Preliminary Results

for the year ended 31 January 2016

19 April 2016

Saga plc

Preliminary Results for the year ended 31 January 2016

Customer and profit growth and increased proposed dividend payout

Saga plc ("Saga" or "the Group"), the UK's leading provider of products and services primarily tailored for the over 50s, announces its final results for the financial year ended 31 January 2016.

Financial highlights - continuing operations[1]

- Robust growth in profits
- Strong free cash flow, leading to continued reduction in leverage
- Increase in proposed full year dividend to 7.2p, resulting in payout ratio of 57%[2] of net earnings (PY: 49.5%)
- Expectation of increased future free cash flow with lower capital required for underwriting, supporting higher dividend payout guidance of 50% to 70%

	31 January 2016	31 January 2015	Change
Trading EBITDA	£238.8m	£227.4m	5.0%
Trading Profit	£211.0m	£200.6m	5.2%
Profit before tax	£176.2m	£113.8m	54.8%
Basic earnings per share	13.3p	8.6p	54.7%
Debt ratio (net debt to EBITDA)	2.3x	2.6x	
Available operating cash flow	£178.1m	£163.0m	9.3%
Proposed full year dividend	7.2p	4.1p	75.6%

Operational Highlights

Insurance:
- Underlying growth in core insurance policies of 3.1%[3]
- Successful launch of the motor insurance panel, with four 3rd party insurers now participating
- Continued strong performance in motor insurance underwriting
- Review of capital in motor underwriting complete, with decision made to reduce capital deployed through quota share arrangement agreed with NewRe
- Strong capital position under Solvency II with Solvency Capital Ratio of 170%

Travel:
- Continued customer and profit growth across the travel businesses
- Work underway to design and build the next generation of Saga cruise ship, for delivery in 2019

Other:
- Increase in number of active customers, supported by further growth in Saga database
- Saga Investment Services successfully launched and growing through tax year-end
- Sale of Allied Healthcare completed

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[1] On 15 January 2015, the Group announced its intention to divest the local authority section of its healthcare business, Allied Healthcare and subsequently completed the sale of the business on 30 November 2015. Accordingly, this has been treated as a discontinued operation and is not included in the analysis.

[2] 57% of net earnings from continuing operations excluding the one off benefit of tax losses acquired from Acromas.

3 Excluding Bennetts

	31 January 2016	31 January 2015	Change
Insurance			
Core policies	2,908k	2,679k	8.5%
Motor combined operating ratio	74.4%	77.9%	+3.5ppts
Travel			
Tour operating passengers	189k	172k	9.9%
Ship passenger days	339k	336k	0.9%
Customers			
Contactable people on Saga database	11.2m	10.8m	
Active customers	2.66m	2.63m	
Average product holding per active customer	2.51	2.63	
Average core product holding per active customer	1.69	1.71	

Group Outlook

- Expectation of steady profit before tax growth and ongoing customer growth, assuming a continuation of materially consistent market conditions.
- Higher dividends enabled by improved free cash flow and reduced capital requirements in underwriting business.

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

"The last year saw significant progress in delivering the strategy we set out in early 2015. Our core insurance and travel businesses maintained their strong growth trajectory and were enhanced by new and improving products, new routes to market and the ability to target a broader range of customers. Meanwhile, we advanced the roll-out of exciting new platforms for Saga, such as Saga Investment Services.

"I'm delighted that we are able to propose an increased dividend for the year that is above expectations as well as committing to a higher future payout range. This commitment is supported by our confidence in the Group's continued strong profit and cash generation performance and the successful evolution of our model towards less capital intensive activities, delivering a higher quality earnings stream. It's particularly pleasing to do so while also deleveraging and making important investments in new cruise capacity.

"I look ahead to the next period for Saga with a great deal of confidence. The year ahead will see a renewed focus on our customers and further developing the Saga brand. Whilst the customer has always been at the heart of the Saga proposition, there is more we can do to enhance our approach and build stronger relationships. We will therefore be looking closely at the whole customer journey with a view to putting more of Saga into our customers' lives."

END

A presentation to analysts will be held at 09.30 at the offices of Bank of America Merrill Lynch, 2 King Edward St, London EC1A 1HQ. There will be a live webcast of the analyst presentation for registered participants. Registration can be completed at 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 leading provider of products and services primarily tailored for customers over the age of 50 in the UK. The Saga brand has been carefully developed over the past 60 years to become one of the most recognised and trusted brands among UK consumers aged over 50. Saga is synonymous in the UK with the over 50s market and is recognised for its high quality, award winning products and services. These include cruises and holidays, insurance, personal finance and the Saga Magazine.
saga.co.uk

Chairman's Statement

I am delighted to present a strong set of results in an important year in the history of Saga. This year marks the 65th anniversary of the foundation of our business when Sidney De Haan, the owner of the Rhodesia Hotel in Folkestone, started offering off-peak holidays to retired people. His insight into our customers' needs was the start of the Company you see today.

During all of our 65 years, our focus on customer needs has been the driving force behind the growth of the business. They remain at the heart of everything we do and our model is underpinned by the provision of exceptional levels of customer service.

We benefit from a diverse and supportive shareholder base. I am delighted that many of our customers extended their affinity with the brand through their continued ownership of the Company. We have also been fortunate to attract a broad range of high-profile, long-term institutions to our share register. This combination supports our ability to deliver long-term sustainable returns and I would like to thank our shareholders for their ongoing support.

I am very pleased to announce that we have taken the decision to increase shareholder distributions through our progressive dividend policy. This is an important decision and one that reflects the Board's confidence in the sustainability of our dividend policy given our continued strong profit and cash performance, the evolution of our capital efficient model, and our plans to generate additional free cash flow.

Our proposed total dividend for the year of 7.2p equates to a payout ratio of 57% of net earnings[4], an increase on last year and higher than market expectations. We are also increasing our target payout range going forward from 40%-60% to 50%-70% of net earnings. The dividend will be paid on 30 June 2016 to holders of ordinary shares on the register at the close of business on 13 May 2016.

The new team members we have welcomed during the past twelve months, both to the plc Board and our Executive Team, have had a marked impact on the thinking and leadership within the business. I would like to take this opportunity to thank them all for their input so far and to thank the entire plc Board for their invaluable contribution throughout the year.

Finally, I would like to thank all of our employees. The energy and commitment of the whole team at Saga, led so effectively by our Group Chief Executive Officer, Lance Batchelor, is the driving force behind our ongoing success and without them we could not maintain the exacting standards our customers expect on a day to day basis.

[4] *57% of net earnings from continuing operations excluding the one off benefit of tax losses acquired from Acromas.*

Group CEO Statement

Overview

In our second set of preliminary results, I am again pleased to be able to report that we have succeeded in delivering on our objectives of growing customer numbers and profits.

Growing customer numbers across all core areas of the business is a key element in our long-term success. Sustainable growth of our customer base enables us to build long-term relationships and we know that the longer customers spend with us, the more they benefit from our growing range of products and services.

Financially, we have grown Trading Profit by 5.2% to £211.0m, profit before tax by 54.8% to £176.2m and basic earnings per share by 54.7% to 13.3p. Furthermore, our available operating cash flow is up by 9.3% to £178.1m and our net debt to EBITDA ratio has reduced to 2.3x.

This performance, alongside our plans to generate additional free cash flow in the future, has enabled us to propose a significant increase in the dividend paid to shareholders and increased the range for future dividends. This is a meaningful change, and one that signals our commitment to driving shareholder returns through sustainable dividends going forward.

Clear strategy and delivery

Everything we have achieved this year has been a result of the successful implementation of the clear strategy for growth we laid out in early 2015. Put simply we have continued to grow our core businesses and invest in future growth whilst maintaining our efficient operating model.

1. Unlocking growth in our core businesses of insurance and travel
   - We have delivered customer growth across all of our key insurance lines, supported by our expanded insurance footprint through the motor panel launch.
   - We have increased passengers in our tour operating business and increased passenger days on our ships.
   - We have put the right team in place to make more of our database and deliver our multi-channel marketing activities.

2. Investing in future growth
   - We have announced our investment in new shipping capacity which will significantly change the profit trajectory of our travel business once delivered.
   - Our investment management joint venture, Saga Investment Services, was up and running ahead of the key end of tax year period.
   - We have successful pilots ongoing in new product areas.

3. Maintaining our simple and efficient operating model
   - Our model continues to generate strong cashflows.
   - We have undertaken a review of the capital allocated to our underwriting business.
   - We have disposed of a non-core asset, Allied Healthcare.

Generating additional free cash flow

During the year we carried out a full review of our approach to pricing underwriting risk and the deployment of capital within our underwriter, AICL. The review looked at pricing and capital allocated to AICL when placed against the Group's ongoing aim of balancing short-term earnings growth, investment for future growth and generating additional free cash flow to enable enhanced returns to shareholders. As a result of this, we:

- launched a panel in our motor business to allow us to offer competitive products to a broader range of customers without putting additional capital at risk;

- entered into a quota share arrangement with NewRe, a subsidiary of Munich Re, the world's biggest reinsurance group, to allow capital to be gradually released from the underwriter; and
- priced underwriting risk to better reflect our excellent underwriting performance, increasing competitiveness in our core market and accelerating cash and profit generation.

As a result of these changes we will generate additional free cash flow in the future, enabling us to continue to deleverage and increase returns to shareholders through dividends more quickly than we had previously indicated.

Strategic priorities for the coming year

To deliver long-term, sustainable value for our shareholders we aim to achieve the right balance between short-term earnings growth, medium-term customer growth, capital allocation and returns to shareholders via dividends. To continue to deliver this, our strategic objectives for the coming year are:

1. **Becoming an ever more customer-centric organisation:** Whilst the customer has always been at the heart of the Saga proposition, there is more we can do to enhance our approach and build stronger relationships with our target customers. This will happen through:

   - **Customer insight**: as the meaning of retirement changes for our customers, we need to understand that change more than anyone else and remain relevant to the changing needs of our customers and differentiate accordingly.
   - **The customer journey**: moving from a very successful, direct marketing model to a multi-channel model that simplifies the customer journey. We can personalise the customer experience, develop a deeper understanding and deliver more efficient and personalised communications.
   - **Helping the customer to 'put more of Saga in their lives'**: We will work to create a customer view of relationships with Saga to help identify and reward those who engage with Saga on multiple levels, improving the average product holding per customer.
   - **The brand**: the Saga brand is a vital part of the Saga business with 97% recognition amongst the UK's over 50s. We will continue to increase our relevance to our target customers and help shift recognition and awareness into conversion.

2. **Growing our insurance businesses:** We will continue to drive growth in our core insurance products, maintaining a flexible approach to sourcing underwriting. Our motor panel, launched during 2015, allows us to offer competitive products to a broader section of our target marketplace. We will continue improving our product offerings through the use of customer insight, encouraging customer loyalty and exploring how to enhance multi-product holdings.

3. **Growing our travel businesses:** We will work to ensure that Saga Holidays' product offerings remain relevant to our customers through the development of new propositions. We will also ensure we continue to deliver the highest possible standards of customer service on our ships, maintaining the quality of our cruise offering ahead of the arrival of our new ship in 2019.

4. **Investing for future growth:** We aim to grow Saga Investment Services whilst continuing to improve and broaden our existing financial services offering to make our customers' lives better in retirement. We will continue to develop our existing pilots in homecare and retirement villages. We have made good progress with the design of the new ship and will work to ensure its delivery in mid-2019 and expect it to be on sale from 2017.

