 2016

CAN-CP0335

21 September 2016

Saga plc

Interim Results for the six months ended 31 July 2016

23% increase in interim dividend supported by strong financial performance

Saga plc ("Saga" or "the Group"), the UK's specialist in products and services for life after 50, announces its interim results for the six months ended 31 July 2016.

Financial highlights

	31 July 2016	31 July 2015	Change
Profit before tax from continuing operations	£109.9m	£101.3m	8.5%
Basic EPS from continuing operations	7.9p	7.3p	8.2%
Debt ratio (net debt[1] to EBITDA[1])	2.2x	2.4x	(0.2)x
Interim dividend	2.7p	2.2p	22.7%

- Trading Profit[1] of £117.6m (H1 2015: £117.5m)
  - Trading Profit in the core businesses grew by 2.0%, including £4.7m negative profit impact in H1 2016 of scheduled maintenance for Saga Sapphire cruise ship
- Profit before tax, excluding the effect of derivative gains, increased by 3.9% to £104.5m (H1 2015: £100.6m)
- Sustained cash generation, leading to further deleveraging:
  - Net debt to EBITDA reduced to 2.2x from 2.4x at 31 July 2015
  - Progressing towards target range for debt ratio of between 1.5 and 2.0 times in the medium term
- 23% increase in interim dividend to 2.7p supported by financial performance and ongoing deleveraging

Operational highlights

- Insurance - strong performance in competitive environment:
  - Total core insurance policies increased to 3,051k (H1 2015: 2,731k), 3.0% growth excluding Bennetts
  - Motor panel performing effectively, taking around one quarter of net premium[2] on renewals
  - Continued strong performance in motor underwriting with combined operating ratio[3] of 58.6% (H1 2015: 65.5%)
  - Solvency II position of 196% (31 January 2016: 170%)[1]
  - Quota share reducing capital at risk, enabling cash to be gradually released from AICL
- Travel - robust trading performance and visibility:
  - Substantial majority of 2016/2017 sales targets already met and ahead of prior year for departures in 2017/2018
  - No discernable impact on customer behavior following the UK's decision to leave the EU
- Good progress made on design for new cruise ship with delivery on track for July 2019

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[1] *Please refer to the glossary provided in the Saga plc annual report and accounts for a full definition of this measure. The income statement and supporting analysis given later in the Chief Financial Officer's Review shows how this measure reconciles to statutory measures.*
[2] *Net premium here is defined as the share of premium paid by customer that is passed on to the underwriter.*
[3] *Combined operating ratio is the ratio of claims costs and expenses incurred in selling and administering insurance underwritten (the numerator) to the net earned premium and other income (the denominator) recognised for the period.*

	31 July 2016	31 July 2015	Change
Insurance			
Core policies	3,051k	2,731k	11.7%
Motor combined operating ratio	58.6%	65.5%	(6.9)ppts
Travel			
Tour operating passengers	95k	96k	(1.0)%
Ship passenger days	135k	171k	(21.1)%
Customers			
Contactable people on Saga database	11.3m	11.0m	2.7%
Active customers	2.7m	2.6m	3.8%
Average core product holding per active customer	1.7	1.7	-

Commenting on the results, Lance Batchelor, Group Chief Executive Officer, said:

"I am pleased that the business has made significant progress with our key strategic initiatives whilst delivering another robust financial performance. The strength of our core businesses and our operating model has again led to strong cash generation, enabling us to further reduce our debt ratio and giving us the confidence to increase our interim dividend by 23% to 2.7p.

Saga already has significant brand awareness and customer loyalty but we have been working hard to enhance our understanding of the relationship with our customers. This has produced some fascinating insights and opportunities and we are underway with the work that will enable us to capitalise on our findings.

We have seen no discernible impact to date from Britain's decision to leave the European Union; this has been especially notable in our Travel business, where we polled customers recently and 99% said that Brexit would not make them reconsider their future holiday plans.

The robust operational performance in the first half means that we are on track to meet our targets for the full year."

END

A presentation to analysts will be held at 09.30 at the offices of Goldman Sachs, Peterborough Court, 133 Fleet Street, London, EC4A 2BB. There will be a live webcast of the analyst presentation for registered participants. Registration can be completed at http://corporate.saga.co.uk/. The webcast will be also accessible via the Saga website following the presentation.

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Notes to editors

Saga is a specialist in the provision of products and services for life after 50. The Saga brand is one of the most recognised and trusted brands in the UK and is known for its high level of customer service and its high quality, award winning products and services including cruises and holidays, insurance, personal finance and publishing. saga.co.uk

Group Chief Executive’s Review

Overview

The business has produced another solid financial performance in the first half of the year with sustained profit growth in our core businesses delivered alongside investment in future growth. Profit before tax, excluding the effect of derivative gains, grew by 3.9% to £104.5m, generating £97.3m of available operating cash flow. This allowed us to further decrease our debt ratio to 2.2x net debt to EBITDA, making further progress towards our target range of 1.5x to 2.0x. This positive performance, combined with our confidence in our robust, sustainable operating model, has enabled us to increase our interim dividend by 23% to 2.7p, in line with our progressive dividend policy.

Our strategy remains focused on becoming an even more customer driven business, growing our core insurance and travel businesses, investing in future growth and maintaining our operating model to generate strong cash flows and robust earnings.

Become an even more customer driven business

A significant amount of work has been undertaken to further enhance our understanding of our customers. A large part of that work has been to segment our customer base and identify a cohort of high value customers that already have the strongest relationship with Saga. By identifying this group we are able to understand their common characteristics and to evolve our proposition to help ensure we build on our relationship with them.

To maximise the benefit of this insight, we are currently implementing a new suite of marketing software tools, which will enable us to understand how each customer interacts with us across multiple channels, and to produce targeted and personalised communications for them. This in turn allows us to optimise our marketing resources, and to reduce the use of mass direct marketing materials.

We are excited about the potential benefits of work in this area and we already have multiple initiatives underway internally that will allow us to capitalise on our findings. These initiatives will be launched externally in the coming months and we will update the market on the details in due course.

Growing our core businesses

Insurance

The strength of Saga’s insurance model lies in its flexibility to operate efficiently in all market conditions, balancing volume and price to deliver sustainable, robust earnings. Through Saga Services, our retail broker, we have the ability to access high quality, accurately priced underwriting from the most cost efficient source. This is either from our panel of third party providers, our own in-house underwriter, AICL, or from a third party solus arrangement. So far this year, this has allowed us to perform strongly across our portfolio of insurance products in a continuingly competitive environment, with Trading Profit up 3.7%.

The UK motor insurance market has remained highly competitive. While motor premiums demonstrated strong growth year on year, we saw the pace of premium growth slow markedly during the second quarter of the year.

The motor panel is proving effective with around a quarter of the net premiums on renewal going to third party underwriters. Our experience in home insurance shows that motor panel will take some time to reach its optimum pricing potential. It will become increasingly efficient as underwriters understand the Saga customer base, gain comfort with the data we provide them through the ‘Saga Factor' and as more underwriters join the panel. We have started rolling out insurer hosted pricing, which enables us to receive enhanced real-time pricing from our third party providers, leading to better pricing and improved competitive tension. We currently have five insurers on the panel and expect to add more insurers to compete for volume during the remainder of the financial year.

As part of our drive to improve the customer experience and efficiency of our operations, we are undertaking the modernisation of our insurance sales and administration platform over the next three years. This update will enhance our ability to rapidly react to customers’ changing needs, regardless of the channel through which they interact with Saga. The cost of this new generation of supported insurance operating platform will be covered within our usual run rate of capital expenditure.

We have delivered a 6.9% improvement in our reported combined operating ratio to 58.6% with a consistent level of reserve releases. This improvement is the result of the earn through of motor rate increases combined with ongoing efficient management of claims and continued positive claims experience, as well as an earned to written benefit from the introduction of the arrangement fee at the end of last year.

The UK home insurance market continues to be highly competitive and we have seen the same deflationary rate environment that the wider market has experienced. Despite these conditions, the efficiency of our panel has helped us to maintain our competitiveness and deliver growth in core policies.

In recent years, the competitive tension on the home insurance panel continued to rise as new panel members joined. This meant that, in a falling market, we were afforded a pricing advantage, with the cost of risk being charged to our retail broker, Saga Services, falling faster than the average market price of policies. The panel is now running very efficiently and as a result, future margin improvements are expected to be more in line with wider market rate rises.

We have continued to deliver a strong performance in other insurance, through growing customer numbers in this segment's core products of private medical insurance ('PMI') and travel insurance. Continued strong performance in PMI has been driven by our ability to manage our supply chain to achieve lower net rates. We have also been working closely with our supplier to improve the customer proposition to ensure its relevance to our target customer base. We now have a system in place that means patients can fast track appointments, providing the certainty and urgency that is important to our demographic. Our travel insurance has continued to perform well in light of our focus on developing new routes to market. This has helped us to continue to grow volumes, despite seeing market reductions in quote levels compared to the same period last year.

Travel

We have delivered growth in both revenue and profit within our tour operating business. We have continued to see a shift in the mix of sales to longer-haul, higher-value products as customers look beyond some of the more traditional holiday destinations. In this area, our customers value the security and the highly differentiated products that we offer. The shift is testament to our expertise in catering for the specific needs of our customer demographic and the flexibility of our model, which allows us to shift our offer to match changes in demand. We are continuing to broaden and target our offering based upon customer insight and this has been very well received to date.

Cruising has had a strong first half year with improvements in yields year on year. However Saga Sapphire underwent scheduled maintenance during the period which had a £4.7m adverse profit impact.

Our focus in cruising remains the safety of our ships, our passengers and our crew and we continue to invest to ensure we are continuously "raising the bar" within this remit. Outside of this we continually challenge ourselves to understand and adapt to our customer feedback which is ultimately measured by our exceptionally high guest satisfaction scores.

In both tour operating and cruising, we have already secured the substantial majority of our 2016/2017 sales targets and are ahead of prior year for departures in 2017/2018.

Current trading

Trading to week ending 10 September 2016

Departure Year	**2017/2018**	***Growth***	**2016/2017**
Tour Operating Revenue (£m)	105.4	*15.0%*	91.6
Tour Operating Passengers (000)	49.6	*13.0%*	43.9
Cruise Revenue (£m)	51.6	*1.0%*	51.1
Cruise Passenger Days (000)	210.9	*3.6%*	203.5

Investing in future growth

The strength of our core businesses allows us to continue to explore areas in which we can provide enhanced and differentiated products and services that cater for our customers' needs.

We have made good progress during the period in the design stage of the new cruise ship, conducted in consultation with our customers. We are working with one of the world's best cruise shipyards and are on track for delivery of the ship in July 2019. Given its enduring popularity with our customers, it is not surprising that we have received a high level of interest from customers regarding our new ship, with nearly 5,000 pre-registrations for the initial cruises. The first cruises will begin to go on sale next year and both we and our customers are extremely excited about the future of our cruising business.

As we have stated previously, the economics of the new ship will be transformational for our cruise business, delivering significant improvements in profits while enhancing our already fantastic customer experience.

