Preliminary Results

for the year ended 31 January 2015

30 April 2015

Saga plc

Preliminary Results for the year ended 31 January 2015

First set of annual results ahead of market expectations with proposed dividend at the top of the target range

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 2015.

Financial highlights, continuing operations[1]

	31 January 2015	**31 January 2014**	**Change**
Group Trading EBITDA[2]	£227.4m	£214.5m	+6.0%
Like-for-like profit before tax[3]	£195.5m	£178.3m	+9.6%
Pro forma operating earnings per share[4]	12.6p	11.1p	+13.5%
Debt ratio (net debt to EBITDA)[5]	2.5x	3.1x	-0.6x
Proposed final dividend	4.1p	Nil	

- Trading EBITDA margin of 21.3% (2014: 20.7%)
- Strong profit delivery and continued high levels of cash conversion have enabled the Group to beat its debt reduction target
- Available operating cash flow of £170.9m, 72.3% of Trading EBITDA (2014: £196.7m; 88.4%), with an increased proportion of trading profits originating in restricted businesses
- Proposed final dividend of 4.1p per share, at the top end of the range detailed in the initial public offering ("IPO") prospectus. This dividend is pro-rata for the proportion of the financial year post IPO and equates to 6.0p per share on an annualised basis. Top end of target dividend range increased to 60% of net income
- Bonus share scheme and proposed final dividend sees an annualised return of over 8% for retail shareholders invested at IPO[6]
- After the associated non-cash write-down, and the result of the discontinued operation, totalling £220.2m in relation to the previously announced disposal of the public healthcare elements of Allied Healthcare, the Group reported a loss after tax of £133.8m for the year.

[1] *On 15 January 2015, the Group announced its intention to divest the local authority section of its healthcare business, Allied Healthcare. Accordingly, this has been treated as a discontinued operation and is not included in the like for like analysis.*
[2] *Earnings before interest, tax, depreciation and amortisation, excluding exceptional expenses and fair value gains and losses on derivative financial instruments.*
[3] *Like-for-like profit from continuing operations is shown before tax, one-off costs associated with the IPO and of issuance of the Group's own debt facilities, interest and service costs associated with this debt for which there is no comparative cost, and net fair value gains and losses on derivatives.*
[4] *Earnings per share presented to exclude non-recurring exceptional items and by measuring prior to net fair value gains and losses on derivatives, but including pro forma adjustments for interest charges and plc costs to allow comparison between the periods on a like-for-like basis.*
[5] *Figure for 31 January 2014 shown as the pro forma starting net debt to Trading EBITDA ratio for the Group at the time of the IPO, which has been adjusted to treat all IPO and refinancing costs as paid at that date.*
[6] *Based on the IPO issue price of 185p per share and the annualised dividend of 6.0p per share.*

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

"It has been a significant and successful year for Saga, starting with our IPO and culminating in the growth strategy we outlined in January following a comprehensive strategic review. I am particularly pleased to report that the business performed well throughout our first financial year as a public company and that our tailored products continue to resonate strongly with our target demographic.

"We have presented a clear vision of how we will deliver consistent growth through our existing businesses by leveraging our model to unlock the inherent value in our brand and database. The current year has started well and trading is in line with our expectations and we remain on track to deliver on our Trading EBITDA growth target of between 5% and 7%. We are also making good progress against our strategic objectives in preparing to launch a motor panel, proceeding with the disposal of the public healthcare elements of Allied Healthcare, announcing the proposed acquisition of Bennetts, the UK's leading provider of motorbike insurance and partnering with Tilney Bestinvest to create a compelling wealth management proposition, Saga Investment Services.

"Our capital efficient, cash generative model supports our goal to maximise returns for investors by optimising the balance between investment in value enhancing growth opportunities, a progressive dividend policy and our commitment to debt reduction. We have a strong platform for success and I am hugely excited for the future."