5. **Developing our people:** Our people are central to everything we do by ensuring our customers receive the Saga experience throughout the business. We will continue to strengthen the team we have in place by supporting their development and enhancing their engagement.

Strong senior team

During the year we completed a number of new senior hires including: Jonathan Hill, Group Chief Financial Officer; Matt Atkinson, Group Chief Marketing Officer; Karen Caddick, Group Human Resources Director; and Nici Audhlam-Gardiner, Managing Director of Saga Investment Services.

The skills brought to the business by these new team members, combined with the existing talent across the Group, have allowed us to apply new thinking to our operating model, look for new opportunities and attain deeper customer understanding.

I welcome them all to the business and I am confident that we now have in place the right team to deliver our plans for future growth.

Divisional Review

Insurance

Our insurance model allows our retail broker, Saga Services, access to the highest quality and most cost-efficient source of underwriting available in the market, whether that be AICL, a panel of providers or a solus relationship with a third party. This flexibility provides us with a number of levers to operate effectively across our full portfolio of products to capitalise on, or protect against, market conditions. This year, this has allowed us to deliver both profit and customer growth across all of our major product lines.

Motor insurance

The UK motor insurance market remains very competitive. Our experience across the book supports the market view that premiums continued to fall during the first quarter of 2015 but, since then, there have been sustainable increases in market premiums, particularly from the fourth quarter of 2015 onwards.

We have worked to capitalise on our competitive advantages within the motor insurance market to continue to grow the business. These include: a low cost of acquisition due to our brand and database covering 11.2 m of the UK's over 50s; a differentiated retailer, Saga Services, with access to our newly launched panel of underwriters; the participation on the panel of our own experienced in-house underwriter, AICL, with a clear focus and data-driven insight into a relatively low risk section of the market; and an efficient and effective claims management function.

We have grown our core motor policies to 1,238k (2015: 1,077k), with 3.1% underlying policy growth and 128k policies added through our Bennetts acquisition. We delivered a 17.8% increase in Trading Profit to £118.3m (2015: £100.4m).

In particular, this customer and profit growth has been driven by two factors:

1. Our approach to pricing risk in AICL: By better reflecting our excellent underwriting performance in AICL's risk pricing, our retail broker has been able to be more competitive, particularly in a rising premium environment.

2. The successful launch of our motor panel: Access to the panel has allowed our retail broker to increase its competitiveness outside of AICL's traditional target market of lower risk drivers. The panel, launched in late summer, has five underwriters and we expect to add a further two during this year. The panel will continue to increase in efficiency as new underwriters join. However, we are already starting to see the benefits with around one quarter of net premium being underwritten by the panel during January 2016.

Overall, we are pleased with the balance we have achieved between profit growth and customer growth in the year, and, with the enhanced supply chain provided by the panel, our retail broker remains well placed to capitalise on its competitive advantages.

Motor underwriting

Within our underwriter, AICL, we continue to see a relatively stable claims frequency and personal injury claims cost. This claims experience has contributed strongly to our combined operating ratio, which has improved by 3.5% to 74.4% (2015: 77.9%).

Given this positive underwriting performance, we have been able to price risk from AICL very competitively in a rising price environment, while maintaining our prudent approach to underwriting. This more competitive approach to pricing means that in future more profit will be realised in the current year, while historic reserve releases will reduce over time.

AICL remains a critical part of our business. Its clear focus and data-driven insight in a relatively low risk section of the market has made a significant contribution to the Group's earnings since its formation. Equally, our ongoing ability to act as underwriter and participate on our motor panel is a vital element of delivering the motor panel's long-term success.

Following a review of the use of capital in AICL, we entered into a quota share arrangement with NewRe, a subsidiary of Munich Re, the world's biggest reinsurance group. This covers 75% of the risk of the motor policies within AICL, from 1 February 2016 for a period of three years with the option of a further three years. The terms of the arrangement, with a market-leading reinsurer, are testament to the quality of the Saga underwritten book, and our historic performance.

With the expected reduction in policies written by AICL with the future growth in the motor panel, our previously announced lower risk investment policy going forward and our quota share arrangements, we expect the amount of capital within AICL to reduce gradually over time.

Importantly, capital that will be gradually released from the underwriter will allow us to increase our free cash flow and reduce the capital at risk, while increasing the resilience of earnings by increasing the percentage that comes from broking activities.

Home insurance

The market for home insurance continues to be highly competitive and we have seen the same fall in average premiums that the wider market has experienced.

The increasing competitive tension provided by our panel and our use of the 'Saga Factor', has led to a reduction in the net rate at which we can source underwriting for these policies, enabling us to maintain our margin in this area despite falling market rates. This has allowed us to increase our competitiveness and grow core policy numbers.

We saw a limited number of claims in relation to the flooding that took place in the UK this winter and our focus was on working with our partners on the panel to support any customers who were affected during a difficult time. However, it is worth reiterating that our insurance model in home, with the use of the panel and co-insurance/re-insurance of the risk underwritten by AICL, means our short-term earnings are protected in situations such as this.

As a result, we have grown both profits and core policy numbers within our home insurance business. Our core home policies have grown by 2.3% to 1,287k (2015: 1,258k) and we have delivered a 3.2% increase in Trading Profit to £64.1m (2015: £62.1m).

Other insurance

Within other insurance we have continued to deliver a strong performance through growing customer numbers in this segment's core products of private medical insurance ('PMI') and travel insurance.

PMI remains an important area for us and we continue to grow policy numbers by evolving and enhancing our product to ensure its relevance to our target customer base.

Our travel insurance product has again performed very strongly in the past year, partly as a result of developing new routes to market. This is an important source of income for the Group and as importantly, it remains a key source of new names onto the database, adding more than 158k names during the period.

During the course of the year, our external Saga Legal Services partner, Parabis Law LLP, filed for insolvency. While disruptive to our business, our focus throughout has been on ensuring that any impact on our customers was minimised. We have established relationships with new partners, which will enable us to continue to develop an offering in this area.

Investment in marketing for Saga Legal Services at the start of the year and the negative financial impact of the Parabis insolvency resulted in Trading Profit in Other Insurance reducing to £30.7m (2015: £34.9m).

Current trading

Trading across the insurance businesses has started well and is line with our expectations.

Our experience suggests that recent strong price increases in the UK motor market appear to be sustainable and our claims experience has continued to be positive. With the continued development of our motor panel and competitive pricing from AICL, we are well placed to grow customer numbers and profit in the current market conditions during the coming year. We are mindful of the impact of Insurance Premium Tax increases and the effect on market churn.

While the UK home insurance market remains highly competitive, our proactive management of the home insurance panel leaves us well placed in this area despite there being limited signs of premium increases across the market.

Within other insurance, we have seen continued strong performance in private medical insurance. Recent geopolitical turbulence in traditional winter sun destinations has had an impact on demand for our single trip travel insurance policies in the early part of the year. However, demand for our annual travel insurance policies remains strong and we expect a continued robust operating performance within our other insurance business.

Travel

Our travel business has continued to focus on growing profitability. We have delivered customer and profit growth across our tour operating and cruising businesses with overall revenue growing by 11.0% to £423.1m (2015: £381.3m) and Trading Profit up by 26.5% to £17.2m (2015: £13.6m). The business continues to be on track to deliver its objectives.

During 2015, our travel businesses were awarded 65 awards ranging from Saga's, best specialist tour operator, award from the Times and Sunday Times to Destinology's Gold award for, best medium sized luxury holiday company, in the British Travel Awards.

Tour operating

Within our tour operating businesses we have seen a shift in the mix of sales to longer-haul, higher-value products where we can provide our customers with both security and a highly differentiated product. The success of this shift is attributable to our ability to know more about our customers' wants and needs than any other provider, and to create affordable packages underpinned by excellent service.

We have grown customer numbers with a 9.9% increase in holiday passengers to 189k (2015: 172k).

Cruising

Cruising remains a vital part of our travel offering through our two ships, the Saga Sapphire and Saga Pearl II. The business had another good year with load factors of 84.4% (2015: 84.9%) across both ships and a 0.9% increase in the number of ship passenger days to 339k (2015: 336k).

Whilst the announcement of the purchase of the new ship has caused much excitement amongst our customers, our immediate focus is on ensuring the maintenance of the customer experience and the high levels of satisfaction with customers' overall holiday experience which we have seen reach historic highs this year.

As part of this ongoing process, the Saga Sapphire will be in wet dock during the coming year for scheduled maintenance. As with the refit of Saga Pearl II last year, this will enhance our service capability and the proposition to customers on board. It will, however, mean we have one ship out of service for two months during the year, which, whilst budgeted, will hold back the total profit growth in the travel business for the coming year.

Current trading

Trading in Tour Operating for the year ending 31 January 2017 has been positive and we are around three quarters sold for the year. As expected our cruise revenue is lower than last year's position, given the Sapphire wet dock. As we are over 90% sold, we have good visibility on the outturn for the year.

Trading to week ending 9 April 2016

Departure year	**2016/2017**	***Growth***	**2015/2016**
Tour operating revenue	**269.4m**	***5.0%***	**256.5**
Cruise revenue	**71.2m**	***(2.2%)***	**72.8m**

Emerging businesses

Saga Investment Services

We launched Saga Investment Services, our investment management joint venture with Tilney Bestinvest, in November 2015 to support those customers who have previously been ignored by the investment management industry. It has been quite an achievement by the team to get the business up and running with such a strong proposition in less than a year.

Other personal finance

Our high quality personal finance business also continues to make good progress. We have 130k savings account customers, provided 10k new Saga Credit Cards and £227m was spent on our cards by 167k customers.

Homecare and retirement villages

Our private homecare trial continues to make progress in Hertfordshire. During the year we have focused on ensuring the offer is right for customers, as well as testing the economics before we expand it further. We are continuing to assess the opportunity around retirement villages in the UK.

Conclusion

I am pleased that we have grown customer numbers, profits and dividends whilst continuing to delever.

With increasing insurance customer numbers supported by the motor panel and the ongoing growth of our travel businesses, we expect to continue to deliver steady growth in Group earnings before the delivery of our new ship in 2019. Additionally, as our model evolves, with increased free cash flow resulting from lower capital in our underwriter, we expect to be able to pay higher dividends combined with ongoing reductions in our leverage.

The continued evolution of our model will position us to generate high quality and more resilient earnings, further supporting our enhanced dividend policy going forward.

In light of the ongoing debate surrounding the result of the UK's forthcoming referendum on membership of the European Union, because of the Group's diverse nature, we believe the result of the EU referendum is unlikely to have a material impact on the business. We are, however, continuing to monitor the situation closely.

We have a clear strategy in place to continue to grow our underlying businesses and we have made a positive start to the current year.

Chief Financial Officer's Review

In my first set of preliminary results, I am pleased to be able to report that the Group has delivered a strong financial performance, with a 5.0% growth in Trading EBITDA and a 5.2% growth in Trading Profit. Robust cash flows have enabled us to further deleverage to 2.3x from 2.6x at the start of the year. Based on these results and our future expectations for the business, we have significantly increased our dividend to 7.2p per share for the full year.