We are continuing to develop our broad Saga Money proposition to serve our customers' wide range of financial needs. Within that, Saga Investment Services is making progress as the product range is broadened and customers continue to seek financial advice approaching retirement. The majority of our initial customers' have chosen to invest in our readymade portfolios, tailored by growth and risk objectives. During the recent challenging period immediately after Brexit, customers of these portfolios benefited from the funds' diversification.

We also continue to operate our other small scale, low cost pilots and we will continue to monitor progress and keep the market updated.

Maintaining our simple and efficient operating model

Strong cash generation and robustness of earnings are central to our model. Our new motor panel allows us to offer competitive products to a broader range of customers, and increase our ratio of broked to underwritten policies, growing our potential footprint and enhancing the quality of earnings.

The funds-withheld quota share arrangement we now have in place will reduce the need to hold as much capital in the future within our underwriter, gradually allowing cash to be released as a greater number of policies are covered by the arrangement. This will enhance cash generation, supporting our progressive dividend policy, while also maintaining our debt reduction targets.

We are also stepping up measures to enhance customers' experience of dealing with Saga, as well as improving operational efficiency across the business. We are in the process of introducing a new claims system, which will improve the process for our customers, as well as reducing costs associated with claims handling. As mentioned above, we will also be modernising our retail broking platform with an upgraded sales and administration system. The back office of our travel business is also being reorganised to improve efficiency and reduce costs. Lastly, we have put in place an enhanced procurement team to drive purchasing efficiency across the Group.

Britain's decision to leave the European Union (Brexit)

Before the 23rd June EU Referendum we had stated our belief that whatever the outcome of the vote, we were confident that Saga could continue to thrive. We were confident because our business model is flexible, and our target market has shown itself to be robust in the face of previous economic challenges.

The largest part of the Saga business that was potentially exposed to changing customer behaviour post the vote is our travel business. However, we polled our customers in the immediate aftermath of the vote and less than 1% of them said that they were reconsidering their future holiday plans as a result of the referendum result.

Since then, we have seen no discernible impact on our customers' travel behaviour across the business, evidenced by our current trading in the travel business. Our travel business model is also different to the industry standard as we do not have to make volume commitments to hotels and suppliers. We also hedge fuel and other costs up to two years in advance so that short term currency and oil price fluctuations have no material impact on pricing to customers.

With regard to our underwriting operations in Gibraltar (AICL), at present we can see no reason why the decision to leave the EU will lead to a change in how we currently operate.

The longer-term impact of the Brexit negotiations will emerge over time, but we will monitor them closely and remain confident in our ability to adapt to and thrive amidst the new challenges and opportunities.

Conclusion

The first half of the year has been an exciting one with a significant amount of activity throughout all areas of the company. Whilst growing our core businesses and exploring opportunities for future growth, we are working hard to increase our understanding of our customers through an enhanced dialogue, further analysis of our database and developing our proposition.

Our aim is to deliver on these objectives, while continuing to generate resilient earnings, progressive returns to shareholders and reaching our cash generation and debt reduction targets. I believe that we have the right team in place to achieve our goals and I am confident that we will deliver on our plans for the full year.

Chief Financial Officer's Review

The Group had a solid first six months of the year, with Trading Profit in line with H1 2015. Profit before tax increased by 8.5% and, excluding the benefit of derivative gains, grew by 3.9%. These results were impacted by the scheduled Saga Sapphire maintenance, which reduced profit in the first half of the year by £4.7m. After generating a strong positive cash flow, the Group further reduced its debt ratio to 2.2x from 2.3x at 31 January 2016. The interim dividend has been increased by 23% to 2.7p per share (H1 2015: 2.2p).

Income Statement

Group Income Statement	6m to Jul 2016	*Growth*	6m to Jul 2015
Revenue	**£437.2m**	***(8.6%)***	**£478.3m**
Trading EBITDA	£133.4m	*2.1%*	£130.6m
Depreciation & amortisation (excluding acquired intangibles)	(£15.8m)		(£13.1m)
Trading Profit	**£117.6m**	***0.1%***	**£117.5m**
Non-trading items (incl. IPO expenses)	(£0.6m)		(£0.4m)
Amortisation of acquired intangibles	(£3.5m)		(£2.4m)
Net finance costs	(£9.0m)		(£14.1m)
Net fair value gains on derivatives	£5.4m		£0.7m
Profit before tax from continuing operations	**£109.9m**	***8.5%***	**£101.3m**
Tax expense	(£22.0m)	*8.9%*	(£20.2m)
Loss after tax for the year from discontinued operations	-		(£3.2m)
Profit after tax	**£87.9m**	***12.8%***	**£77.9m**
Basic earnings per share:			
Earnings per share from continuing operations	7.9p	*8.2%*	7.3p

Group revenue decreased by 8.6% to £437.2m (H1 2015*:* £478.3m), reflecting the accounting impact from the introduction of the funds-withheld quota share arrangement in motor insurance. Trading Profit was flat against the first half of 2015, with the current period incurring a £4.7m profit impact from the scheduled Saga Sapphire maintenance.

Net finance costs in the first half of the year were £9.0m (H1 2015: £14.1m), benefitting from lower interest costs on debt, lower amortisation of debt issue costs and a credit related to the unwind of discounting.

Profit before tax increased by 8.5% to £109.9m (H1 2015: £101.3m), reflecting a £4.7m increase in derivative fair value gains taken to profit and loss due to favourable movements on foreign exchange and oil price derivatives that are not covered by hedge accounting, and the reduction in finance costs. This was partially offset by an increase in amortisation of acquired intangibles of £1.1m as a result of the full six-month impact of Bennetts, acquired on 1 July 2015, and a £0.2m increase in non-trading costs.

During the first half of the year we completed the sale of the Bel Jou hotel, in St Lucia. Having written-down its carrying value during the previous financial year, there is no impact on the Group's income statement or balance sheet in the period.

Tax expense

The tax charge reported in the income statement of £22.0m (H1 2015: £20.2m) equates to 20.0% of profit before tax (H1 2015: 19.9%).

Earnings per share

The Group's basic earnings per share from continuing operations for the six months ending 31 July 2016 were 7.9p (H1 2015: 7.3p).

Dividends

The Directors declared an interim dividend of 2.7p per share (H1 2015: 2.2p per share). The dividend will be paid on 18 November 2016 to holders of ordinary shares on the register at the close of business on 7 October 2016.

Saga offers a share alternative in the form of a dividend re-investment plan ("DRIP") for those shareholders who wish to elect to use their dividend payments to purchase additional shares in the Group, rather than receive a cash payment. The last date for shareholders to elect to participate in the DRIP will be 24 October 2016.

Cash flow and liquidity

The Group continued to generate high levels of cash flow in the six months to 31 July 2016, with an available operating cash flow of 72.9% of Trading EBITDA (H1 2015: 106.5%). Cash flow in the first half of 2016 was more consistent with the expected full-year cash flow outturn.

This cash flow decreased by £41.8m on the previous period, which was driven by a lower payout from the restricted businesses, as Travel retained more cash to fund deposits on the new ship, and normalisation of working capital in line with the full year. The working capital movement in the current year includes a one-off payment of £7.6m to Acromas in respect of the tax losses purchased, the benefit of which was recognised in the previous year's tax expense.

Available Cash Flow	**6m to Jul 2016**	***Growth***	**6m to Jul 2015**
Trading EBITDA	**£133.4m**	***2.1%***	**£130.6m**
Less Trading EBITDA relating to restricted businesses	(£64.3m)	*6.6%*	(£60.3m)
Intra-group dividends paid by restricted businesses	£50.0m	*(15.3%)*	£59.0m
Working capital and non-cash items	(£12.8m)	*(178.5%)*	£16.3m
Capital expenditure funded with available cash	(£9.0m)	*38.5%*	(£6.5m)
Available operating cash flow	**£97.3m**	***(30.1%)***	**£139.1m**
Available operating cash flow %	*72.9%*	*(33.6%)*	*106.5%*

Available operating cash flow reconciles to net cash flows from operating activities as follows:

	6m to Jul 2016	**6m to Jul 2015**
Net cash flow from operating activities (reported)	£91.7m	£106.4m
Exclude cash impact of:		
Trading of restricted divisions	(£62.1m)	(£35.7m)
Trading of discontinued operation	-	(£5.4m)
Cash released from restricted divisions	£50.0m	£59.0m
Non-trading costs	£5.0m	£9.6m
Interest paid	£7.2m	£13.2m
	£0.1m	£40.7m
Include capital expenditure funded from available cash	(£9.0m)	(£6.5m)
Exclude non-operating interest and tax cash flows	£14.5m	(£1.5m)
Available operating cash flow	**£97.3m**	**£139.1m**

Financing

The Group has reduced its net debt to EBITDA ratio to 2.2x in the six months to 31 July 2016 from 2.3x as at 31 January 2016. As at 31 July 2016, net debt was £534.0m, comprising £470.0m of gross debt and £75.0m of drawn revolving credit facility, offset by £11.0m of available cash. This compared with net debt as at 31 January 2016 of £547.7m, comprising £480.0m of gross debt and £75.0m of drawn revolving credit facility, offset by £7.3m of available cash.

Pensions

Over the six month period, the valuation of the Group's pension scheme liability has increased on an IAS19 basis by £28.8m to a deficit of £47.6m (31 January 2016: deficit £18.8m):

Saga Scheme	**31 July 2016**	**31 January 2016**
Fair value of scheme assets	£267.8m	£218.6m
Present value of defined benefit obligation	(£315.4m)	(£237.4m)
Defined benefit scheme liability	(£47.6m)	(£18.8m)

The increase in deficit was driven by a £78.0m increase in the present value of obligations to £315.4m (January 2016: £237.4m), due to lower discount rates as a result of falling bond yields. This was partially offset by a £49.2m increase in the fair value of the scheme assets to £267.8m (January 2016: £218.6m), reflecting a change in investment strategy and gains on overseas assets.

Net assets

Since 31 January 2016, total assets and liabilities increased by £43.3m and £4.9m respectively, increasing overall net assets by £38.4m.

The growth in total assets was due to an increase in cash and short-term deposits of £22.5m, and an increase in trade and other receivables of £16.0m.

With regard to liabilities, pension scheme obligations increased by £28.8m, coupled with £29.9m more deferred revenue driven by the seasonality of the Travel business (recognised under other liabilities) and an increase in tax liabilities of £11.9m. These were partially offset by a reduction of £32.7m in gross insurance contract liabilities, due to lower total claims outstanding, £19.2m less financial liabilities as a result of more derivative contracts moving into the money and continued deleveraging, and a £13.7m decrease in trade in other payables.