Income Statement

Group Income Statement	12m to Jan 2016	*Growth*	12m to Jan 2015
Revenue	**£963.2m**	***7.0%***	**£900.5m**
Trading EBITDA	£238.8m	*5.0%*	£227.4m
Depreciation & amortisation (excluding acquired intangibles)	(£27.8m)		(£26.8m)
Trading Profit	**£211.0m**	***5.2%***	**£200.6m**
Non-trading costs	(£0.2m)		(£2.4m)
Amortisation of acquired intangibles	(£6.3m)		(£2.2m)
Net fair value gains / (losses) on derivatives	(£1.2m)		£2.9m
Profit before interest, tax and IPO costs	**£203.3m**	***2.2%***	**£198.9m**
Finance costs	(£24.0m)		(£23.0m)
IPO expenses	(£3.1m)		(£50.0m)
Exceptional debt costs	-		(£12.1m)
Profit before tax from continuing operations	**£176.2m**	***54.8%***	**£113.8m**
Tax expense	(£28.1m)	*2.6%*	(£27.4m)
Loss after tax for the year from discontinued operations	(£6.9m)	*(96.9%)*	(£220.2m)
Profit / (loss) after tax	**£141.2m**	***205.5%***	**(£133.8m)**
Basic earnings per share:			
Earnings per share from continuing operations	13.3p	*54.7%*	8.6p
Earnings / (loss) per share	12.7p	*195.5%*	(13.3p)

Revenue from continuing operations increased by 7.0% to £963.2m (2015*:* £900.5m), Trading EBITDA grew by 5.0% to £238.8m (2015: £227.4m) and Trading Profit by 5.2% to £211.0m (2015: £200.6m).

Profit before interest, tax and IPO costs increased by 2.2%, reflecting several factors: amortisation of acquired intangibles increased by £4.1m as a result of the full year impact of Destinology, acquired part way through 2014, and the acquisition of Bennetts on 1 July 2015; a £4.1m decrease in year-on-year derivative fair value movements taken to profit and loss; offset by a £2.2m reduction in non-trading costs.

The non-trading costs recognised by the Group in the year comprised £4.7m of costs relating to the administration of our legal services provider (Parabis Law LLP), £3.8m associated with the write-down of the carrying value of the Bel Jou hotel, £0.7m of restructuring costs and £0.5m of costs incurred with the acquisition of Bennetts. These were offset by a £2.6m positive settlement of a legal dispute related to one of the ships and a £7.1m release of the contingent consideration associated with the acquisition of Destinology.

While Destinology has delivered solid profits, the results for the year are below those expected at the time of acquisition, due to significantly more competition in the Middle East market (a major destination for Destinology) and slower development of customer growth, with new marketing initiatives yet to fully deliver. A new Managing Director and strengthened marketing resource are in place to enhance returns from Destinology.

Profit before tax from continuing operations for the year was £176.2m, an increase of 54.8%, due in part to the material one-off IPO and exceptional debt costs incurred in the previous year.

Finance costs

Finance costs in the year were £24.0m, which comprised £18.7m of interest costs on debt and borrowings, £3.2m of amortisation of debt issue costs, £1.1m of finance charge associated with pension schemes and a £1.0m charge associated with the unwinding of the discount on the deferred consideration associated with Destinology. This compares with £23.0m in the previous year, which comprised £20.1m of interest costs on debt and borrowings, £2.4m of amortisation of debt issue costs and £0.5m finance charge associated with pension schemes.

Tax expense

The Group's tax expense for the year was £28.1m (2015: £27.4m) representing a tax effective rate of 15.9%. This included a £7.6m benefit from the utilisation under the group relief rules of tax losses from Acromas, which arose when Saga was a part of the Acromas Group. Excluding the impact of the Acromas tax losses, the underlying tax effective rate was 20.3% (2015: 24.1%).

Earnings per share

Group basic earnings per share were 12.7p (2015: loss per share of 13.3p) with Group basic earnings per share from continuing operations for the same period of 13.3p (2015: 8.6p). The earnings performance for the previous year was impacted by the Group's IPO and exceptional debt costs.

Dividends

The Directors have proposed a final dividend of 5.0p per share, which, combined with the interim dividend of 2.2p per share, will deliver a total dividend for the financial year ending 31 January 2016 of 7.2p per share (2015: 4.1p). This equates to a payout ratio of 57% compared with the Group's basic earnings per share from continuing operations (excluding the one-off benefit of Acromas tax losses) (2015: 49.5% pro rata for the period post IPO).

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 5 June 2016.

Cash flow and liquidity

The Group maintained a strong cash flow performance in the year to 31 January 2016, achieving an available operating cash flow of £178.1m, 74.6% of Trading EBITDA. This cash flow increased by £15.1m on the previous period, which was driven by a higher payout from increased profits in the travel and AICL restricted businesses.

Available Cash Flow	**12m to Jan 2016**	*Growth*	**12m to Jan 2015**
Trading EBITDA	**£238.8m**	***5.0%***	**£227.4m**
Less Trading EBITDA relating to restricted businesses	(£95.8m)	*21.6%*	(£78.8m)
Intra-group dividends paid by restricted businesses	£59.0m	*122.6%*	£26.5m
Working capital and non-cash items	(£3.7m)	*(408.3%)*	£1.2m
Capital expenditure funded with available cash	(£20.2m)	*51.9%*	(£13.3m)
Available operating cash flow	**£178.1m**	***9.3%***	**£163.0m**
Available operating cash flow %	*74.6%*	*2.9%*	*71.7%*

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

	12m to Jan 2016	12m to Jan 2015
Net cash flow from operating activities (reported)	£150.4m	£155.3m
Exclude cash impact of:		
Trading of restricted divisions	(£61.5m)	(£53.2m)
Trading of discontinued operation	-	(£11.4m)
Cash released from restricted divisions	£59.0m	£26.5m
Non-trading costs	£13.4m	£7.2m
Interest paid	£21.6m	£19.7m
Tax paid	£15.4m	£9.6m
Debt issue costs	-	£22.6m
	£47.9m	£21.0m
Include capital expenditure funded from available cash	(£20.2m)	(£13.3m)
Available operating cash flow	**£178.1m**	**£163.0m**

Financing

Continued strong cash flows have enabled the Group to reduce its debt ratio to 2.3x from 2.6x. As at 31 January 2016, net debt was £547.7m, comprising £480.0m of gross debt and £75.0m of drawn revolving credit facility, offset by £7.3m of available cash. This compared with net debt as at 31 January 2015 of £582.4m, comprising £700.0m of gross debt offset by £117.6m of available cash.

As communicated at the time of the interim results, it is the Group's intention to reduce the debt ratio (net debt to Trading EBITDA) to between 1.5x and 2.0x in the medium term. The delivery of the new ship is expected in mid-2019 and the intention is to target the lower end of this range before any debt associated with the ship is drawn down, with the Group remaining within this target range after the delivery of the new ship.

Pensions

Over the year, the valuation of the Group's pension scheme has improved on an IAS19 basis by £21.6m to a deficit of £18.8m (January 2015: deficit £40.4m):

Saga Scheme	12m to Jan 2016	12m to Jan 2015
Fair value of scheme assets	£218.6m	£212.3m
Present value of defined benefit obligation	(£237.4m)	(£252.7m)
Defined benefit scheme liability	(£18.8m)	(£40.4m)

The improvement has been driven by a £15.3m reduction in the present value of obligations to £237.4m (January 2015: £252.7m) and a £6.3m increase in the fair value of the scheme assets. The significant decrease in the present value of future obligations has been driven by an increase in the discount rate applied reflecting an increase in corporate bond yields.

Net assets

Since 31 January 2015, total assets and liabilities have reduced by £49.9m and £154.0m respectively, increasing overall net assets by £104.1m.

Total assets have reduced as a result of a decrease in cash and short-term deposits of £92.3m, a reduction in other financial assets (predominantly the investment portfolio) of £14.9m and the removal of £47.7m of assets held for sale as at 31 January 2015 resulting from the sale of the Allied Healthcare business on 30 November 2015. Offsetting this is an increase in reinsurance of assets of £43.0m due to large personal injury claims experience caused by a rise in the average cost of Periodical Payment Orders, an increase in trade and other receivables of £24.3m driven by insurance trading, and increased goodwill and acquired intangible fixed assets of £31.1m primarily relating to the acquisition of Bennetts.

The reduction in total liabilities reflects a £131.2m reduction in financial liabilities following the repayment of debt during the period, the removal of £47.7m of liabilities held for sale as at 31 January 2015 resulting from the sale of the Allied Healthcare business, and a £21.6m reduction in retirement benefit scheme obligations. Trade and other payables have increased by £32.9m reflecting accruals for initial costs relating to the build of the new ship, insurance trading and the acquisition of Bennetts.

Segmental performance

Segmental Performance Summary	**12m to Jan 2016**	***Growth***	**12m to Jan 2015**
Revenue			
Motor Insurance	£318.7m	*2.1%*	£312.0m
Home Insurance	£99.8m	*8.7%*	£91.8m
Other Insurance	£91.6m	*6.4%*	£86.1m
	£510.1m	*4.1%*	£489.9m
Travel	£423.1m	*11.0%*	£381.3m
Emerging Businesses and Central Costs	£30.0m	*2.4%*	£29.3m
	£963.2m	***7.0%***	**£900.5m**
Trading Profit			
Motor Insurance	£118.3m	*17.8%*	£100.4m
Home Insurance	£64.1m	*3.2%*	£62.1m
Other Insurance	£30.7m	*(12.0%)*	£34.9m
	£213.1m	*8.0%*	£197.4m
Travel	£17.2m	*26.5%*	£13.6m
Emerging Businesses and Central Costs	(£19.3m)	*85.6%*	(£10.4m)
	£211.0m	***5.2%***	**£200.6m**

Total revenue for the insurance businesses increased by 4.1% to £510.1m (2015: £489.9m), driven by strong growth in home insurance and the inclusion of Bennetts. Travel revenue increased by 11.0% to £423.1m, largely driven by a full year contribution from Destinology, which contributed £32.8m.

The insurance and travel businesses saw increases in Trading Profit of 8.0% and 26.5% respectively. These were partially offset by an additional £8.9m Trading Loss in emerging businesses and central costs, £5.5m of which reflects the increased central administrative costs as a result of becoming a plc, with part of the balance being the Group’s ongoing investment in the newly launched Saga Investment Services.

Motor insurance

	12m to Jan 2016					12m to Jan 2015			
	Core UW	**Ancillary**	**Broking / Other**	**Total Motor**	***Growth***	**Core UW**	**Ancillary**	**Broking / Other**	**Total Motor**
Revenue	**£237.7m**	**£35.0m**	**£46.0m**	**£318.7m**	***2.1%***	**£240.8m**	**£35.2m**	**£36.0m**	**£312.0m**
Gross profit	**£103.7m**	**£31.9m**	**£31.6m**	**£167.2m**	***18.0%***	**£99.5m**	**£31.1m**	**£11.1m**	**£141.7m**
Operating expenses	(£34.5m)	(£6.0m)	(£22.3m)	(£62.8m)	*10.4%*	(£40.0m)	(£8.2m)	(£8.7m)	(£56.9m)
Investment return	£13.6m	£0.3m	-	£13.9m	*(10.9%)*	£15.6m	-	-	£15.6m
Trading Profit	**£82.8m**	**£26.2m**	**£9.3m**	**£118.3m**	***17.8%***	**£75.1m**	**£22.9m**	**£2.4m**	**£100.4m**
Number of policies sold:									
- core	950k	26k	262k	1,238k	*14.9%*	947k	22k	108k	1,077k
- add-ons	n/a	1,195k	280k	1,475k	*4.8%*	n/a	1,324k	83k	1,407k
	950k	1,221k	542k	2,713k	*9.2%*	947k	1,346k	191k	2,484k
Gross written premiums	£226.1m	£39.6m	£62.2m	£327.9m	*7.5%*	£235.0m	£37.9m	£32.0m	£304.9m

The prior period has been restated to reclassify certain overhead costs as cost of sales on a consistent basis with the current period. The total Trading Profit of £100.4m is unchanged.

The motor market remained highly competitive, with average premiums continuing to fall at the start of year before increasing from the second quarter of 2015. Against this backdrop, we have grown both customer numbers and profits by increasing our competitiveness through capitalising on our underwriting performance and the initial impact of the new motor panel. Underlying core policy volumes excluding Bennetts were up 3.1% in the year.

Overall motor revenue grew by 2.1% to £318.7m (2015: £312.0m). Revenue and gross written premiums from core underwritten policies decreased during the year as a whole, reflecting the fact that premiums were falling or only starting to recover when a number of these policies were written. This was offset by a £10m increase in revenue from Broking and Other due to the inclusion of Bennetts from 1 July 2015 and the initial impact of the motor panel.

Overall, the positive claims experience within the core business has enabled a growth in Trading Profit of 17.8% despite ongoing 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, increases in other income streams and lower operating expenses.

Motor Core Underwriting P&L		**12m to Jan 2016**	***Growth***	**12m to Jan 2015**
Net earned premium	**A**	£226.5m	*(2.7%)*	£232.8m
Instalment income		£4.4m	*22.2%*	£3.6m
Other income		£6.8m	*54.5%*	£4.4m
Revenue		**£237.7m**	***(1.3%)***	**£240.8m**
Claims costs	**B**	(£179.8m)	*(3.6%)*	(£186.6m)
Reserve releases	**C**	£64.6m	*3.2%*	£62.6m
Claims handling and regulatory fees	**D**	(£18.8m)	*8.7%*	(£17.3m)
Total cost of sales	**E**	(£134.0m)	*(5.2%)*	(£141.3m)
Gross profit		**£103.7m**	***4.2%***	**£99.5m**
Total expenses	**F**	(£34.5m)	*(13.8%)*	(£40.0m)
Investment return		£13.6m	*(12.8%)*	£15.6m
Trading Profit		**£82.8m**	***10.3%***	**£75.1m**
Reported loss ratio	**(B+C)/A**	50.9%	*(2.4%)*	53.3%
Expense ratio	**(D+F)/A**	23.5%	*(1.1%)*	24.6%
Reported COR	**(E+F)/A**	74.4%	*(3.5%)*	77.9%
Pure COR	**(E+F-C)/A**	102.9%	*(1.9%)*	104.8%

The prior period has been restated to reclassify £10.0m of prior year reserve releases from current year claims costs following a review during the period, and to align the presentation of costs between claims, claims handling and total expenses on a consistent basis with the current period.

Net earned premiums were 2.7% lower due to falling or flat premiums during part of the year and a reduction in underwriting for the AA motor business. This was partially offset by a £2.4m increase in other income from the introduction of broker arrangement fees and a limited increase in administrative charges.

The Group has not seen the increase in claims frequency that is being reported elsewhere in the market, with 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 2015 has also been broadly stable across accidental damage and small personal injury claims, with the Group not currently experiencing the inflation in personal injury claims costs reported elsewhere. The Group 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.

The Group has seen a marginal increase in third party damage severity, chiefly driven by increases in at-fault repair costs that have been seen across the market following the Coles v Hetherton judgment.

The combined operating ratio, at 74.4% has improved by 3.5 percentage points, partially as a result of the £2.0m increase in reserve releases reflecting an improvement of claims experience on large and small personal injury claims. The pure combined operating ratio improved by 1.9 percentage points as a result of a reduction in operating expenses as a greater share of indirect costs were allocated to the home and other insurance segments during the year to reflect the relative revenues of the businesses.

Investment return decreased by 12.8%, which was driven primarily by lower returns on mark-to-market elements of the portfolio as a result of the recent turmoil in global markets.

Home insurance

	12m to Jan 2016				12m to Jan 2015		
	Ancillary UW	**Core Broking / Coinsured**	**Total Home**	***Growth***	**Ancillary UW**	**Core Broking / Coinsured**	**Total Home**
Revenue	**£18.2m**	**£81.6m**	**£99.8m**	***8.7%***	**£15.8m**	**£76.0m**	**£91.8m**
Gross profit	**£13.2m**	**£80.8m**	**£94.0m**	***7.7%***	**£12.5m**	**£74.8m**	**£87.3m**
Operating expenses	(£3.8m)	(£26.2m)	(£30.0m)	*18.1%*	(£0.8m)	(£24.6m)	(£25.4m)
Investment return	£0.1m	-	£0.1m	*(50.0%)*	£0.2m	-	£0.2m
Trading Profit	**£9.5m**	**£54.6m**	**£64.1m**	***3.2%***	**£11.9m**	**£50.2m**	**£62.1m**
Number of policies sold:							
- core	n/a	1,287k	1,287k	*2.3%*	n/a	1,258k	1,258k
- add-ons	546k	n/a	546k	*(7.0%)*	587k	n/a	587k
	546k	1,287k	1,833k	*(0.7%)*	587k	1,258k	1,845k
Gross written premiums	£21.4m	£153.8m	£175.3m	*(3.7%)*	£22.1m	£159.9m	£182.0m

The home insurance market has remained highly competitive over the last year, as continuing benign weather conditions have reduced claims costs across the industry resulting in a third consecutive year of falling premiums.

Despite these market conditions, the efficiency of the home panel has allowed the Group to continue to improve the net rates it receives from its underwriters to grow core policy numbers, increase revenue by 8.7% to £99.8m (2015: £91.8m) and Trading Profit by 3.2% to £64.1m (2015: £62.1m).

Operating expenses were up £4.6m as improved revenues relative to motor resulted in a greater proportion of indirect costs being allocated to home.

Other insurance

	12m to Jan 2016				12m to Jan 2015		
	Core UW	**Core Broking / Other**	**Total Other Insurance**	***Growth***	**Core UW**	**Core Broking / Other**	**Total Other Insurance**
Revenue	**£37.3m**	**£54.3m**	**£91.6m**	***6.4%***	**£39.9m**	**£46.2m**	**£86.1m**
Gross profit	**£4.2m**	**£54.1m**	**£58.3m**	***7.8%***	**£7.9m**	**£46.2m**	**£54.1m**
Operating expenses	(£2.3m)	(£25.9m)	(£28.2m)	*28.8%*	(£2.0m)	(£19.9m)	(£21.9m)
Investment return	£0.5m	-	£0.5m	*(66.7%)*	£1.5m	-	£1.5m
Joint venture	-	£0.1m	£0.1m	*(91.7%)*	-	£1.2m	£1.2m
Trading Profit	**£2.4m**	**£28.3m**	**£30.7m**	***(12.0%)***	**£7.4m**	**£27.5m**	**£34.9m**
Number of policies sold:							
- core	28k	355k	383k	*11.3%*	34k	310k	344k
- add-ons	n/a	1k	1k	*(80.0%)*	n/a	5k	5k
	28k	356k	384k	*10.0%*	34k	315k	349k
Gross written premiums	£6.0m	£119.0m	£125.0m	*3.6%*	£6.6m	£114.1m	£120.7m

Revenue in other insurance lines grew by 6.4% to £91.6m (2015: £86.1m), driven by an increase in travel insurance volumes and improved margins on private medical.

Trading Profit was down £4.2m due to an increased allocation of indirect costs in line with relative revenues across the Insurance business, an increase in marketing investment in Legal Services and the impact of the administration of Parabis Law LLP.

Insurance underwriting

Reserving

Reserve Releases	**12m to Jan 2016**	***Growth***	**12m to Jan 2015**
Motor insurance:			
Core UW	£64.6m	*3.2%*	£62.6m
Ancillary	£2.1m	*250.0%*	£0.6m
	£66.7m	*5.5%*	£63.2m
Home insurance	£0.2m	*(87.5%)*	£1.6m
Other insurance	£1.1m	*(63.3%)*	£3.0m
Total	£68.0m	*0.3%*	£67.8m

The prior period has been restated to reclassify £10.0m of prior year reserve releases from current year claims costs following a review during the period.

Favourable claims development experience during the twelve months to 31 January 2016 has resulted in a reduction in the reserves required in respect of prior year claims. This has been driven by large and small personal injury claims and by other classes and resulted in a materially consistent level of reserve releases totalling £68.0m during the year. There has been no deterioration in the reserve margin year-on-year.

Analysis of insurance contract liabilities at 31 January 2016 and 31 January 2015 is as follows:

	12m to Jan 2016			12m to Jan 2015		
	Gross	Reinsurance Assets	Net	Gross	Reinsurance Assets	Net
Reported claims	£341.5m	(£70.7m)	£270.8m	£330.6m	(£45.9m)	£284.7m
Incurred but not reported*	£209.2m	(£30.9m)	£178.3m	£211.5m	(£14.3m)	£197.2m
Claims handling provision	£10.9m	-	£10.9m	£10.3m	-	£10.3m
Total claims outstanding	£561.6m	(£101.6m)	£460.0m	£552.4m	(£60.2m)	£492.2m
Unearned premiums	£141.7m	(£4.8m)	£136.9m	£152.3m	(£3.2m)	£149.1m
Total	£703.3m	(£106.4m)	£596.9m	£704.7m	(£63.4m)	£641.3m

** includes amounts for reported claims that are expected to become periodical payment orders.*

The Group's total insurance contract liabilities net of reinsurance assets have reduced by £44.4m as at 31 January 2016 from the previous yearend, driven by a £18.9m reduction in IBNR claims reserves, £13.9m less reported claims reserves and a £12.2m reduction in unearned premium reserve.

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 decreased by £29.2m compared with the previous year, from £654.0m as at 31 January 2015 to £624.8m as at 31 January 2016. As at 31 January 2016, 92% of the financial assets held by the Group were invested with counterparties with a risk rating of A or above, which is up 10 percentage points on the previous year and reflects the improved credit risk rating of the Group’s counterparties.

At 31 January 2016	**AAA**	**AA**	**A**	**<A**	**Unrated**	**Total**
Underwriting investment portfolio:						
Deposits with financial institutions	£30.0m	£140.3m	£243.3m	-	-	£413.6m
Debt securities	£85.2m	-	-	-	-	£85.2m
Money market funds	£75.9m	-	-	-	-	£75.9m
Hedge funds	-	-	-	-	£26.7m	£26.7m
Loan funds	-	-	-	-	£19.3m	£19.3m
Loan notes	-	-	-	-	£3.8m	£3.8m
Unlisted equity shares	-	-	-	-	£0.2m	£0.2m
Total invested funds	£191.1m	£140.3m	£243.3m	-	£50.0m	£624.7m
Hedging derivative assets	-	£10.1m	£9.9m	-	-	£20.0m
Total financial assets	**£191.1m**	**£150.4m**	**£253.2m**	**-**	**£50.0m**	**£644.7m**

At 31 January 2015	AAA	AA	A	<A	Unrated	Total
Underwriting investment portfolio:						
Deposits with financial institutions	£30.0m	£180.3m	£213.6m	£55.5m	-	£479.4m
Debt securities	£71.9m	-	-	-	-	£71.9m
Money market funds	£40.6m	-	-	-	-	£40.6m
Hedge funds	-	-	-	-	£33.8m	£33.8m
Loan funds	-	-	-	-	£19.6m	£19.6m
Equities	-	-	-	-	£8.7m	£8.7m
Total invested funds	£142.5m	£180.3m	£213.6m	£55.5m	£62.1m	£654.0m
Amounts owed by related undertakings under the previous group structure	-	-	£5.6m	-	-	£5.6m
Total financial assets	**£142.5m**	**£180.3m**	**£219.2m**	**£55.5m**	**£62.1m**	**£659.6m**

Solvency capital

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

The Group had its use of the Undertaking Specific Parameters route for Solvency II approved by its regulator, the Financial Services Commission in Gibraltar, during the year. Under Solvency II the Group had an SCR of £128.8m at 31 Jan 2016 and available capital is £219.6m, giving a coverage ratio of 170% and retaining its strong capital position.