Segmental performance

Segmental Performance Summary		6m to Jul 2016	*Growth*	6m to Jul 2015
Revenue				
	Motor Insurance	£120.4m	*(23.4%)*	£157.2m
	Home Insurance	£47.5m	*(6.1%)*	£50.6m
	Other Insurance	£47.0m	*1.1%*	£46.5m
		£214.9m	*(15.5%)*	£254.3m
	Travel	£208.0m	*(0.8%)*	£209.7m
	Other Businesses and Central Costs	£14.3m	*0.0%*	£14.3m
		£437.2m	***(8.6%)***	**£478.3m**
Trading Profit				
	Motor Insurance	£72.1m	*9.9%*	£65.6m
	Home Insurance	£30.4m	*(11.6%)*	£34.4m
	Other Insurance	£16.0m	*11.9%*	£14.3m
		£118.5m	*3.7%*	£114.3m
	Travel	£9.0m	*(15.9%)*	£10.7m
	Other Businesses and Central Costs	(£9.9m)	*32.0%*	(£7.5m)
		£117.6m	***0.1%***	**£117.5m**

The prior period has been restated to reclassify certain overhead costs within the insurance segment to provide a more accurate allocation of costs. Insurance Trading Profit of £114.3m is unchanged.

Total revenue for the insurance business decreased by 15.5% to £214.9m (H1 2015: £254.3m), driven primarily by the impact of the new funds-withheld quota share arrangement in motor insurance. Travel revenue reduced by 0.8% to £208.0m (H1 2015: £209.7m), resulting from the Saga Sapphire maintenance offset by increased revenues from the tour operating businesses. Emerging businesses and central costs revenue was in line with the previous year.

The insurance business saw an increase in Trading Profit of £4.2m, driven by the introduction of the motor panel, the full six-month impact of Bennetts and supply chain improvements in private medical insurance. Within this, Trading Profit from home insurance was down £4.0m due to lower average premiums and less profit share. This was offset by a £1.7m decrease in travel Trading Profit due to the Saga Sapphire maintenance and a £2.4m increase in the Trading Loss in the emerging businesses and central costs segment, driven by investment in both the Saga Investment Services and healthcare businesses.

Motor insurance

	6m to Jul 2016					6m to Jul 2015			
	Core UW	Ancillary	Broking/ Other	Total Motor	*Growth*	Core UW	Ancillary	Broking/ Other	Total Motor
Revenue	£70.7m	£16.9m	£32.8m	£120.4m	*(23.4%)*	£118.3m	£17.3m	£21.6m	£157.2m
Trading Profit	**£56.4m**	**£8.8m**	**£6.9m**	**£72.1m**	***9.9%***	**£49.8m**	**£10.5m**	**£5.3m**	**£65.6m**
Number of policies sold:									
- core	892k	26k	451k	1,369k	*23.1%*	956k	23k	133k	1,112k
- add-ons	n/a	1,146k	477k	1,623k	*22.8%*	n/a	1,193k	129k	1,322k
	892k	1,172k	928k	2,992k	*22.9%*	956k	1,216k	262k	2,434k
Gross written premiums	£97.8m	£16.3m	£57.7m	£171.8m	*7.1%*	£122.2m	£18.0m	£20.2m	£160.4m

The prior period has been restated to reclassify certain overhead costs within the insurance segment to provide a more accurate allocation of costs. Insurance Trading Profit of £114.3m is unchanged.

Overall motor revenue decreased by 23.4% to £120.4m (H1 2015: £157.2m), with the impact of the new quota share arrangement being partially offset by trading in the Bennetts business that was acquired on 1 July 2015.

High motor market premium inflation during the first quarter of the year lowered persistency, but also led to higher levels of churn in the market, resulting in higher new business sales. Combined with the inclusion of Bennetts for the full six-month period, growth in core motor policies was 23.1%. When excluding Bennetts, core motor insurance policies increased by 1.7% to 1,102k (H1 2015: 1,084k). Motor core policies placed with third-party panel members form part of the policy count included under broking / other.

Positive claims experience within the core underwriting business, the introduction of the motor panel and the full-period impact of Bennetts has enabled an increase in Trading Profit of 9.9%, despite continuing challenging market conditions.

Motor underwriting

The profitability of the core underwritten motor business has improved, as lower net earned premiums are more than offset by improved claims experience and increases in other income.

Motor Core Underwriting P&L		**6m to Jul 2016**	***Quota Share***	***Underlying***	***Growth***	**6m to Jul 2015**
Net earned premium	**A**	£54.4m	*(£51.0m)*	*£105.4m*	*(7.4%)*	£113.8m
Instalment income		£2.3m	-	*£2.3m*	*21.1%*	£1.9m
Other income	**B**	£14.0m	*£3.0m*	*£11.0m*	*323.1%*	£2.6m
Revenue		**£70.7m**	***(£48.0m)***	***£118.7m***	***0.3%***	**£118.3m**
Claims costs	**C**	(£34.2m)	*£44.2m*	*(£78.4m)*	*(11.7%)*	(£88.8m)
Reserve releases	**D**	£40.0m	-	*£40.0m*	*(1.2%)*	£40.5m
Claims handling and regulatory fees	**E**	(£4.0m)	*£5.7m*	*(£9.7m)*	*5.4%*	(£9.2m)
Total cost of sales	**F**	£1.8m	*£49.9m*	*(£48.1m)*	*(16.3%)*	(£57.5m)
Gross profit		**£72.5m**	***£1.9m***	***£70.6m***	***16.1%***	**£60.8m**
Total expenses	**G**	(£19.1m)	*£1.0m*	*(£20.1m)*	*7.5%*	(£18.7m)
Investment return		£3.0m	*(£3.8m)*	*£6.8m*	*(11.7%)*	£7.7m
Trading Profit		**£56.4m**	***(£0.9m)***	***£57.3m***	***15.1%***	**£49.8m**
Reported loss ratio	**(C+D)/(A+B)**	(8.5%)		*33.0%*	*(8.5%)*	41.5%
Expense ratio	**(E+G)/(A+B)**	33.8%		*25.6%*	*1.6%*	24.0%
Reported COR	**(F+G)/(A+B)**	25.3%		*58.6%*	*(6.9%)*	65.5%
Pure COR	**(F+G-D)/(A+B)**	83.8%		*93.0%*	*(7.3%)*	100.3%

The prior period has been restated to reclassify certain overhead costs within the insurance segment to provide a more accurate allocation of costs. Insurance Trading Profit of £114.3m is unchanged.

As intended, the introduction of the new motor panel has resulted in more higher-premium business being placed with third-party underwriters, reported under broking / other, which has driven a reduction in the number of policies and average premiums that remain underwritten by the Group. This effect, combined with the newly introduced arrangement fee now recognised in other income, has resulted in underlying net earned premium reducing by 7.4% to £105.4m.

Underlying profit from the core underwritten motor business has increased by 15.1% to £57.3m (H1 2015: £49.8m), with a 7.3% improvement in the pure combined operating ratio when excluding the effect of the new funds-withheld quota share arrangement. This improvement has been driven by the earn through of motor rate increases combined with our strong claims performance, coupled with an earned to written benefit enjoyed from the introduction of the arrangement fee at the end of last year.

The accounting for the new quota share arrangement, effective from 1 February 2016, has resulted in a reduction in revenue and some cost lines, with a limited impact on Trading Profit. The impact of this has been presented in the table above. The premiums ceded to the reinsurer are based on the net premiums recognised by AICL, and so they do not incorporate a share of broker revenue.

The Group has not seen the increase in claims frequency that has been reported elsewhere in the market recently, with current levels of frequency being broadly flat across accidental damage, third party damage and personal injury claims. As previously reported, this is largely a result of the characteristics of the Group's current customer base, with the majority of customers being retired, therefore lessening the impact of recent falls in fuel costs and economic growth.

Claims severity during 2016 has increased in line with expectations, being broadly stable across accidental damage, third party damage and small personal injury claims when removing the effect of cost inflation. The Group is not currently experiencing the inflation in personal injury claims costs reported elsewhere and has continued to maintain strong levels of retention within the Ministry of Justice Portal, in addition to its significant and ongoing focus on effective management of these types of claims.

Home insurance

	6m to Jul 2016				6m to Jul 2015		
	Ancillary UW	**Core Broking / Coinsured**	**Total Home**	***Growth***	**Ancillary UW**	**Core Broking / Coinsured**	**Total Home**
Revenue	£9.2m	£38.3m	£47.5m	*(6.1%)*	£9.0m	£41.6m	£50.6m
Trading Profit	**£3.9m**	**£26.5m**	**£30.4m**	***(11.6%)***	**£5.1m**	**£29.3m**	**£34.4m**
Number of policies sold:							
- core	n/a	1,283k	1,283k	*2.0%*	n/a	1,258k	1,258k
- add-ons	545k	n/a	545k	*(1.4%)*	553k	n/a	553k
	545k	1,283k	1,828k	*0.9%*	553k	1,258k	1,811k
Gross written premiums	£9.9m	£67.7m	£77.6m	*(2.6%)*	£10.2m	£69.5m	£79.7m

The prior period has been restated to reclassify certain overhead costs within the insurance segment to provide a more accurate allocation of costs. Insurance Trading Profit of £114.3m is unchanged.

The home insurance market has remained highly competitive over the last six months, with no inflation in premiums.

Revenue decreased by 6.1% to £47.5m (H1 2015: £50.6m) due to a reduction in profit share and a small fall in average premiums compared to the first half of last year. This, coupled with inflationary increases in operating expenses, resulted in a decrease in Trading Profit of 11.6% to £30.4m (H1 2015: £34.4m).

Other insurance

	6m to Jul 2016				6m to Jul 2015		
	Core UW	**Core Broking / Other**	**Total Other Insurance**	***Growth***	**Core UW**	**Core Broking / Other**	**Total Other Insurance**
Revenue	£17.8m	£29.2m	£47.0m	*1.1%*	£19.7m	£26.8m	£46.5m
Trading Profit	**£1.5m**	**£14.5m**	**£16.0m**	***11.9%***	**£2.0m**	**£12.3m**	**£14.3m**
Number of policies sold:							
- core	32k	367k	399k	*10.5%*	29k	332k	361k
- add-ons	n/a	3k	3k	*(40.0%)*	n/a	5k	5k
	32k	370k	402k	*9.8%*	29k	337k	366k
Gross written premiums	£3.3m	£64.8m	£68.1m	*1.9%*	£3.1m	£63.7m	£66.8m

The prior period has been restated to reclassify certain overhead costs within the insurance segment to provide a more accurate allocation of costs. Insurance Trading Profit of £114.3m is unchanged.

Revenue in other insurance lines grew by 1.1% to £47.0m (H1 2015: £46.5m), driven by an increase in travel insurance volumes, and lower net rates on private medical insurance due to supply chain improvements.

Trading Profit was up £1.7m to £16.0m (H1 2015: £14.3m) due to an increase in profit on private medical insurance, and after marketing spend in the previous year on Saga Legal Services. This was partially offset by increased costs in line with increased travel insurance volumes.

Insurance underwriting

Reserving

Reserve Releases	**6m to Jul 2016**	*Growth*	**6m to Jul 2015**
Motor insurance:			
Core UW	£40.0m	*(1.2%)*	£40.5m
Ancillary	-	*(100.0%)*	£0.5m
	£40.0m	*(2.4%)*	£41.0m
Home insurance	£0.4m	*100.0%*	-
Other insurance	£0.8m	*60.0%*	£0.5m
Total	£41.2m	*(0.7%)*	£41.5m

Continued favourable claims development experience during the six months to 31 July 2016, driven by large and small personal injury claims, enabled the Group to maintain a consistent level of reserve releases in the first half of the year of £41.2m (H1 2015: £41.5m). There has been no deterioration in the reserve margin year-on-year. Releases in the second half of this year are expected to be lower than the comparable period in the prior year.