The following table shows a range of impacts against the base Solvency II coverage ratio:

Sensitivities	
Base solvency II coverage	**170%**
Interest rates +/- 1%	+3% / -3%
Equities -15%	-2%
Credit spreads 50bps	-6%
3 large losses of £10m each	-6%

Travel

The travel business has had another strong year of trading, supported by the acquisition of Destinology in August 2014.

	12m to Jan 2016	*Growth*	12m to Jan 2015
Revenue:			
Holidays	£336.9m	*13.3%*	£297.3m
Cruising	£86.2m	*2.6%*	£84.0m
	£423.1m	***11.0%***	**£381.3m**
Gross profit:			
Holidays	£68.6m	*16.4%*	£58.9m
Cruising	£17.3m	*(2.8%)*	£17.8m
	£85.9m	***12.0%***	**£76.7m**
Operating expenses	(£69.1m)	*9.0%*	(£63.4m)
Investment income	£0.4m	*33.3%*	£0.3m
Trading Profit	**£17.2m**	***26.5%***	**£13.6m**
Number of holidays passengers	189k	*9.9%*	172k
Number of ship passenger days	339k	*0.9%*	336k

The holidays businesses generated a 13.3% increase in revenue to £336.9m (2015: £297.3m), £32.8m of which was attributable to the impact of Destinology being included for a full year. Gross profit increased by 16.4% to £68.6m (2015: £58.9m), around half of which was due to Destinology, and the number of passengers travelling increased by 9.9%, largely driven by the impact of Destinology.

The Saga Holidays and Titan businesses both delivered increases in revenue and gross profit, driven by a shift in product mix towards higher-value, higher-margin long-haul and third party cruise products.

Saga Cruising delivered revenue of £86.2m, 2.6% above the previous year (2015: £84.0m), driven primarily by improved yields. Ongoing investment in the ships and the Saga cruise customer experience resulted in a marginal decrease in gross profit of 2.7% to £17.3m (2015: £17.8m).

An overall 12.0% increase in gross profit was partially offset by a 9.0% increase in operating expenses, driven by the full year impact of Destinology. The Travel segment as a whole delivered a 26.5% increase in Trading Profit to £17.2m (2015: £13.6m).

Emerging businesses and central costs

	12m to Jan 2016	*Growth*	12m to Jan 2015
Revenue	**£30.0m**	***2.4%***	**£29.3m**
Gross profit	**£13.6m**	***1.5%***	**£13.4m**
Operating expenses	(£31.7m)	*31.5%*	(£24.1m)
Investment income	£0.2m	*(33.3%)*	£0.3m
Joint venture	(£1.4m)	*n/a*	-
Trading Loss	**(£19.3m)**	***85.6%***	**(£10.4m)**

Revenue from emerging businesses (which includes personal finance, continuing healthcare services, the media businesses and the retirement villages pilot) was up by 2.4% to £30.0m (2015: £29.3m). These businesses delivered a 1.5% increase in gross profit to £13.6m (2015: £13.4m).

The overall Trading Loss from this segment was £19.3m (2015: £10.4m). £5.5m of the increase was due to the normalisation of listed company costs, with the balance being made up of additional Group costs, including the investment in the newly launched Saga Investment Services.

Discontinued operations

	12m to Jan 2016	*Growth*	12m to Jan 2015
Revenue	**£206.2m**	***(27.2%)***	**£283.2m**
Gross profit	**£57.0m**	***(31.7%)***	**£83.4m**
Operating expenses	(£58.4m)	*(24.4%)*	(£77.2m)
Trading (Loss) / Profit	**(£1.4m)**	***(122.6%)***	**£6.2m**
Exceptional items	(£6.4m)	*(23.8%)*	(£8.4m)
Net finance expense on pension schemes	(£0.4m)	*33.3%*	(£0.3m)
Loss before tax	(£8.2m)	*228.0%*	(£2.5m)
Tax expense	£0.3m	*(86.4%)*	£2.2m
Loss after tax, before amortisation	(£7.9m)	*2,533.3%*	(£0.3m)
Gain on disposal of discontinued operations	£1.0m		-
Amortisation of associated intangible assets	-		(£10.4m)
Loss on re-measurement of disposal group to fair value	-		(£209.5m)
Loss after tax for the year from discontinued operations	**(£6.9m)**	***(96.9%)***	**(£220.2m)**

On 30 November 2015, the Group completed the sale of the local authority section of the healthcare business, Allied Healthcare, resulting in a £1.0m gain on disposal. This was offset against a loss after tax for the period up to this date of £7.9m, resulting in a loss after tax for the year from discontinued operations of £6.9m.

Financial outlook and guidance

During the year ending 31 January 2017 insurance profitability is expected to benefit from higher policy numbers, the positive impact of the panel and the ongoing benefits of efficiency improvements. This will be partially offset by the impact of the recently announced quota share arrangement. Reserve releases are expected to contribute materially during the year, but at a reduced level from the year ending 31 January 2016.

Growth in our tour operating businesses will be largely offset by the impact of the two-month wet dock for Saga Sapphire in the cruise business. Therefore, profitability for the travel business will be relatively flat year on year.

Subject to market conditions remaining materially consistent, the Group is therefore targeting PBT growth of between 5-7% for the year ending 31 January 2017. At the same time, the Group expects to delever further, benefiting from its strong solvency position in AICL, the initial benefits of the quota share arrangement and our prudent investment strategy.

The additional capital released gradually over the next few years from AICL will provide additional free cash flow and enable an increase in the dividend payout ratio to between 50% and 70% of net earnings, whilst retaining the Group's target debt range of 1.5x to 2.0x Trading EBITDA.

Consolidated income statement
for the year ended 31 January 2016

	Note	**2016 £'m**	2015 £'m
Revenue	3	963.2	900.5
Cost of sales	3	(544.2)	(525.1)
Gross profit		**419.0**	**375.4**
Administrative and selling expenses		(227.3)	(244.5)
Investment income		11.0	13.9
Finance costs		(25.2)	(35.1)
Finance income		-	2.9
Share of (loss)/profit of joint venture		(1.3)	1.2
Profit before tax from continuing operations		**176.2**	**113.8**
Tax expense	5	(28.1)	(27.4)
Profit for the year from continuing operations		**148.1**	**86.4**
Loss after tax for the year from discontinued operations	18	(6.9)	(220.2)
Profit/(loss) for the year		**141.2**	**(133.8)**
Attributable to:			
Equity holders of the parent		140.9	(134.2)
Non-controlling interests		0.3	0.4
		141.2	**(133.8)**
Earnings/(loss) per share:			
Basic	7	12.7p	(13.3p)
Diluted	7	12.6p	(13.3p)
Earnings per share for continuing operations:			
Basic	7	13.3p	8.6p
Diluted	7	13.2p	8.5p

Consolidated statement of comprehensive income
for the year ended 31 January 2016

	2016 **£'m**	2015 £'m
Profit/(loss) for the year	**141.2**	**(133.8)**
Other comprehensive income		
Other comprehensive income to be reclassified to income statement in subsequent years		
Exchange differences on translation of foreign operations	(1.2)	-
Net gain/(loss) on cash flow hedges	16.6	(3.0)
Associated tax effect	(3.0)	0.7
Net (loss)/gain on available for sale financial assets	(1.6)	3.8
Associated tax effect	0.4	(0.8)
	11.2	0.7
Other comprehensive income not to be reclassified to income statement in subsequent years		
Re-measurement gains/(losses) on defined benefit plans	26.6	(34.8)
Associated tax effect	(4.8)	6.9
	21.8	**(27.9)**
Total other comprehensive income/(losses)	**33.0**	**(27.2)**
Total comprehensive income/(loss) for the year	**174.2**	**(161.0)**
Attributable to:		
Equity holders of the parent	173.9	(161.4)
Non-controlling interests	0.3	0.4
	174.2	**(161.0)**

Consolidated statement of financial position
as at 31 January 2016

	Note	2016	2015
Assets		**£'m**	£'m
Goodwill	9	1,485.0	1,471.4
Intangible fixed assets	10	52.3	34.8
Investment in joint ventures		1.6	1.2
Property, plant and equipment	11	140.6	133.2
Financial assets	12	644.7	659.6
Deferred tax assets	5	22.1	22.9
Reinsurance assets	15	106.4	63.4
Inventories		4.9	5.3
Trade and other receivables		188.0	163.7
Assets held for sale		-	47.7
Cash and short-term deposits	13	106.5	198.8
Total assets		**2,752.1**	**2,802.0**
Liabilities			
Retirement benefit scheme obligations	14	18.8	40.4
Gross insurance contract liabilities	15	703.3	704.7
Provisions		4.0	5.9
Financial liabilities	12	580.5	711.7
Current tax liabilities		15.0	14.0
Deferred tax liabilities	5	17.4	5.5
Other liabilities		133.3	129.3
Trade and other payables		191.6	158.7
Liabilities held for sale		-	47.7
Total liabilities		**1,663.9**	**1,817.9**
Equity			
Issued capital		11.2	11.1
Share premium		519.3	519.4
Retained earnings		527.0	410.7
Share-based payment reserve		17.7	40.7
Foreign currency translation reserve		(0.7)	0.5
Available for sale reserve		2.4	3.6
Hedging reserve		11.3	(2.3)
Equity attributable to equity holders of the parent		**1,088.2**	**983.7**
Non-controlling interest		-	0.4
Total equity		**1,088.2**	**984.1**
Total liabilities and equity		**2,752.1**	**2,802.0**

Consolidated statement of changes in equity
for the year ended 31 January 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
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 income	-	-	21.8	-	(1.2)	(1.2)	13.6	33.0	-	33.0
Total comprehensive income	-	-	162.7	-	(1.2)	(1.2)	13.6	173.9	0.3	174.2
Bonus shares issued	0.1	(0.1)	-	-	-	-	-	-	-	-
Dividends paid (note 6)	-	-	(70.4)	-	-	-	-	(70.4)	(0.7)	(71.1)
Share based payment charge (note 17)	-	-	-	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**
At 1 February 2014	**-**	**-**	**1,118.7**	**-**	**0.5**	**0.6**	**-**	**1,119.8**	**-**	**1,119.8**
Loss for the year	-	-	(134.2)	-	-	-	-	(134.2)	0.4	(133.8)
Other comprehensive losses	-	-	(27.9)	-	-	3.0	(2.3)	(27.2)	-	(27.2)
Total comprehensive losses	-	-	(162.1)	-	-	3.0	(2.3)	(161.4)	0.4	(161.0)
Corporate restructuring	8.0	-	1,516.1	-	-	-	-	1,524.1	-	1,524.1
Dividends paid	-	-	(2,063.0)	-	-	-	-	(2,063.0)	-	(2,063.0)
Issue of share capital	3.0	547.0	-	-	-	-	-	550.0	-	550.0
Costs associated with issue of share capital	-	(27.6)	-	-	-	-	-	(27.6)	-	(27.6)
Issue of treasury shares	0.1	-	-	(0.1)	-	-	-	-	-	-
Share based payment charge	-	-	-	41.8	-	-	-	41.8	-	41.8
Exercise of share options	-	-	1.0	(1.0)	-	-	-	-	-	-
At 31 January 2015	**11.1**	**519.4**	**410.7**	**40.7**	**0.5**	**3.6**	**(2.3)**	**983.7**	**0.4**	**984.1**

Consolidated statement of cash flows
for the year ended 31 January 2016

	Note	2016 £'m	2015 £'m
Profit before tax from continuing operations		176.2	113.8
Loss before tax from discontinued operations		(7.2)	(222.4)
Profit/(loss) before tax		169.0	(108.6)
Depreciation, impairment and loss on disposal of property, plant and equipment		23.4	20.1
Amortisation and impairment of intangible assets		14.1	22.1
Share-based payment transactions		1.1	41.8
Transactions relating to disposal group held for sale		7.3	209.5
Finance costs		25.2	35.1
Finance income		-	(2.9)
Share of post-tax loss/(profits) of joint ventures		1.3	(1.2)
Interest income from investments		(11.0)	(13.9)
Movements in other assets and liabilities		(56.5)	(3.7)
		173.9	198.3
Interest received		13.5	8.9
Interest paid		(21.6)	(19.7)
Debt issue costs		-	(22.6)
Income tax paid		(15.4)	(9.6)
Net cash flows from operating activities		**150.4**	**155.3**
Investing activities			
Proceeds from sale of property, plant and equipment		-	0.2
Purchase of property, plant and equipment		(33.8)	(26.4)
Net disposal/(purchase) of financial assets		64.3	(61.3)
Acquisition of subsidiaries	8	(26.7)	(14.3)
Disposal of subsidiaries		(8.2)	-
Investment in joint venture		(3.0)	-
Net cash flows used in investing activities		**(7.4)**	**(101.8)**
Financing activities			
Payment of finance lease liabilities		(0.5)	(0.6)
Proceeds from new borrowings		-	1,250.0
Net payment of borrowings	16	(145.0)	(550.0)
Proceeds from issue of share capital on flotation		-	550.0
Costs associated with issue of share capital on flotation		-	(26.2)
Net movement on balances with related undertakings		-	(4.1)
Net movement on balances with parent undertakings		-	774.9
Dividends paid		(70.0)	(2,063.0)
Net cash flows used in financing activities		**(215.5)**	**(69.0)**
Net decrease in cash and cash equivalents		**(72.5)**	**(15.5)**
Net foreign exchange differences		(1.0)	(0.2)
Cash and cash equivalents at the start of the period		237.9	253.6
Cash and cash equivalents at the end of the period	13	**164.4**	**237.9**

Notes to the consolidated 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 consolidated financial statements of Saga plc and the entities controlled by the Company (its subsidiaries, collectively 'Saga Group' or 'the Group') for the year ended 31 January 2016 were approved for issue by the Board of Directors on 18 April 2016 and will be made available on the Company's website in due course.

2.1 Basis of preparation

The results in this preliminary announcement have been taken from the Group's 2016 Annual report and accounts. The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to those reporting under IFRS.

The basis of preparation, basis of consolidation and summary of significant accounting policies applicable to the Group's consolidated financial statements can be found in the notes to the consolidated financial statements in the 2016 Annual report and accounts.

The preliminary announcement for the year ended 31 January 2016 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The consolidated financial statements for the full year ended 31 January 2016 have been audited by Ernst & Young LLP (EY). Their report was unqualified and did not contain any statement under section 498(2) or section 498(3) of the Companies Act 2006.

2.2 Summary of significant accounting policies

There have been no significant changes to the accounting policies of the Group during the year ended 31 January 2016. Full details of the accounting policies of the Group can be found in the Annual report and accounts for the year ended 31 January 2015 available at www.corporate.saga.co.uk.

2.3 Standards issued but not yet effective

The following is a list of standards and amendments to standards that are in issue but are not effective or adopted as at 31 January 2016. Comment on these new standards or amendments is as follows:

i. IFRS 9 'Financial Instruments'

In July 2014, the IASB issued IFRS 9 'Financial Instruments' that will essentially replace IAS 39. The classification and measurement of financial assets and liabilities will be directly linked to the nature of the instrument's contractual cash flows and the business model employed by the holder of the instrument. The impact of this standard on the Group's financial statements is still being assessed. The standard is effective for annual periods beginning on or after 1 January 2018, although this is yet to be endorsed by the EU.

ii. IFRS 15 'Revenue from Contracts with Customers'

The objective of IFRS 15 is to establish the principles that an entity should apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The impact of this standard on the Group's financial statements is still being assessed. The standard is effective for annual periods beginning on or after 1 January 2018, although this is yet to be endorsed by the EU.

iii. IFRS 16 'Leases'

IFRS 16 specifies how to recognise, measure, present and disclose leases, and will essentially replace IAS 17. The impact of this standard on the Group's financial statements is still being assessed. The standard was issued in January 2016 and is effective for annual reporting periods beginning on or after 1 January 2019, although this is yet to be endorsed by the EU.

iv. Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

These amendments to IAS 16 and IAS 38 provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. The requirements of IAS 16 and IAS 38 are amended to clarify that depreciation and amortisation methods that are based on revenue are not appropriate. The amendment is effective for annual periods beginning on or after 1 January 2016 and will have no effect on the Group's financial statements.

v. Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted and will have no effect on the Group's financial statements.

vi. Amendments to IFRS 11: Joint Arrangements

The amendments state that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted and will have no effect on the Group's financial statements.

vii. Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted and will have no effect on the Group's financial statements.

2.4 Significant accounting judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i) Valuation of insurance contract liabilities

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. For some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all of the uncertainties involved.

The ultimate cost of claims is not discounted except for those in respect of periodical payment orders (‘PPOs’). The valuation of these claims involves making assumptions about the rate of inflation and the expected rate of return on assets to determine the discount rate. Due to the size of PPO claims, the ultimate cost is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date.

Similar judgements, estimates and assumptions are employed in the assessment of the adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

ii) Goodwill impairment testing

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the CGUs to which goodwill is allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units at a suitable discount rate in order to calculate present value.

iii) Valuation of pension benefit obligation

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

3 Segmental information

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

- *Insurance*: the segment primarily comprises general insurance products. Revenue is derived primarily from insurance premiums and broking revenues. This segment is further analysed into three product sub-segments:
    - Motor insurance
    - Home insurance
    - Other insurance

- *Travel*: the segment primarily comprises the operation and delivery of package tours and cruise holiday products. The Group owns and operates two cruise ships and throughout the year owned and operated one hotel. All other holiday products are packaged together with third party supplied accommodation, flights and other transport arrangements.

- *Emerging Businesses and Central Costs*: the segment 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.

In previous periods, the Group reported its activities in four operating segments comprising Financial services, Travel, Healthcare services, and Media and central costs. During the year, the Group has moved its personal finance activities from Financial services to leave Insurance, and combined these activities with Healthcare services and Media and central costs to comprise the Emerging Businesses and Central Costs segment. The Travel segment is unchanged.

Segment performance is primarily evaluated using the Group's key performance measure of Trading Profit. Items not allocated to a segment relate to transactions that do not form part of the on-going segment performance or which are managed on a Group basis.

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results includes transfers between business segments which are then eliminated on consolidation.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to segments as they are also managed on a group basis.

Notes to the consolidated financial statements (continued)

3 Segmental information (continued)

2016	Insurance: Motor Insurance £'m	Insurance: Home Insurance £'m	Insurance: Other Insurance £'m	Insurance: Total £'m	Travel £'m	Emerging Businesses and Central Costs £'m	Adjustments £'m	Total £'m
Gross revenue	342.7	173.6	152.2	668.5	423.1	30.0	-	1,121.6
Inter-segment	-	-	-	-	-	7.1	(7.1)	-
Segment revenue	342.7	173.6	152.2	668.5	423.1	37.1	(7.1)	1,121.6
Third party premiums	(24.0)	(73.8)	(60.6)	(158.4)	-	-	-	(158.4)
Revenue	**318.7**	**99.8**	**91.6**	**510.1**	**423.1**	**37.1**	**(7.1)**	**963.2**
Cost of sales	(151.5)	(5.8)	(33.3)	(190.6)	(337.2)	(16.4)	-	(544.2)
Gross profit	**167.2**	**94.0**	**58.3**	**319.5**	**85.9**	**20.7**	**(7.1)**	**419.0**
Results								
Trading EBITDA	**121.7**	**66.5**	**32.2**	**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/(loss)	**118.3**	**64.1**	**30.7**	**213.1**	**17.2**	**(19.3)**	**-**	**211.0**
Amortisation of acquired intangible assets				(2.5)	(3.7)	(0.1)	-	(6.3)
Exceptional expenses				(5.2)	9.5	(7.6)	-	(3.3)
Net fair value loss on derivative financial instruments				-	(1.2)	-	-	(1.2)
Net finance costs				-	-	-	(24.0)	(24.0)
Profit before tax from continuing operations				**205.4**	**21.8**	**(27.0)**	**(24.0)**	**176.2**
Total assets less liabilities				372.1	29.2	(242.6)	929.5	1,088.2

All 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.

Notes to the consolidated financial statements (continued)

3 Segmental information (continued)

2015	Insurance: Motor Insurance £'m	Insurance: Home Insurance £'m	Insurance: Other Insurance £'m	Insurance: Total £'m	Travel £'m	Emerging Businesses and Central Costs £'m	Adjustments £'m	Total £'m
Gross revenue	341.3	173.5	143.4	658.2	381.3	29.3	-	1,068.8
Inter-segment	-	-	-	-	-	8.3	(8.3)	-
Segment revenue	341.3	173.5	143.4	658.2	381.3	37.6	(8.3)	1,068.8
Third party premiums	(29.3)	(81.7)	(57.3)	(168.3)	-	-	-	(168.3)
Revenue	**312.0**	**91.8**	**86.1**	**489.9**	**381.3**	**37.6**	**(8.3)**	**900.5**
Cost of sales	(168.1)	(4.5)	(32.0)	(204.6)	(304.6)	(15.9)	-	(525.1)
Gross profit	**143.9**	**87.3**	**54.1**	**285.3**	**76.7**	**21.7**	**(8.3)**	**375.4**
Results								
Trading EBITDA	**104.2**	**64.5**	**36.2**	**204.9**	**26.0**	**(3.5)**	**-**	**227.4**
Depreciation	(1.5)	(0.6)	(0.5)	(2.6)	(9.3)	(5.4)	-	(17.3)
Amortisation of intangible assets	(2.3)	(1.8)	(0.8)	(4.9)	(3.1)	(1.5)	-	(9.5)
Trading profit/(loss)	**100.4**	**62.1**	**34.9**	**197.4**	**13.6**	**(10.4)**	**-**	**200.6**
Amortisation of acquired intangible assets				-	(2.0)	(0.2)	-	(2.2)
Exceptional expenses				(0.1)	(1.1)	(51.2)	-	(52.4)
Net fair value gain on derivative financial instruments				-	2.9	-	-	2.9
Net finance costs				-	-	-	(35.1)	(35.1)
Profit before tax from continuing operations				**197.3**	**13.4**	**(61.8)**	**(35.1)**	**113.8**
Total assets less liabilities				274.1	(7.0)	(62.9)	779.9	984.1

All 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.