Analysis of insurance contract liabilities at 31 July 2016 and 31 January 2016 is as follows:

		At 31 Jul 2016			**At 31 Jan 2016**	
	Gross	**Reinsurance Assets**	**Net**	**Gross**	**Reinsurance Assets**	**Net**
Reported claims	£333.6m	(£76.5m)	£257.1m	£341.5m	(£70.7m)	£270.8m
Incurred but not reported	£192.6m	(£30.0m)	£162.6m	£209.2m	(£30.9m)	£178.3m
Claims handling provision	£10.8m	-	£10.8m	£10.9m	-	£10.9m
Total claims outstanding	£537.0m	(£106.5m)	£430.5m	£561.6m	(£101.6m)	£460.0m
Unearned premiums	£133.6m	(£2.4m)	£131.2m	£141.7m	(£4.8m)	£136.9m
Total	£670.6m	(£108.9m)	£561.7m	£703.3m	(£106.4m)	£596.9m

The Group's total insurance contract liabilities net of reinsurance assets have reduced by £35.2m as at 31 July 2016 from 31 January 2016 due to a £29.5m decrease in the total claims outstanding and a £5.7m decrease in unearned premiums.

Investment portfolio

The majority of the Group's financial assets are held by its underwriting entity, and represent premium income received and invested to settle claims, and to meet regulatory capital requirements. The maturity profile of the invested financial assets is aligned with the expected cash outflow profile associated with the settlement of claims in the future.

The amount held in invested funds increased by £3.1m compared with the previous year end, from £644.7m as at 31 January 2016, to £647.8m as at 31 July 2016. As at 31 July 2016, 94% of the financial assets held by the Group were invested with counterparties with a risk rating of A or above, which is up 2 percentage points on the previous year and reflects the move towards the Group's more prudent investment strategy.

At 31 July 2016	AAA	AA	A	<A	Unrated	Total
Underwriting investment portfolio:						
Deposits with financial institutions	£30.0m	£110.7m	£224.1m	-	-	£364.8m
Debt securities	£81.9m	-	-	-	-	£81.9m
Money market funds	£114.6m	-	-	-	-	£114.6m
Hedge funds	-	-	-	-	£25.5m	£25.5m
Loan funds	-	-	-	-	£6.2m	£6.2m
Loan notes	-	-	-	-	£4.5m	£4.5m
Unlisted equity shares	-	-	-	-	£0.2m	£0.2m
Total invested funds	£226.5m	£110.7m	£224.1m	-	£36.4m	£597.7m
Hedging derivative assets	-	£35.7m	£13.9m	£0.5m	-	£50.1m
Total financial assets	**£226.5m**	**£146.4m**	**£238.0m**	**£0.5m**	**£36.4m**	**£647.8m**

Solvency capital

	6m to Jul 2016	12m to Jan 2016
Undertaking-specific parameters		
Solvency Capital Requirement (SCR)	£109.7m	£128.8m
Available capital	£214.6m	£219.6m
Surplus	£104.9m	£90.8m
Coverage	*196%*	*170%*

As expected, the Group's Solvency II coverage ratio has risen during the period as the new quota share arrangement is taken into account. At 31 July 2016, the Group had an SCR of £109.7m and available capital of £214.6m, giving a coverage ratio of 196%.

Travel

The Travel business has had another strong six months of trading, offset by the scheduled maintenance of one of the Group's cruise ships, the Saga Sapphire.

	6m to Jul 2016			*Growth*	6m to Jul 2015		
	Tour Operating	Cruising	Total Travel		Tour Operating	Cruising	Total Travel
Revenue	£170.5m	£37.5m	£208.0m	*(0.8%)*	£166.9m	£42.8m	£209.7m
Trading Profit	**£8.5m**	**£0.5m**	**£9.0m**	***(15.9%)***	**£8.3m**	**£2.4m**	**£10.7m**
Number of holidays passengers	95k	n/a	95k	*(1.0%)*	96k	n/a	96k
Number of ship passenger days	n/a	135k	135k	*(21.1%)*	n/a	171k	171k

The tour operating businesses generated a 2.2% increase in revenue to £170.5m (H1 2015: £166.9m), despite a small decrease in passenger numbers of 1.0% on the previous year, as average revenue per passenger increased due to a change in product mix to more long haul and third-party cruise products. This resulted in an increase in Trading Profit to £8.5m (H1 2015: £8.3m).

The Saga Sapphire was out of operation for scheduled maintenance for 63 days between April and June, which impacted revenue and Trading Profit by £8.6m and £4.7m respectively. As a result, cruising delivered revenue of £37.5m, 12.4% below the previous year (H1 2015: £42.8m), and Trading Profit of £0.5m (H1 2015: £2.4m). Excluding the impact of the Saga Sapphire maintenance, revenue and Trading Profit would have both increased, reflecting improved yields.

Emerging businesses and central costs

	6m to Jul 2016	*Growth*	6m to Jul 2015
Revenue	£14.3m	*0.0%*	£14.3m
Trading Loss	**(£9.9m)**	***(32.0%)***	**(£7.5m)**

Revenue from emerging businesses was consistent with the previous year, at £14.3m (H1 2015: £14.3m).

The overall Trading Loss from this segment was £9.9m (H1 2015: £7.5m), the increase being driven by investment in both the Saga Investment Services and healthcare businesses.

Financial outlook and guidance

Given trading in the year to date, the Group expects to deliver an ongoing increase in the profitability of the core businesses. After incremental investment year on year in emerging businesses, and with the benefit of lower finance costs, we are confident of delivering growth in PBT of between 5% and 7% for the full year.

With our strong cash generative attributes and our robust solvency positon, we are confident that we can deliver on our progressive dividend policy, while continuing to reduce our debt ratio toward our medium term target range of between 1.5 and 2.0 times.

Condensed consolidated income statement for the period ended 31 July 2016

	Note	**Unaudited 6m to Jul 2016 £'m**	Unaudited 6m to Jul 2015 £'m	12m to Jan 2016 £'m
Revenue	3	437.2	478.3	963.2
Cost of sales	3	(201.5)	(264.4)	(544.2)
Gross profit		**235.7**	**213.9**	**419.0**
Administrative and selling expenses		(122.9)	(106.2)	(227.3)
Investment income		2.0	6.9	11.0
Finance costs		(9.7)	(14.1)	(25.2)
Finance income		6.1	0.7	-
Share of (loss)/profit of joint ventures		(1.3)	0.1	(1.3)
Profit before tax from continuing operations		**109.9**	**101.3**	**176.2**
Tax expense	5	(22.0)	(20.2)	(28.1)
Profit for the period from continuing operations		**87.9**	**81.1**	**148.1**
Loss after tax from discontinued operations	18	-	(3.2)	(6.9)
Profit for the period		**87.9**	**77.9**	**141.2**
Attributable to:				
Equity holders of the parent		87.9	77.8	140.9
Non-controlling interests		0.0	0.1	0.3
		87.9	**77.9**	**141.2**
Earnings per share:				
Basic	7	7.9p	7.0p	12.7p
Diluted	7	7.8p	6.9p	12.6p
Earnings per share for continuing operations:				
Basic	7	7.9p	7.3p	13.3p
Diluted	7	7.8p	7.2p	13.2p

Condensed consolidated statement of comprehensive income for the period ended 31 July 2016

	Unaudited 6m to Jul 2016 £'m	Unaudited 6m to Jul 2015 £'m	12m to Jan 2016 £'m
Profit for the period	**87.9**	**77.9**	**141.2**
Other comprehensive income			
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Exchange differences on translation of foreign operations	-	-	(1.2)
Net gain/(loss) on cash flow hedges	32.0	(5.7)	16.6
Net gain/(loss) on available for sale financial assets	4.3	(2.1)	(1.6)
Tax effect	(6.6)	1.4	(2.6)
	29.7	(6.4)	11.2
Other comprehensive income not to be reclassified to the income statement in subsequent periods			
Re-measurement (losses)/gains on defined benefit plans	(30.1)	18.3	26.6
Tax effect	5.4	(3.7)	(4.8)
	(24.7)	**14.6**	**21.8**
Total other comprehensive gains	**5.0**	**8.2**	**33.0**
Total comprehensive income for the period	**92.9**	**86.1**	**174.2**
Attributable to:			
Equity holders of the parent	92.9	86.0	173.9
Non-controlling interests	-	0.1	0.3
	92.9	**86.1**	**174.2**

Condensed consolidated statement of financial position as at 31 July 2016

Assets	Note	**Unaudited As at Jul 2016 £'m**	Unaudited As at Jul 2015 £'m	As at Jan 2016 £'m
Goodwill	9	1,485.0	1,485.0	1,485.0
Intangible fixed assets	10	51.5	49.6	52.3
Investment in joint ventures		1.5	2.3	1.6
Property, plant and equipment	11	137.9	128.9	140.6
Financial assets	12	647.8	603.9	644.7
Deferred tax assets		25.3	21.4	22.1
Reinsurance assets	15	108.9	73.1	106.4
Inventories		4.5	4.7	4.9
Trade and other receivables		204.0	181.8	188.0
Assets held for sale	18	-	40.7	-
Cash and short-term deposits	13	129.0	140.0	106.5
Total assets		**2,795.4**	**2,731.4**	**2,752.1**
Liabilities				
Retirement benefit scheme obligations	14	47.6	26.0	18.8
Gross insurance contract liabilities	15	670.6	691.8	703.3
Provisions		3.9	4.8	4.0
Financial liabilities	12	561.3	583.3	580.5
Current tax liabilities		20.9	36.6	15.0
Deferred tax liabilities		23.4	6.8	17.4
Other liabilities		163.2	161.4	133.3
Trade and other payables		177.9	155.5	191.6
Liabilities held for sale	18	-	40.9	-
Total liabilities		**1,668.8**	**1,707.1**	**1,663.9**
Equity				
Issued capital		11.2	11.2	11.2
Share premium		519.3	519.3	519.3
Retained earnings		540.0	475.8	527.0
Share-based payment reserve		13.4	22.6	17.7
Foreign currency translation reserve		(0.7)	0.5	(0.7)
Available for sale reserve		6.1	1.9	2.4
Hedging reserve		37.3	(7.0)	11.3
Equity attributable to equity holders of the parent		**1,126.6**	**1,024.3**	**1,088.2**
Non-controlling interest		-	-	-
Total equity		**1,126.6**	**1,024.3**	**1,088.2**
Total liabilities and equity		**2,795.4**	**2,731.4**	**2,752.1**

Condensed consolidated statement of changes in equity for the period ended 31 July 2016