Notes to the consolidated financial statements (continued)

3 Segmental information (continued)

Total assets less liabilities detailed as adjustments relates to the following unallocated items:

	2016	2015
	£'m	£'m
Goodwill (note 9)	1,485.0	1,471.4
Bank loans (note 16)	(547.7)	(692.2)
Deferred tax – non-pension scheme related	(7.8)	0.7
	929.5	**779.9**

a Analysis of insurance revenue

	2016	2015
	£'m	£'m
Net earned premiums on insurance underwritten by the Group		
- Motor Insurance	260.9	270.0
- Home Insurance	18.2	16.4
- Other Insurance	36.6	39.3
	315.7	325.7
Other income from insurance products	194.4	164.2
	510.1	**489.9**

b Analysis of insurance cost of sales

	2016	2015
	£'m	£'m
Net Claims incurred on insurance underwritten by the Group		
- Motor Insurance	134.8	143.3
- Home Insurance	7.0	4.5
- Other Insurance	33.1	31.5
	174.9	179.3
Other cost of sales	15.7	25.3
	190.6	**204.6**

Notes to the consolidated financial statements (continued)

4 Exceptional expenses

	2016	2015
	£'m	£'m
Share-based payment costs (note 17)	0.3	40.8
Flotation and other costs	2.6	9.2
Restructuring costs	1.3	1.0
Acquisition of subsidiaries (note 8)	0.5	0.3
Release of contingent consideration liability (note 8)	(7.1)	-
Supplier insolvency	4.7	-
Impairment of property	3.8	-
Insurance claims	(3.1)	-
Other exceptional expenses	0.3	1.1
	3.3	**52.4**

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.

During the 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 firm, and lost profits from the joint venture.

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.

During the year, the Group received two amounts under insurance policies towards the cost of cancelled or curtailed cruises; the costs of these operational issues were treated as exceptional in prior periods.

5 Tax

The major components of the income tax expense are:

	2016	2015
	£'m	£'m
Consolidated income statement		
Current income tax		
Current income tax charge	32.7	29.9
Adjustments in respect of previous years	(8.4)	-
	24.3	**29.9**
Deferred tax		
Relating to origination and reversal of temporary differences	3.1	(2.0)
Effect of tax rate change on opening balance	1.0	-
Adjustments in respect of previous years	(0.3)	(0.5)
Tax expense in the income statement	**28.1**	**27.4**

The Group's tax expense for the year was £28.1m (2015: £27.4m) representing a tax effective rate of 15.9%. This included a £7.6m benefit from the utilisation under the group relief rules of tax losses from Acromas, which arose when Saga was a part of the Acromas Group. Excluding the impact of the Acromas tax losses, the underlying tax effective rate was 20.3% (2015: 24.1%).

Reconciliation of net deferred tax assets/(liabilities)

	2016	2015
	£'m	£'m
At 1 February	17.4	12.9
Tax credit recognised in the income statement	(3.8)	2.5
Tax credit recognised in other comprehensive income	(7.4)	6.8
Deferred taxes acquired in business combinations	(2.7)	(4.0)
Deferred tax charge attributable to discontinued operations	1.2	0.5
Transferred to assets held for sale	-	(1.3)
At 31 January	**4.7**	**17.4**

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 but this has not been enacted. As a result, the closing deferred tax balances have been reflected at 18%.

The Group has tax losses which arose in the UK of £4.2m (2015: £4.9m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by £0.8m.

Notes to the consolidated financial statements (continued)

6 Dividends

During the year, the Company paid its first ordinary dividend of 4.1p per share, relating to the year ended 31 January 2015, and also paid an interim dividend of 2.2p per share for the year ended 31 January 2016. The total dividends paid for the year were £70.4m.

The Directors propose a final dividend for the year ended 31 January 2016 of 5.0p per share, which is subject to approval by shareholders at the Annual General Meeting on 21 June 2016 and would be paid on 30 June 2016. These financial statements do not reflect this dividend payable.

With the exception of corporate restructuring dividends, no dividends were declared by the Company during the year ended 31 January 2015.

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.

In accordance with the offer in the Prospectus, on 5 June 2015, the Group issued one free share for every 20 shares which were purchased in the IPO by Eligible Customers and Eligible Employees and held continuously for one year. No additional funds were raised through the issue of these shares and therefore they have been treated as if they existed in all prior periods; accordingly, the weighted average number of shares in these periods has been restated.

There have been no other 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:

	2016	2015
	£'m	£'m
Profit/(loss) attributable to ordinary equity holders	140.9	(134.2)
Profit from continuing operations	148.1	86.4
Weighted average number of ordinary shares	'm	'm
Original shares	800.0	800.0
297.3m shares issued on 29 May 2014	297.3	202.0
Free shares issued on 5 June 2015	7.3	6.6
IPO share options exercised	6.5	0.4
Weighted average number for Basic EPS	1,111.1	1,009.0
Dilutive options		
IPO share options not yet exercised	6.6	8.6
Other share options not yet vested	2.4	0.0
Deferred bonus plan	0.2	0.0
Weighted average number for Diluted EPS	**1,120.3**	**1,017.6**
Basic EPS	**12.7p**	(13.3p)
Basic EPS for continuing operations	**13.3p**	8.6p
Diluted EPS	**12.6p**	(13.3p)
Diluted EPS for continuing operations	**13.2p**	8.5p

Notes to the consolidated financial statements (continued)

8 Acquisitions

a Acquisitions during the year ended 31 January 2016

On 1 July 2015, the Group acquired a 100% shareholding in Bennetts Biking Services Limited ("Bennetts"), the UK's premier motorbike insurance specialist. Bennetts' customer base fits well with the core Saga demographic with the majority of customers being over 40 years of age, and significantly enhances Saga's existing portfolio of motorbike policies.

The acquisition cost of £26.3m was settled in cash. Transaction costs of £0.5m have been expensed and are included as part of the exceptional expenses within administrative and selling expenses. Cash of £0.4m was acquired with Bennetts, resulting in a net cash outflow of £25.9m.

The fair values of the identifiable assets and liabilities of Bennetts acquired on the date of acquisition were:

	£'m
Assets	
Brand	3.8
Customer relationships	3.9
Contracts	5.8
Software	1.6
Trade and other receivables (gross and expected to be received)	1.4
Cash	0.4
Total assets	16.9
Liabilities	
Trade and other payables	1.5
Deferred tax liability	2.7
Total liabilities	4.2
Total identifiable net assets at fair value	**12.7**
Goodwill arising on acquisition (note 9)	13.6
Purchase consideration transferred	**26.3**

The goodwill arising on acquisition of £13.6m represents the fair value arising from the acquired management structure, strategic knowledge, capability and other synergies arising on acquisition.

From the date of acquisition, Bennetts contributed £10.5m of revenue and £0.4m to the Group profit before tax for the year ended 31 January 2016. Had these acquisitions occurred at the beginning of the financial year, contribution to Group revenue and profit before tax for the full year would have been £19.3m and £1.5m respectively.

Notes to the consolidated financial statements (continued)

8 Acquisitions (continued)

b Acquisitions in prior periods

On 13 August 2014, the Group acquired a 75% shareholding in Destinology Limited ("Destinology") with an option to acquire the remaining 25% shareholding at a later date. Accordingly, the subsequent purchase was considered to be a linked transaction and Destinology was consolidated as a 100% subsidiary.

The initial acquisition cost for the 75% shareholding of £23.0m was settled using £22.2m of cash held by the Travel segment, with £0.8m deferred to be paid during the year ending 31 January 2016. The option to acquire the remaining 25% is effected by the Group and the other shareholders holding call and put options respectively, with the price to be paid determined by the profitability of Destinology in the 12 months ending 31 October 2015 or 31 October 2016.

The contingent consideration for the remaining 25% was valued upon a probability-weighted range of outcomes on acquisition at £6.2m, giving a total consideration of £29.2m:

Purchase consideration	**£'m**
Cash settled on acquisition date	22.2
Deferred for one year (paid during year ended 31 January 2016)	0.8
Contingent consideration in respect of remaining 25% shareholding	6.2
Total consideration	**29.2**

The fair values of the identifiable assets and liabilities acquired totalled £16.2m generating goodwill on acquisition of £13.0m representing the fair value arising from the acquired management structure and their incumbencies along with their strategic knowledge and capability and other synergies arising on acquisition.

During the year, the range of outcomes for the price of the remaining 25% shareholding has been reassessed and the contingent consideration has been revalued at £1.

9 Goodwill

During the year, the Group acquired £13.6m of goodwill with its acquisition of Bennetts (see note 8). Further to this transaction, the net book value of goodwill is £1,485.0m (2015: £1,471.4m).

10 Intangible fixed assets

During the year, the Group capitalised £16.5m (2015: £8.6m) of software assets and acquired £15.1m of other intangible fixed assets with its acquisition of Bennetts (see note 8), and charged £14.1m of amortisation to its intangible assets (2015: £22.1m).

11 Property, plant and equipment

During the year, the Group capitalised assets with a cost of £30.8m (January 2015: £19.4m). Assets with a net book value of £6.1m were transferred to assets held for sale during the year ended 31 January 2015.

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 purchase a second similar cruise ship for delivery in 2021. The new ship will replace one of the Group's existing two ships.

The first stage payment for the new ship is included within trade and other payables and will be made in February 2016. As at 31 January 2016, the capital amount contracted but not provided for in the financial statements in respect of the ship amounted to £280.1m (2015: £nil).

Notes to the consolidated financial statements (continued)

12 Financial assets and financial liabilities

a) Financial assets

	2016 **£'m**	2015 £'m
Fair value through profit or loss		
Foreign exchange forward contracts	3.3	1.5
Loan funds	19.3	19.6
Hedge funds	26.7	33.8
Equities	-	8.7
	49.3	**63.6**
Fair value through the hedging reserve		
Foreign exchange forward contracts	16.7	4.1
	16.7	**4.1**
Loans and receivables		
Deposits with financial institutions	413.6	479.4
	413.6	**479.4**
Available for sale investments		
Debt securities	85.2	71.9
Money market funds	75.9	40.6
Unlisted equity shares	0.2	-
Loan notes	3.8	-
	165.1	**112.5**
Total financial assets	**644.7**	**659.6**
Current	288.8	234.4
Non-current	355.9	425.2
	644.7	**659.6**

b) Financial liabilities

	2016 **£'m**	2015 £'m
Fair value through profit or loss		
Foreign exchange forward contracts	5.5	2.1
Fuel oil swaps	4.1	4.5
	9.6	**6.6**
Fair value through the hedging reserve		
Foreign exchange forward contracts	1.2	4.6
Fuel oil swaps	1.9	2.5
	3.1	**7.1**
Loans and borrowings		
Bank loans (note 16)	547.7	692.2
Finance leases and hire purchase obligations	2.2	-
Bank overdrafts	17.9	5.8
	567.8	**698.0**
Total financial liabilities	**580.5**	**711.7**
Current	27.8	21.1
Non-current	552.7	690.6
	580.5	**711.7**

Notes to the consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

c) Fair value hierarchy

	As at 31 January 2016				As at 31 January 2015			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
	£'m	£'m	£'m	**£'m**	£'m	£'m	£'m	**£'m**
Financial assets measured at fair value								
Foreign exchange forwards	-	20.0	-	**20.0**	-	5.6	-	**5.6**
Loan funds	-	19.3	-	**19.3**	-	19.6	-	**19.6**
Hedge funds	-	26.7	-	**26.7**	-	33.8	-	**33.8**
Equities	-	-	-	**-**	8.7	-	-	**8.7**
Debt securities	85.2	-	-	**85.2**	71.9	-	-	**71.9**
Money market funds	-	75.9	-	**75.9**	-	40.6	-	**40.6**
Unlisted equity shares	-	-	0.2	**0.2**	-	-	-	**-**
Loan notes	-	-	3.8	**3.8**	-	-	-	**-**
Financial liabilities measured at fair value								
Contingent consideration	-	-	-	**-**	-	-	6.2	**6.2**
Foreign exchange forwards	-	6.7	-	**6.7**	-	6.7	-	**6.7**
Fuel oil swaps	-	6.0	-	**6.0**	-	7.0	-	**7.0**
Assets for which fair values are disclosed								
Deposits with institutions	-	413.6	-	**413.6**	-	479.4	-	**479.4**
Liabilities for which fair values are disclosed								
Bank loans	-	547.7	-	**547.7**	-	692.2	-	**692.2**
Finance leases and hire purchase obligations	-	2.2	-	**2.2**	-	-	-	**-**
Bank overdrafts	-	17.9	-	**17.9**	-	5.8	-	**5.8**

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 294 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods, and designated 44 fuel oil swaps as hedges of highly probable fuel oil purchases in future periods. As at 31 January 2016, the Group has designated 356 forward currency contracts and 44 fuel oil swaps as hedges.