	Attributable to the equity holders of the parent									
	Issued capital £'m	Share premium £'m	Retained earnings £'m	Share-based payment reserve £'m	Foreign currency translation reserve £'m	Available for sale reserve £'m	Hedging reserve £'m	Total £'m	Non-controlling interests £'m	Total equity £'m
Unaudited										
At 1 February 2016	**11.2**	**519.3**	**527.0**	**17.7**	**(0.7)**	**2.4**	**11.3**	**1,088.2**	**-**	**1,088.2**
Profit for the period	-	-	87.9	-	-	-	-	87.9	-	87.9
Other comprehensive gains/(losses)	-	-	(24.7)	-	-	3.7	26.0	5.0	-	5.0
Dividends paid	-	-	(55.9)	-	-	-	-	(55.9)	-	(55.9)
Share-based payment transactions	-	-	-	2.3	-	-	-	2.3	-	2.3
Exercise of share options	-	-	5.7	(6.6)	-	-	-	(0.9)	-	(0.9)
At 31 July 2016	**11.2**	**519.3**	**540.0**	**13.4**	**(0.7)**	**6.1**	**37.3**	**1,126.6**	**-**	**1,126.6**
Unaudited										
At 1 February 2015	**11.1**	**519.4**	**410.7**	**40.7**	**0.5**	**3.6**	**(2.3)**	**983.7**	**0.4**	**984.1**
Profit for the period	-	-	77.8	-	-	-	-	77.8	0.1	77.9
Other comprehensive gains/(losses)	-	-	14.6	-	-	(1.7)	(4.7)	8.2	-	8.2
Bonus shares issued	0.1	(0.1)	-	-	-	-	-	-	-	-
Dividends paid	-	-	(45.8)	-	-	-	-	(45.8)	(0.5)	(46.3)
Share-based payment transactions	-	-	12.9	(12.5)	-	-	-	0.4	-	0.4
Exercise of share options	-	-	5.6	(5.6)	-	-	-	-	-	-
At 31 July 2015	**11.2**	**519.3**	**475.8**	**22.6**	**0.5**	**1.9**	**(7.0)**	**1,024.3**	**-**	**1,024.3**
At 1 February 2015	**11.1**	**519.4**	**410.7**	**40.7**	**0.5**	**3.6**	**(2.3)**	**983.7**	**0.4**	**984.1**
Profit for the year	-	-	140.9	-	-	-	-	140.9	0.3	141.2
Other comprehensive gains/(losses)	-	-	21.8	-	(1.2)	(1.2)	13.6	33.0	-	33.0
Bonus shares issued	0.1	(0.1)	-	-	-	-	-	-	-	-
Dividends paid	-	-	(70.4)	-	-	-	-	(70.4)	(0.7)	(71.1)
Share-based payment transactions	-	-	-	2.8	-	-	-	2.8	-	2.8
Exercise of share options	-	-	11.1	(12.9)	-	-	-	(1.8)	-	(1.8)
Issue of free shares	-	-	12.9	(12.9)	-	-	-	-	-	-
At 31 January 2016	**11.2**	**519.3**	**527.0**	**17.7**	**(0.7)**	**2.4**	**11.3**	**1,088.2**	**-**	**1,088.2**

Condensed consolidated statement of cash flows for the period ended 31 July 2016

	Note	**Unaudited 6m to Jul 2016 £'m**	Unaudited 6m to Jul 2015 £'m	12m to Jan 2016 £'m
Profit before tax from continuing operations		109.9	101.3	176.2
Loss before tax from discontinued operations		-	(5.0)	(7.2)
Profit before tax		109.9	96.3	169.0
Depreciation, impairment and loss on disposal of property, plant and equipment		10.3	11.2	23.4
Amortisation and impairment of intangible assets		9.0	5.8	14.1
Share-based payment expense		1.4	0.4	1.1
Loss on re-measurement of disposal group held for sale		-	-	7.3
Finance costs		9.7	14.8	25.2
Finance income		(6.1)	(1.2)	-
Share of post-tax losses/(profits) of joint ventures		1.3	(1.1)	1.3
Interest income from investments		(2.0)	(6.9)	(11.0)
Movements in other assets and liabilities		(22.0)	(8.0)	(56.5)
		111.5	111.3	173.9
Interest received		2.0	6.8	13.5
Interest paid		(7.3)	(13.2)	(21.6)
Income tax (paid)/received		(14.5)	1.5	(15.4)
Net cash flows from operating activities		**91.7**	**106.4**	**150.4**
Investing activities				
Proceeds from sale of property, plant and equipment		0.1	0.1	-
Purchase of property, plant and equipment and software		(29.2)	(12.1)	(33.8)
Net disposal of financial assets		69.6	80.9	64.3
Acquisition of subsidiaries	8	-	(26.0)	(26.7)
Disposal of subsidiaries		-	-	(8.2)
Investment in joint venture		(1.3)	-	(3.0)
Net cash flows from/(used in) investing activities		**39.2**	**42.9**	**(7.4)**
Financing activities				
Payment of finance lease liabilities		(0.2)	(0.1)	(0.5)
Proceeds from borrowings	16	20.0	70.0	-
Repayment of borrowings	16	(30.0)	(200.0)	(145.0)
Dividends paid		(56.1)	(46.3)	(70.0)
Net cash flows used in financing activities		**(66.3)**	**(176.4)**	**(215.5)**
Net increase/(decrease) in cash and cash equivalents		**64.6**	**(27.1)**	**(72.5)**
Net foreign exchange differences		-	-	(1.0)
Cash and cash equivalents at the start of the period		164.4	237.9	237.9
Cash and cash equivalents at the end of the period	13	**229.0**	**210.8**	**164.4**

Notes to the condensed consolidated interim financial statements

1 Corporate information

Saga plc (the 'Company') is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 (registration number 8804263). Its registered office is located at Enbrook Park, Folkestone, Kent, CT20 3SE.

The interim condensed consolidated financial statements of Saga plc and the entities controlled by the Company (its subsidiaries, collectively 'the Group') for the six months ended 31 July 2016 were authorised for issue in accordance with a resolution of the Directors on 20 September 2016.

2.1 Basis of preparation

These condensed financial statements comprise the interim financial statements of the Group for the six month period to 31 July 2016.

The presentation currency of the Group is Sterling. Unless otherwise stated, the amounts shown in the condensed consolidated financial statements are in millions of pounds Sterling (£'m).

The condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) and in accordance with IAS 34 'Interim Financial Reporting'. The significant accounting policies applied by the Group are set out in note 2.3. The Group has applied all IFRS standards and interpretations adopted by the EU effective for the period ending 31 January 2017. The condensed consolidated interim financial statements have been reviewed by Ernst & Young LLP and include their review conclusion.

These condensed consolidated interim financial statements do not comprise statutory financial statements within the meaning of Section 435 of the Companies Act 2006. Statutory financial statements for the year ended 31 January 2016 have been delivered to the Registrar of Companies. The auditor's report on those financial statements:

(i) was unqualified;
(ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and
(iii) did not constitute a statement under Section 498 (2) or (3) of the Companies Act 2006.

2.2 Basis of consolidation

The condensed consolidated financial statements comprise the financial position and results of each of the companies within the Group. Where necessary, adjustments have been made to the financial position and results of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses have been eliminated on consolidation. The policies set out below have been applied consistently throughout the periods presented to items considered material to the condensed consolidated interim financial statements.

2.3 Summary of significant accounting policies

The condensed set of interim financial statements for the period ended 31 July 2016 have been prepared applying the same accounting policies that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 January 2016, except for changes required to appropriately reflect the contractual terms of the new quota share reinsurance agreement in motor insurance that became effective from 1 February 2016.

Notes to the condensed consolidated financial statements (continued)

2.3 Summary of significant accounting policies (continued)

Offsetting of insurance and related reinsurance assets and liabilities

IFRS 4 prohibits the offsetting of reinsurance assets against the related insurance liabilities, unless the appropriate legal requirements are met. Financial assets and liabilities arising under quota share agreements must be offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the associated amounts and there is an intention to settle on a net basis, or realise both the asset and settle the liability simultaneously. The contractual terms of the new funds-withheld quota share agreement in motor insurance requires such a set-off of associated amounts.

Reinsurance costs

The Group undertakes a programme of reinsurance in respect of the policies which it underwrites. Outward reinsurance premiums are accounted for in the same accounting period as the related inward insurance premiums and are included as a deduction from earned premium, and therefore as a reduction in revenue.

The amount of any anticipated reinsurance recoveries is treated as a reduction in claims costs. Where this amount is material, it is reported separately in the statement of financial position, except where the contractual terms of the reinsurance arrangement necessitates the set off of its associated financial assets and liabilities.

Revenue – profit commission due under coinsurance and reinsurance arrangements

Profit commissions due under coinsurance and reinsurance arrangements are recognised and valued in accordance with the contractual terms to which they are subject to and on the same basis, where appropriate, as the related reinsured liabilities.

Full details of the accounting policies of the Group can be found in the Annual report and accounts for the year ended 31 January 2016 available at www.corporate.saga.co.uk.

2.4 Standards issued but not yet effective

Standards and amendments to standards in issue but not effective or not adopted by the Group as at 31 January 2016 continue to be not yet effective or not adopted by the Group at 31 July 2016 and can be found in the Annual report and accounts for the year ended 31 January 2016 available at www.corporate.saga.co.uk. There have been no amendments to standards or interpretations issued since 1 February 2016 which impact the consolidated financial statements of the Group.

2.5 Significant accounting judgements, estimates and assumptions

Full details of significant accounting judgements, estimates and assumptions used in the application of the Group's accounting policies can be found in the Annual report and accounts for the year ended 31 January 2016 available at www.corporate.saga.co.uk. There have been no changes to the principles or assumptions in these critical accounting estimate and judgement areas during the period.

2.6 Going Concern

The condensed consolidated interim financial statements have been prepared on a going concern basis.

The Directors have reviewed the Group's projections including cash flows for the twelve months from the date of approval of the condensed consolidated interim financial statements and beyond, and have concluded that the Group has sufficient funds to continue trading for this period, and for the foreseeable future.

Notes to the condensed consolidated financial statements (continued)

3 Segmental information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- *Insurance*: primarily comprising general insurance products, further analysed into three sub-segments:
  - Motor Insurance
  - Home Insurance
  - Other Insurance
- *Travel*: primarily comprising the operation and delivery of package tours and cruise holiday products.
- *Emerging Businesses and Central Costs*: comprises the Group's other businesses and its central cost base. The other businesses primarily include the financial services product offering including the wealth management joint venture, the domiciliary care services offering, a monthly subscription magazine product and the Group's internal mailing house.

Seasonality

The Group is subject to seasonal fluctuations in both its Insurance and Travel segments resulting in varying profits over each quarter.

The Insurance segment experiences increased motor insurance sales in the month of March, and to a lesser degree September, due to the issue of new vehicle registration plates; and increased home insurance sales in March, June and September coinciding with the historic quarter days. In the motor underwriting business, a greater proportion of claims are notified in the second half of the financial year.

Typically, increased holiday departures in the shoulder months of May, June and September and low departure volumes during July and August create seasonal fluctuations in the profit of the Travel segment.

When the seasonalities of the various segments are considered in conjunction, the resultant half yearly Trading Profit is broadly consistent with half of the full year result.

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

	Insurance				Travel	Emerging Businesses and Central Costs	Adjust's	Total
Unaudited 6m to Jul 2016	Motor Insurance	Home Insurance	Other Insurance	Total				
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Revenue	**120.4**	**47.5**	**47.0**	**214.9**	**208.0**	**17.9**	**(3.6)**	**437.2**
Cost of sales	(9.4)	(2.8)	(15.4)	(27.6)	(166.4)	(7.5)	-	(201.5)
Gross profit	**111.0**	**44.7**	**31.6**	**187.3**	**41.6**	**10.4**	**(3.6)**	**235.7**
Results								
Trading EBITDA	**74.6**	**31.5**	**17.0**	**123.1**	**16.0**	**(5.7)**	**-**	**133.4**
Depreciation	(0.9)	(0.3)	(0.3)	(1.5)	(5.6)	(3.2)	-	(10.3)
Amortisation of intangible assets	(1.6)	(0.8)	(0.7)	(3.1)	(1.4)	(1.0)	-	(5.5)
Trading Profit	**72.1**	**30.4**	**16.0**	**118.5**	**9.0**	**(9.9)**	**-**	**117.6**
Amortisation of acquired intangible assets				(1.7)	(1.7)	(0.1)	-	(3.5)
Non-trading items				-	-	(0.6)	-	(0.6)
Net fair value loss on derivative financial instruments				-	5.4	-	-	5.4
Other finance income				-	-	0.7	-	0.7
Net finance costs				-	(0.2)	(9.5)	-	(9.7)
Profit before tax from continuing operations				**116.8**	**12.5**	**(19.4)**	-	**109.9**
No of employees from continuing operations				2,425	2,057	776		5,258

Revenue is generated solely in the UK.

Cost of sales within the insurance segment comprises claims costs incurred on insurance policies underwritten by the Group (see note 3b). The costs of marketing, selling and administering the policies are deducted in arriving at Trading EBITDA.

The number of employees in the Travel segment includes 854 crew who are employed indirectly via a manning agency.

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

Unaudited 6m to Jul 2015 (as restated)	Insurance[1] Motor Insurance £'m	Home Insurance £'m	Other Insurance £'m	Total £'m	Travel £'m	Emerging Businesses and Central Costs £'m	Adjust's £'m	Total £'m
Revenue	**157.2**	**50.6**	**46.5**	**254.3**	**209.7**	**18.0**	**(3.7)**	**478.3**
Cost of sales	(69.9)	(3.2)	(17.3)	(90.4)	(166.3)	(7.7)	-	(264.4)
Gross profit	**87.3**	**47.4**	**29.2**	**163.9**	**43.4**	**10.3**	**(3.7)**	**213.9**
Results								
Trading EBITDA	**67.2**	**35.5**	**15.0**	**117.7**	**16.9**	**(4.0)**	**-**	**130.6**
Depreciation	(1.1)	(0.7)	(0.5)	(2.3)	(4.7)	(3.0)	-	(10.0)
Amortisation of intangible assets	(0.5)	(0.4)	(0.2)	(1.1)	(1.5)	(0.5)	-	(3.1)
Trading Profit	**65.6**	**34.4**	**14.3**	**114.3**	**10.7**	**(7.5)**	**-**	**117.5**
Amortisation of acquired intangible assets				(0.4)	(2.0)	-	-	(2.4)
Non-trading items				-	2.7	(3.1)	-	(0.4)
Net fair value loss on derivative financial instruments				-	0.7	-	-	0.7
Net finance costs				-	(0.8)	(13.3)	-	(14.1)
Profit before tax from continuing operations				**113.9**	**11.3**	**(23.9)**	**-**	**101.3**
No of employees from continuing operations				2,332	2,157	713		5,202

[1] A review of the allocation basis for overhead expenses between the Motor, Home and Other subsegments has been undertaken. See Appendix 1 for further details.

Revenue is generated solely in the UK.

Cost of sales within the insurance segment comprises claims costs incurred on insurance policies underwritten by the Group (see note 3b). The costs of marketing, selling and administering the policies are deducted in arriving at Trading EBITDA.

The number of employees in the Travel segment includes 836 crew who are employed indirectly via a manning agency.

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

12m to Jan 2016 (as restated)	Insurance[1] Motor Insurance £'m	Home Insurance £'m	Other Insurance £'m	Total £'m	Travel £'m	Emerging Businesses and Central Costs £'m	Adjust's £'m	Total £'m
Revenue	**318.7**	**99.8**	**91.6**	**510.1**	**423.1**	**37.1**	**(7.1)**	**963.2**
Cost of sales	(151.2)	(6.1)	(33.3)	(190.6)	(337.2)	(16.4)	-	(544.2)
Gross profit	**167.5**	**93.7**	**58.3**	**319.5**	**85.9**	**20.7**	**(7.1)**	**419.0**
Results								
Trading EBITDA	**119.8**	**69.5**	**31.1**	**220.4**	**30.2**	**(11.8)**	**-**	**238.8**
Depreciation	(1.9)	(1.0)	(0.8)	(3.7)	(10.0)	(6.3)	-	(20.0)
Amortisation of intangible assets	(1.5)	(1.4)	(0.7)	(3.6)	(3.0)	(1.2)	-	(7.8)
Trading Profit	**116.4**	**67.1**	**29.6**	**213.1**	**17.2**	**(19.3)**	**-**	**211.0**
Amortisation of acquired intangible assets				(2.5)	(3.7)	(0.1)	-	(6.3)
Non-trading items				(5.2)	9.5	(7.6)	-	(3.3)
Net fair value loss on derivative financial instruments				-	(1.2)	-	-	(1.2)
Net finance costs				-	(1.0)	(23.0)	-	(24.0)
Profit before tax from continuing operations				**205.4**	**20.8**	**(50.0)**	**-**	**176.2**
No of employees from continuing operations				2,237	2,175	735		5,147

[1] A review of the allocation basis for overhead expenses between the Motor, Home and Other subsegments has been undertaken. See Appendix 1 for further details.

Revenue is generated solely in the UK.

Cost of sales within the insurance segment comprises claims costs incurred on insurance policies underwritten by the Group (see note 3b). The costs of marketing, selling and administering the policies are deducted in arriving at Trading EBITDA.

The number of employees in the Travel segment includes 868 crew who are employed indirectly via a manning agency.

Notes to the condensed consolidated financial statements (continued)

3a Analysis of Insurance revenue

	Unaudited 6m to Jul 2016 £'m	Unaudited 6m to Jul 2015 £'m	12m to Jan 2016 £'m
Gross earned premiums on insurance underwritten by the Group	152.6	168.0	322.5
Less: ceded to reinsurers	(54.6)	(3.2)	(6.8)
Net earned premiums on insurance underwritten by the Group			
- Motor Insurance	71.4	136.5	260.9
- Home Insurance	9.3	8.8	18.2
- Other	17.3	19.5	36.6
	98.0	164.8	315.7
Other income from insurance products	116.9	89.5	194.4
	214.9	254.3	510.1

3b Analysis of Insurance cost of sales

	Unaudited 6m to Jul 2016 £'m	Unaudited 6m to Jul 2015 £'m	12m to Jan 2016 £'m
Gross Claims incurred on insurance underwritten by the Group	68.7	79.9	219.3
Less: ceded to reinsurers	(50.7)	(1.6)	(44.4)
Net Claims incurred on insurance underwritten by the Group			
- Motor Insurance	(0.1)	57.9	134.8
- Home Insurance	2.8	3.2	7.0
- Other	15.3	17.2	33.1
	18.0	78.3	174.9
Other cost of sales	9.6	12.1	15.7
	27.6	90.4	190.6

Notes to the condensed consolidated financial statements (continued)

4 Non-trading items

	Unaudited 6m to Jul 2016 £'m	Unaudited 6m to Jul 2015 £'m	12m to Jan 2016 £'m
Share-based payment costs (note 17)	0.4	0.2	0.3
Flotation and other costs	0.4	2.5	2.6
Restructuring costs	(0.2)	0.7	1.3
Acquisition of subsidiaries (note 8)	-	-	0.5
Release of contingent consideration	-	(2.4)	(7.1)
Supplier insolvency	-	-	4.7
Impairment of property	-	-	3.8
Insurance claims	-	-	(3.1)
Other non-trading (income)/expenses	-	(0.6)	0.3
	0.6	0.4	3.3

Flotation and other costs comprise the cost of awards made at the time of the IPO and which vest over a period of time post-award.

Restructuring costs represents costs associated with restructuring and reorganising a number of Group operations and includes staff-related costs such as redundancy and other termination costs, together with various professional fees for advice and processes associated with the restructuring.

In the prior year, a significant supplier of legal services to our customers and our partner in the Saga Law Limited joint venture became insolvent and went into administration; this represents all costs incurred as a consequence and includes legal fees to put in place new arrangements, the cost of re-doing work by a replacement law form, and lost profits from the joint venture.

In the prior year, impairment of property represents the write-down of the carrying value of the Group's hotel in St Lucia following the decision to dispose of this asset and includes the expected costs of disposal.

In the prior year, the Group received two amounts under insurance policies towards the costs of cancelled or curtailed cruises; the costs of these operational issues were treated as non-trading items in prior years.

Notes to the condensed consolidated financial statements (continued)

5 Tax

	Unaudited 6m to Jul 2016 £'m	Unaudited 6m to Jul 2015 £'m	12m to Jan 2016 £'m
Current income tax			
Current income tax charge	20.8	21.3	32.7
Adjustments in respect of previous years	(0.4)	-	(8.4)
	20.4	21.3	24.3
Deferred tax			
Origination and reversal of temporary differences	1.6	(1.1)	3.1
Effect of tax rate on opening balance	-	-	1.0
Adjustments in respect of previous years	-	-	(0.3)
Tax expense in the income statement	22.0	20.2	28.1

Reconciliation of net deferred tax assets:

	Unaudited 6m to Jul 2016 £'m	Unaudited 6m to Jul 2015 £'m	12m to Jan 2016 £'m
At 1 February	4.7	17.4	17.4
Tax (charge)/credit in the income statement	(1.6)	1.1	(3.8)
Tax charge in other comprehensive income	(1.2)	(2.3)	(7.4)
Tax credit in respect of discontinued operations	-	1.1	1.2
Acquired in business combinations	-	(2.7)	(2.7)
At the end of the period	1.9	14.6	4.7

A reduction in the UK 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 to 18% from 1 April 2020. A further reduction to 17% from 1 April 2020 was announced on 16 March 2016, however, this rate change had not been enacted and is thus not applicable at the balance sheet date. As a result, closing deferred tax balances have been reflected at 18%.

The Group has tax losses which arose in the UK of £1.2m (July 2015: £7.5m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. A deferred tax asset has not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group.

6 Dividends

The Company paid an ordinary dividend of 5.0p per share during the period. The total dividend paid was £55.9m (July 2015: £45.8m).