During the year, the Group recognised a net £16.6m gain (2015: £3.0m loss) on cash flow hedging instruments through other comprehensive income into the hedging reserve. No amounts have been recognised by the Group though the Income Statement in respect of the ineffective portion of hedges measured during the period. The Group recognised a £0.3m loss (2015: £0.4m loss) though the Income Statement in respect of the ineffective portion of hedges measured during the period

Notes to the consolidated financial statements (continued)

13 Cash and cash equivalents

	2016	2015
	£'m	£'m
Cash at bank and in hand	36.9	66.5
Short-term deposits	69.6	132.3
Cash and short-term deposits	106.5	198.8
Money markets funds	75.9	40.6
Bank overdraft	(18.0)	(5.8)
Cash held by disposal group	-	4.3
Cash and cash equivalents in the cash flow statement	164.4	237.9

Included within cash and short term deposits 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 £92.1m (2015: £85.2m).

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.

During the year, the Group operated two other funded defined benefit schemes, the Nestor Healthcare Group Retirement Benefits Scheme and the Healthcall Group Limited Pension Scheme ("Nestor schemes"), which provide benefits based on final salary and are closed to new members. Both of these schemes were part of the liabilities held for sale and were disposed of when the Group completed the sale of the local authority section of the Healthcare business, Allied Healthcare, on 30 November 2015.

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

At 31 January 2016	Saga scheme	Nestor schemes	Total
	£'m	£'m	£'m
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)**

At 31 January 2015	Saga scheme	Nestor schemes	Total
	£'m	£'m	£'m
Fair value of scheme assets	212.3	54.0	266.3
Present value of defined benefit obligation	(252.7)	(68.7)	(321.4)
Defined benefit scheme liability	(40.4)	(14.7)	(55.1)
Reclassification to liabilities held for sale	-	14.7	14.7
	(40.4)	**-**	**(40.4)**

The present values of the defined benefit obligation, the related current service cost and any past service costs have been measured using the projected unit credit method.

During the year ended 31 January 2016, the net liability of the Saga scheme has improved by £21.6m to a total liability of £18.8m.

Notes to the consolidated financial statements (continued)

15 Insurance contract liabilities and reinsurance assets

The analysis of gross and net insurance liabilities is as follows:

	2016	2015
Gross	**£'m**	£'m
Claims outstanding	561.6	552.4
Provision for unearned premiums	141.7	152.3
Total gross liabilities	**703.3**	**704.7**

	2016	2015
Recoverable from reinsurers	**£'m**	£'m
Claims outstanding	101.6	60.2
Provision for unearned premiums	4.8	3.2
Total reinsurers' share of insurance liabilities	**106.4**	**63.4**

	2016	2015
Net	**£'m**	£'m
Claims outstanding	460.0	492.2
Provision for unearned premiums	136.9	149.1
Total net insurance liabilities	**596.9**	**641.3**

Reconciliation of movements in claims outstanding

	2016	2015
	£'m	£'m
Gross claims outstanding at 1 February	552.4	566.9
Less: reinsurance claims outstanding	(60.2)	(58.3)
Net claims outstanding at 1 February	492.2	508.6
Gross claims incurred	219.3	182.9
Less: reinsurance recoveries	(44.4)	(3.6)
Net claims incurred (note 3b)	174.9	179.3
Gross claims paid	(210.1)	(197.4)
Less: received from reinsurance	3.0	1.7
Net claims paid	(207.1)	(195.7)
Gross claims outstanding at 31 January	561.6	552.4
Less: reinsurance claims outstanding	(101.6)	(60.2)
Net claims outstanding at 31 January	**460.0**	**492.2**

15 Insurance contract liabilities and reinsurance assets (continued)

The development of the loss ratios on an accident year basis over the last seven years is as follows:

	Financial Year ended 31 January						
Accident Year	2010	2011	2012	2013	2014	2015	2016
2010	73%	73%	72%	70%	68%	67%	66%
2011		78%	78%	76%	75%	71%	69%
2012			76%	70%	62%	62%	57%
2013				75%	72%	66%	62%
2014					75%	71%	65%
2015						67%	69%
2016							70%

Favourable claims development over the year has resulted in a £68.0m reduction in net claims incurred in respect of prior years.

16 Loans and borrowings

	2016 **£'m**	2015 £'m
Bank loans	480.0	700.0
Revolving credit facility	75.0	-
Accrued interest payable	0.6	3.4
	555.6	703.4
Less: deferred issue costs	(7.9)	(11.2)
	547.7	**692.2**

During the year, the Group repaid £220.0m of its Senior Facilities Agreement, and at 31 January 2016 had drawn £75.0m of its £150.0m revolving credit facility. The Group incurs commitment fees on undrawn facilities and interest at a rate of LIBOR plus 2.25% on drawn facilities.

The debt matures in April 2019, and interest is incurred at a variable rate of LIBOR plus 2.25%. Interest rate caps are in place which cap LIBOR at 3.0% on a notional debt of £510.0m through to June 2016. The Group is required to comply with a leverage covenant on a quarterly basis and had significant headroom against this covenant at 31 January 2016.

During the year, the Group charged £21.8m (2015: £34.6m) to the income statement in respect of fees and interest associated with the Senior Facilities Agreement.

On 21 December 2015, the Group entered into a 12 year fixed rate Sterling loan, backed by an export credit guarantee, in connection with the purchase of a new cruise ship (see note 11). Stage payments will be made during the construction period and this loan will finance the final payment on delivery. 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%.

On the date the finance was entered into, the Group purchased Euro currency forwards totalling £273.2m to lock the cost of the ship. These have been designated as cash flow hedges and remain outstanding as at 31 January 2016 (note 12d).

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.

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 29 April 2015, options over 101,932 shares were issued to the Chief Financial Officer which vest in two equal tranches on the first and second anniversary of his appointment;

b) On 9 June 2015, options over 332,541 shares were issued under the Deferred Bonus Plan ("DBP") to the Executive Directors reflecting their deferred bonus in respect of 2014/15, which vest and become exercisable on the third anniversary of the grant date. Following the retirement of S M Howard on 31 July 2015, the options allocated to him became exercisable immediately.

c) On 30 June 2015, options over 2,879,089 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;

d) On 8 July 2015, 398,774 shares were awarded to eligible staff on the 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.

e) On 2 December 2015, options over 99,552 shares were issued to the Chief Marketing Officer which vest on the second anniversary of his appointment, subject to continuing employment.

The fair values of all awards are assessed using techniques based upon the "Black-Scholes" pricing model. The Group charged £2.8m during the year (2015: £41.8m) to the income statement in respect of equity-settled share-based payment transactions. Of this, £0.3m (2015: £40.8m) is included within exceptional expenses (note 4).

18 Discontinued operations and assets held for sale

On 30 November 2015, the Group completed the sale of the local authority section of the Healthcare business, Allied Healthcare.

The impact of the discontinued operation on the profit for the year is as follows:

	2016 £'m	2015 £'m
Loss after tax, before amortisation of acquired intangibles	(7.9)	(0.3)
Amortisation of associated acquired intangible assets	-	(10.4)
Loss on re-measurement of disposal group to fair value	-	(209.5)
Gain on disposal of discontinued operations	1.0	-
	(6.9)	**(220.2)**

The impact of the discontinued operation on the reported earnings per share was as follows:

	2016	2015
Basic and diluted earnings per share from discontinued operations	(0.6p)	(21.9p)

18 Discontinued operations and assets held for sale (continued)

The gain on disposal of Allied Healthcare is as follows:

	£'m
Cash consideration received	10.1
Fair value of other consideration receivable	3.8
Pension scheme contribution	(9.2)
Net assets disposed	(3.1)
Costs of disposal not previously provided for	(0.6)
	1.0

The results of Allied Healthcare for the period are as follows:

	2016 **£'m**	2015 £'m
Revenue	206.2	283.2
Cost of sales	(149.2)	(199.8)
Gross profit	**57.0**	**83.4**
Administrative and selling expenses	(55.7)	(74.4)
Trading EBITDA	**1.3**	**9.0**
Depreciation and amortisation	(2.7)	(2.8)
Exceptional expenses	(6.4)	(8.4)
Net finance expense on retirement benefit schemes	(0.4)	(0.3)
Loss before tax	**(8.2)**	**(2.5)**
Tax expense	0.3	2.2
Loss for the period from discontinued operations	**(7.9)**	**(0.3)**
Attributable to:		
Equity holders of the parent	(8.2)	(0.7)
Non-controlling interest	0.3	0.4
	(7.9)	**(0.3)**

The net cash flows of Allied Healthcare during the period to disposal are as follows:

	2016 **£'m**	2015 £'m
Operating	(12.2)	3.6
Investing	0.1	(3.5)
Financing	8.4	-
Net cash (outflow)/inflow	**(3.7)**	**0.1**

19 Related party transactions

During the year ended 31 January 2016, the Saga Group agreed terms for the utilisation under the group relief rules of corporation tax losses from Acromas SPC Co Limited and Acromas Mid Co Limited, indirect investees in the Group, at a cost of 50% of the tax affected face value. Amounts payable by the Group in respect of the surrender of these tax losses of £7.6m were unpaid at 31 January 2016 (see note 5).

G Williams, an independent Non-Executive Director of Saga plc, serves on the board of WNS (Holdings) Limited, a company which Acromas Insurance Company Limited, a subsidiary of Saga plc, traded with during the year. WNS (Holdings) Limited provides claim handling management services to Acromas Insurance Company Limited and during the year ended 31 January 2016 earned fees of £3.5m (2015: £5.8m); further payments to WNS (Holdings) Limited in respect of repair costs on claims handled totalled £40.2m (2015: £41.9m). As at 31 January 2016, amounts owing to WNS (Holdings) Limited for fees and repair costs were £1.5m (2015: £3.7m).