Notes to the condensed consolidated financial statements (continued)

7 Earnings per share

Basic EPS is calculated by dividing the profit after tax for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by also including the weighted average number of ordinary shares that would be issued on conversion of all potentially dilutive options.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

The calculation of basic and diluted EPS is as follows:

	Unaudited 6m to Jul 2016 £'m	Unaudited 6m to Jul 2015 £'m	12m to Jan 2016 £'m
Profit attributable to ordinary equity holders	87.9	77.8	140.9
Profit from continuing operations	87.9	81.1	148.1
Weighted average number of ordinary shares	'm	'm	'm
Original shares	800.0	800.0	800.0
297.3m shares issued on 29 May 2014	297.3	297.3	297.3
Free shares issued on 5 June 2015	7.0	7.3	7.3
IPO share options exercised	9.5	3.7	6.5
Other share options exercised	0.0	-	-
Weighted average number for Basic EPS	1,113.8	1,108.3	1,111.1
Dilutive options			
IPO share options not yet exercised	3.6	9.4	6.6
Other share options not yet vested	0.1	2.3	2.4
LTIP share options not yet vested	3.5	-	-
Deferred bonus plan share options not yet vested	0.2	0.2	0.2
Weighted average number for Diluted EPS	1,121.2	1,120.2	1,120.3
Basic EPS	**7.9p**	**7.0p**	**12.7p**
Basic EPS for continuing operations	**7.9p**	**7.3p**	**13.3p**
Diluted EPS	**7.8p**	**6.9p**	**12.6p**
Diluted EPS for continuing operations	**7.8p**	**7.2p**	**13.2p**

Notes to the condensed consolidated financial statements (continued)

8 Acquisitions

a) Current period acquisitions

The Group made no acquisitions during the 6 month period ended 31 July 2016.

b) Prior period acquisitions

On 1 July 2015, the Group acquired a 100% shareholding in Bennetts Biking Services Limited ("Bennetts"), the UK's premier motorbike insurance specialist. Full details of this acquisition are provided in the annual report and accounts for the year ended 31 January 2016 available at www.corporate.saga.co.uk.

9 Goodwill

The net book value of goodwill is £1,485.0m (July 2015: £1,485.0m).

The Group has performed a review for indicators of impairment at 31 July 2016, and concluded that no indicators of impairment exist at that date.

10 Intangible fixed assets

During the period, the Group capitalised £8.2m (July 2015: £5.2m) of software assets and charged £9.0m of amortisation to its intangible assets (July 2015: £5.5m).

The Group has performed a review for indicators of impairment of the acquired contracts, brands and customer relationships at 31 July 2016, and concluded that no indicators of impairment exist at that date.

11 Property, plant and equipment

During the period, the Group capitalised assets with a cost of £7.8m (July 2015: £5.9m).

On 21 December 2015, the Group contracted with Meyer Werft GmbH & Co. KG to purchase a new cruise ship for delivery in July 2019, with an option to purchases a second similar cruise ship for delivery in 2021.

As at 31 July 2016, capital amounts contracted for but not provided in the financial statements in respect of the ship amounted to £280.1m (July 2015: £nil).

The first stage payment for the new ship was made in February 2016. Three similar stage payments will be made during the construction period (24 months, 18 months, and 12 months prior to delivery) funded via cash resources of the Group. The remaining element of the contract price is due on delivery of the ship, and the Group entered into appropriate financing for this on 21 December 2015.

The financing represents a 12 year fixed rate Sterling loan, backed by an export credit guarantee. The loan value of approximately £245m will be repaid in 24 broadly equal instalments, with the first payment 6 months after delivery. The effective interest rate on the loan (including arrangement and commitment fees) is 4.29%.

The Group has an option to purchase a second ship for the same price within the contract; the option must be exercised by 21 December 2017. The Group may be released from this option at any time although should the option to purchase not be exercised, a fee would become payable. The likelihood of incurring such a fee is considered extremely remote.

Notes to the condensed consolidated financial statements (continued)

12 Financial assets and financial liabilities

a) Financial assets

	Note	**Unaudited As at Jul 2016 £'m**	Unaudited As at Jul 2015 £'m	As at Jan 2016 £'m
Fair value through profit or loss				
Foreign exchange forward contracts		2.0	0.2	3.3
Fuel oil swaps		0.2	-	-
Loan funds		6.2	20.1	19.3
Hedge funds		25.5	34.3	26.7
Equities		-	9.0	-
		33.9	**63.6**	**49.3**
Fair value through the hedging reserve				
Foreign exchange forward contracts		47.7	1.9	16.7
Fuel oil swaps		0.2	-	-
		47.9	**1.9**	**16.7**
Loans and receivables				
Deposits with financial institutions		364.8	413.6	413.6
		364.8	**413.6**	**413.6**
Available for sale investments				
Debt securities		81.9	53.2	85.2
Money market funds	13	114.6	71.6	75.9
Unlisted equity shares		0.2	-	0.2
Loan notes		4.5	-	3.8
		201.2	**124.8**	**165.1**
Total financial assets		**647.8**	**603.9**	**644.7**
Current		309.9	217.7	288.8
Non-current		337.9	386.2	355.9
		647.8	**603.9**	**644.7**

The Group's financial assets are analysed by Moody's rating on page 15 of the Chief Financial Officer's Review.

Notes to the condensed consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

b) Financial liabilities

	Note	**Unaudited As at Jul 2016 £'m**	Unaudited As at Jul 2015 £'m	As at Jan 2016 £'m
Fair value through profit or loss				
Foreign exchange forward contracts		1.0	1.2	5.5
Fuel oil swaps		2.0	3.4	4.1
		3.0	**4.6**	**9.6**
Fair value through the hedging reserve				
Foreign exchange forward contracts		-	8.5	1.2
Fuel oil swaps		1.2	2.1	1.9
		1.2	**10.6**	**3.1**
Loans and borrowings				
Bank loans	16	539.6	562.0	547.7
Finance leases and hire purchase obligations		2.9	2.4	2.2
Bank overdrafts	13	14.6	3.7	17.9
		557.1	**568.1**	**567.8**
Total financial liabilities		**561.3**	**583.3**	**580.5**
Current		20.0	16.6	27.8
Non-current		541.3	566.7	552.7
		561.3	**583.3**	**580.5**

c) Fair value hierarchy

	Unaudited As at Jul 16				Unaudited As at Jul 15			
	Level 1 £'m	Level 2 £'m	Level 3 £'m	**Total £'m**	Level 1 £'m	Level 2 £'m	Level 3 £'m	**Total £'m**
Financial assets measured at fair value								
Foreign exchange forwards	-	49.7	-	**49.7**	-	2.1	-	**2.1**
Fuel oil swaps	-	0.4	-	**0.4**	-	-	-	**-**
Loan funds	-	6.2	-	**6.2**	-	20.1	-	**20.1**
Hedge funds	-	25.5	-	**25.5**	-	34.3	-	**34.3**
Equities	-	-	-	**-**	9.0	-	-	**9.0**
Debt securities	81.9	-	-	**81.9**	53.2	-	-	**53.2**
Money market funds	-	114.6	-	**114.6**	-	71.6	-	**71.6**
Unlisted equity shares	-	-	0.2	**0.2**	-	-	-	**-**
Loan notes	-	-	4.5	**4.5**	-	-	-	**-**
Financial liabilities measured at fair value								
Contingent consideration	-	-	-	**-**	-	-	4.6	**4.6**
Foreign exchange forwards	-	1.0	-	**1.0**	-	9.7	-	**9.7**
Fuel oil swaps	-	3.2	-	**3.2**	-	5.5	-	**5.5**
Assets for which fair values are disclosed								
Deposits with institutions	-	364.8	-	**364.8**	-	413.6	-	**413.6**
Liabilities for which fair values are disclosed								
Bank loans	-	539.6	-	**539.6**	-	562.0	-	**562.0**
Finance leases and hire purchase obligations	-	2.9	-	**2.9**	-	2.4	-	**2.4**
Bank overdrafts	-	14.6	-	**14.6**	-	3.7	-	**3.7**

Notes to the condensed consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

c) Fair value hierarchy (continued)

	As at Jan 16			
	Level 1 £'m	Level 2 £'m	Level 3 £'m	**Total £'m**
Financial assets measured at fair value				
Foreign exchange forwards	-	20.0	-	**20.0**
Fuel oil swaps	-	-	-	**-**
Loan funds	-	19.3	-	**19.3**
Hedge funds	-	26.7	-	**26.7**
Equities	-	-	-	**-**
Debt securities	85.2	-	-	**85.2**
Money market funds	-	75.9	-	**75.9**
Unlisted equity shares	-	-	0.2	**0.2**
Loan notes	-	-	3.8	**3.8**
Financial liabilities measured at fair value				
Contingent consideration	-	-	-	**-**
Foreign exchange forwards	-	6.7	-	**6.7**
Fuel oil swaps	-	6.0	-	**6.0**
Assets for which fair values are disclosed				
Deposits with institutions	-	413.6	-	**413.6**
Liabilities for which fair values are disclosed				
Bank loans	-	547.7	-	**547.7**
Finance leases and hire purchase obligations	-	2.2	-	**2.2**
Bank overdrafts	-	17.9	-	**17.9**

d) Other information

Available for sale investments and deposits with financial institutions relate to monies held by the Group's insurance business and are subject to contractual restrictions and are not readily available to be used for other purposes within the Group. Whilst the Group's fixed / floating interest securities investments could be realised at short notice, it is anticipated that they will be held until maturity.

There have been no transfers between Level 1 and Level 2 in the hierarchy and no non-recurring fair value measurements of assets and liabilities.

The Group operates a programme of economic hedging against its foreign currency and fuel oil exposures. During the period, the Group designated 180 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods, and designated 26 fuel oil swaps as hedges of highly probable fuel oil purchases in future periods. As at 31 July 2016, the Group has designated 385 forward currency contracts and 64 fuel oil swaps as hedges.

During the period, the Group recognised a net £12.1m gain on forward currency cash flow hedging instruments and a net £0.9m gain on commodity cash flow hedging instruments through other comprehensive income into the hedging reserve. Additionally, the Group recognised net gains of £20.1m through other comprehensive income into the hedging reserve, in relation to the specific hedging instrument for the acquisition of a new ship. The Group recognised a £0.3m loss through the income statement in respect of the ineffective portion of hedges measured during the period.

There has been no de-designation of hedges during the period as a result of cash flows forecast that are no longer expected to occur, or as a result of failed ineffectiveness testing. The Group recognised a £1.1m gain through the income statement in respect of matured hedges.

Notes to the condensed consolidated financial statements (continued)

13 Cash and cash equivalents

	Unaudited As at Jul 2016 £'m	Unaudited As at Jul 2015 £'m	As at Jan 2016 £'m
Cash at bank and in hand	69.2	48.0	36.9
Short term deposits	59.8	92.0	69.6
Cash and short term deposits	129.0	140.0	106.5
Money markets funds (note 12a)	114.6	71.6	75.9
Bank overdraft (note 12b)	(14.6)	(3.7)	(18.0)
Cash held by disposal group (note 18)	-	2.9	-
Cash and cash equivalents in the cash flow statement	229.0	210.8	164.4

Included within cash and cash equivalents are amounts held by the Group's Travel and Insurance businesses which are subject to contractual or regulatory restrictions. These amounts held are not readily available to be used for other purposes within the Group and total £218.0m (July 2015: £174.2m). Available cash excludes these amounts and any amounts held by disposal groups.

14 Retirement benefit schemes

The Group operates a funded defined benefit scheme, The Saga Pension Scheme ("Saga scheme") which is open to new members who accrue benefits on a career average salary basis. The assets of the scheme are held separately from those of the Group in independently administered funds. The two schemes associated with the Allied Healthcare business ("Nestor schemes") were part of liabilities held for sale and were disposed of as part of the sale of the Allied Healthcare business on 30 November 2015 (note 18).

The fair value of the assets and present value of the obligations of the defined benefit schemes are as follows:

	Saga scheme £'m	Nestor schemes £'m	Total £'m
Unaudited at 31 July 2016			
Fair value of scheme assets	267.8	-	267.8
Present value of defined benefit obligation	(315.4)	-	(315.4)
Defined benefit scheme liability	(47.6)	-	(47.6)
Unaudited at 31 July 2015			
Fair value of scheme assets	210.9	54.2	265.1
Present value of defined benefit obligation	(236.9)	(62.5)	(299.4)
Defined benefit scheme liability	(26.0)	(8.3)	(34.3)
Included within liabilities held for sale (note 18)	-	8.3	8.3
	(26.0)	-	(26.0)
At 31 January 2016			
Fair value of scheme assets	218.6	-	218.6
Present value of defined benefit obligation	(237.4)	-	(237.4)
Defined benefit scheme liability	(18.8)	-	(18.8)

The present values of the defined benefit obligation at 31 January 2016, the related current service cost and any past service costs were measured using the projected unit credit method. Liabilities at 31 July 2016 have been estimated by rolling forward from 31 January 2016, allowing for changes in market conditions and estimating the value of benefits accrued and paid out over the period.

During the period ended 31 July 2016, the net liability of the Saga scheme has deteriorated by £28.8m to a total scheme liability of £47.6m.

Notes to the condensed consolidated financial statements (continued)

15 Insurance contract liabilities and reinsurance assets

Gross and net insurance liabilities are analysed as follows:

	Unaudited As at Jul 2016 £'m	Unaudited As at Jul 2015 £'m	As at Jan 2016 £'m
Gross			
Claims outstanding	537.0	537.3	561.6
Provision for unearned premiums	133.6	154.5	141.7
Total gross liabilities	670.6	691.8	703.3
Recoverable from reinsurers			
Claims outstanding	106.5	70.7	101.6
Provision for unearned reinsurance premiums	2.4	2.4	4.8
Total reinsurers' share of insurance liabilities	108.9	73.1	106.4
Net			
Claims outstanding	430.5	466.6	460.0
Provision for unearned premiums	131.2	152.1	136.9
Total net insurance liabilities	561.7	618.7	596.9

The total gain on purchasing reinsurance recognised during the period was £0.6m (July 2015: £7.6m).

16 Loans and borrowings

	Unaudited As at Jul 2016 £'m	Unaudited As at Jul 2015 £'m	As at Jan 2016 £'m
Bank loans, maturing 2019	470.0	500.0	480.0
Revolving credit facility	75.0	70.0	75.0
Accrued interest payable	1.2	0.6	0.6
	546.2	570.6	555.6
Less: deferred issue costs	(6.6)	(8.6)	(7.9)
	539.6	562.0	547.7

During the period, the Group repaid £10.0m of its Senior Facilities Agreement, and drew down and repaid £20.0m of its Revolving Credit Facility. At 31 July 2016, the Group had drawn £75.0m of its £150.0m Revolving Credit Facility.

Interest on the debt is incurred at a variable rate of LIBOR plus 2.25%.

During the period the Group charged £9.1m (July 2015: £12.7m) to the income statement in respect of fees and interest associated with the Senior Facilities Agreement and Revolving Credit Facility. In addition, interest charged to the income statement includes £0.6m (July 2015: £1.4m) relating to interest on finance lease liabilities, net finance expense on pension schemes and other interest costs.

Notes to the condensed consolidated financial statements (continued)

17 Share-based payments

The Group has granted a number of different equity-based awards which it has determined to be share-based payments. New awards granted during the period were as follows:

a) On 16 May 2016, options over 3,749,786 shares were issued under the Long-Term Incentive Plan to certain Directors and other senior employees which vest and become exercisable on the third anniversary of the grant date and are 50% linked to EPS performance and 50% linked to TSR performance;

b) On 27 May 2016, options over 334,522 shares were issued under the Deferred Bonus Plan ("DBP") to the Executive Directors reflecting their deferred bonus in respect of 2015/16, which vest and become exercisable on the third anniversary of the grant date.

c) On 29 May 2016, 474,508 shares were awarded to eligible staff on the 2^{nd} anniversary of the IPO and allocated at £nil cost; these shares become beneficially owned over a three year period from allocation subject to continuing service.

The fair values of all awards are assessed using techniques based upon the "Black-Scholes" pricing model. The Group charged £2.3m during the period (July 2015: £1.6m) to the income statement in respect of equity-settled share-based payment transactions. Of this, £0.4m (July 2015: £0.2m) is included within non-trading items (note 4), which represents the share based payment charge on options awarded at the IPO that are still vesting.

18 Discontinued operations and assets held for sale

On 15 January 2015, the Group announced its decision to divest the local authority section of its Healthcare business, Allied Healthcare. As at 31 July 2015, the requirements of IFRS 5 were met and accordingly Allied Healthcare was classified as a disposal group held for sale in the statement of financial position and as a discontinued operation in the income statement. On 30 November 2015, the Group completed the sale of Allied Healthcare. Full details of this disposal are provided in the annual report and accounts for the year ended 31 January 2016 available at www.corporate.saga.co.uk.

19 Related party transactions

Related party transactions during the six months ended 31 July 2016 were consistent in nature, scope and quantum with those disclosed in the Group's annual report and accounts for the year ended 31 January 2016 available at www.corporate.saga.co.uk.

Principal Risks and Uncertainties

The Group is subject to a number of risks and uncertainties as part of its activities. The Board regularly considers these and seeks to ensure that appropriate processes are in place to manage, monitor and mitigate these risks. Other than the result of the EU Referendum on 23 July 2016, the Directors consider that the principal risks and uncertainties facing the Group during the period under review and for the remainder of the financial period have not materially changed from those outlined on pages 28 to 32 of the Annual Report and Accounts for the year ended 31 January 2016 available at www.corporate.saga.co.uk. The Group has in place processes to monitor and mitigate these risks. The impact of the EU Referendum is discussed on page 7 of this interim statement.

Responsibility Statement

We confirm to the best of our knowledge:

a) The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU.

b) The interim management report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules DTR 4.2.7R) – indication of important events during the six month period and their impact on condensed consolidated interim financial statements and description of principal risks and uncertainties for the remaining six months of the financial year: and

c) The interim management report includes a fair review of the information required by DTR 4.2.8R – disclosure of related party transactions and changes therein.

On behalf of the Board

Lance Batchelor	Jonathan Hill
Chief Executive Officer	Chief Financial Officer
20 September 2016	20 September 2016

INDEPENDENT REVIEW REPORT TO SAGA PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2016 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows, and related explanatory notes 1 to 19. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2.1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
20 September 2016

Appendix 1: Restated Cost Allocations within Insurance Segment

Since the announcement of the Group's preliminary results for the financial year ended 31 January 2016, a review of the allocation basis for overhead expenses between the Motor, Home and Other subsegments has been undertaken.

The previous allocation basis allocated the majority of overhead costs using accounting revenue. Whilst this method was found to allocate a fair and reasonable portion of costs to each of the subsegments, the arbitrary nature of this method did serve to introduce undue volatility of costs between the subsegments that did not necessarily reflect the underlying activities related to how those costs were incurred.

An improved activity-based costing method has therefore been developed to allocate overhead expenses to the subsegments on a basis that more accurately reflects how those expenses have been incurred. This method has been applied from 1 February 2015 to ensure reports are consistent.

The following tables outline the reconciliation between the previously reported segmental information and the restated segmental information.

	6m to 31 Jul 2016	6m to 31 Jul 2015			12m to 31 Jan 2016		
	£m	Restated £m	Adj. £m	Reported £m	Restated £m	Adj. £m	Reported £m
MOTOR INSURANCE							
Revenue	120.4	157.2	0.0	157.2	318.7	0.0	318.7
Cost of sales	(9.4)	(69.9)	0.0	(69.9)	(151.2)	0.3	(151.5)
Gross profit	111.0	87.3	0.0	87.3	167.5	0.3	167.2
Operating expenses	(42.1)	(29.7)	(1.1)	(28.6)	(65.0)	(2.2)	(62.8)
Investment income	3.2	8.0	0.0	8.0	13.9	0.0	13.9
Trading Profit	72.1	65.6	(1.1)	66.7	116.4	(1.9)	118.3
Trading Profit analysed by:							
- Core Underwriting	56.4	49.8	1.2	48.6	84.6	1.8	82.8
- Ancillary	8.8	10.5	(2.3)	12.8	21.7	(4.5)	26.2
- Broking / Other	6.9	5.3	0.0	5.3	10.1	0.8	9.3
	72.1	65.6	(1.1)	66.7	116.4	(1.9)	118.3

Appendix 1: Restated Cost Allocations within Insurance Segment (continued)

	6m to 31 Jul 2016 £m	6m to 31 Jul 2015			12m to 31 Jan 2016		
		Restated £m	Adj. £m	Reported £m	Restated £m	Adj. £m	Reported £m
HOME INSURANCE							
Revenue	47.5	50.6	0.0	50.6	99.8	0.0	99.8
Cost of sales	(2.8)	(3.2)	0.0	(3.2)	(6.1)	(0.3)	(5.8)
Gross profit	44.7	47.4	0.0	47.4	93.7	(0.3)	94.0
Operating expenses	(14.4)	(13.1)	1.8	(14.9)	(26.7)	3.3	(30.0)
Investment income	0.1	0.1	0.0	0.1	0.1	0.0	0.1
Trading Profit	30.4	34.4	1.8	32.6	67.1	3.0	64.1
Trading Profit analysed by:							
- Core Broking / Coinsured	26.5	29.3	2.5	26.8	59.2	4.6	54.6
- Ancillary Underwriting	3.9	5.1	(0.7)	5.8	7.9	(1.6)	9.5
	30.4	34.4	1.8	32.6	67.1	3.0	64.1

	6m to 31 Jul 2016 £m	6m to 31 Jul 2015			12m to 31 Jan 2016		
		Restated £m	Adj. £m	Reported £m	Restated £m	Adj. £m	Reported £m
OTHER INSURANCE							
Revenue	47.0	46.5	0.0	46.5	91.6	0.0	91.6
Cost of sales	(15.4)	(17.3)	0.0	(17.3)	(33.3)	0.0	(33.3)
Gross profit	31.6	29.2	0.0	29.2	58.3	0.0	58.3
Operating expenses	(16.0)	(15.4)	(0.7)	(14.7)	(29.2)	(1.1)	(28.1)
Investment income	0.4	0.5	0.0	0.5	0.5	0.0	0.5
Trading Profit	16.0	14.3	(0.7)	15.0	29.6	(1.1)	30.7
Trading Profit analysed by:							
- Core Underwriting	1.5	2.0	0.3	1.7	2.0	(0.4)	2.4
- Core Broking / Other	14.5	12.3	(1.0)	13.3	27.6	(0.7)	28.3
	16.0	14.3	(0.7)	15.0	29.6	(1.1)	30.7