Operational Highlights

- Successful IPO saw more than 200,000 retail investors became shareholders, over 80% of whom are customers
- Announcement of results of comprehensive strategic review, with a particular focus on Saga's core insurance and travel businesses
- Total number of contactable people on the database increased to 10.8m (2014: 10.4m)
- The number of active customers broadly stable during the period at 2.63m (2014: 2.69m), with an average of 2.63 products held by active customers (2014: 2.71)
- Creation of Saga Investment Services, a 50/50 wealth management joint venture with Tilney Bestinvest

Divisional Highlights

Financial Services

- 1.5% increase in the number of core motor policies sold in the year. Premium pricing stabilising in the second half of 2014
- Development of motor insurance panel progressing well, in line with Group strategy to grow while maintaining a capital efficient and cash generative operating model
- Acquisition of Bennetts, the UK's leading motorbike insurance broker, announced subject to regulatory approval, adding over 200,000 insurance policies and a highly complementary customer base
- The efficiency of the home insurance panel and the use of the 'Saga factor' led to a 11.6% reduction in the net rate paid for underwriting by the end of the period, 5.9 percentage points more than market rates have fallen

- The Group's underwriting vehicle, AICL, remains strongly capitalised with £161.6m of regulatory capital resources and a Solvency I coverage ratio of 277%. The Group remains well positioned ahead of the expected implementation of Solvency II

- Favourable claims development experience has resulted in prior year claims reserves totalling £57.8m being released during the year (2014: £57.0m)

- Reported combined operating ratio for core motor underwriting of 77.9%, an improvement of 10.5 percentage points (2014: 88.4%)

Travel

- Travel revenue up 15.2% to £381.3m (2014: £331.0m) from an 11.0% increase in holiday passengers and 6.7% increase in ship passenger days. Trading EBITDA up 29.4% to £26.0m (2014: £20.1m)

- Successful completion of Destinology acquisition, enhancing the range of travel offerings which appeal to a broader group of Saga customers

Healthcare

- The private pay Saga Healthcare Services business, which represents the continuing operations of the Healthcare Services segment, now trading under a dedicated management team

- Announcement in January of the decision to divest the public healthcare elements of Allied Healthcare. These operations, which are now classified as held for sale, continued to drive efficiencies through the business and delivered trading EBITDA of £9.0m, up 13.9% (2014: £7.9m), despite revenue falling 9.8% on 2014 as market conditions remained challenging

END

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

For further information please contact:

Saga plc

Tim McCall, Director of corporate affairs — Tel: 07753 561862

Email: tim.mccall@saga.co.uk

Paul Green, Director of communications — Tel: 01303 776023 / 07714 414859

Email: paul.green.pr@saga.co.uk

FTI Consulting

Paul Marriott / Tom Blackwell — Tel: 020 3727 1341 / 1051

Email: paul.marriott@fticonsulting.com tom.blackwell@fticonsulting.com

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 products and services. These include cruises and holidays, insurance, personal finance, healthcare and publishing the award winning Saga Magazine.

www.saga.co.uk/

Group Executive Chairman's Statement

This is a strong first set of full year results for Saga as a listed company. We have achieved much while setting out our long-term strategy for the business. Importantly we have also delivered growth and performed ahead of market expectations for this year.

I would like to take this opportunity to thank our customers, who are at the heart of everything we do at Saga. We record exceptional customer satisfaction scores because we listen to our customers, take time to understand their unique needs and deliver products and high standards of service that meet their expectations.

Saga standards of customer service are delivered on a day to day basis by our employees and I would like to thank them for all of their hard work. From the excellent people in our UK call centres to the popular teams on our cruise ships, it is our employees that work tirelessly to maintain and protect our trusted brand and deliver the Saga experience to our customers.

Many customers have been with Saga for a long time and have multiple products from us. We do not underestimate our responsibility to ensure that every experience they have with Saga is exceptional. As we look to expand into new areas, we will continue to be led by customer insights.

I would also like to welcome those who have become shareholders in the Group during the year. Over 200,000 retail shareholders elected to become owners of the business during the IPO. I am pleased that the feedback I have been receiving from you is that you share my view of the significant long-term opportunity that Saga represents. We have also been delighted to welcome new institutional shareholders to Saga both through the IPO and through the subsequent share placing, resulting in a high quality and balanced shareholder base with which to take the business forward.

I would like to extend my personal thanks to Lance Batchelor, who took over as Group Chief Executive Officer in the early part of this financial year. Lance came to Saga with an exceptional track record in growing customer-centric businesses and we are already seeing the benefits of that experience. At the start of 2015, Lance outlined the Group's strategy. The Board believes that this strategy provides a clear plan for growth through clarity about what Saga is and where it plays best, focusing on our core businesses and a commitment to innovation.

I would also like to thank Stuart Howard, our Group Chief Financial Officer, who will retire later this year. Stuart and I have worked together for 15 years growing Saga into the business it is today, and his loyalty and insights have been invaluable to the Group. In wishing Stuart well I would also like to formally welcome his successor, Jonathan Hill, who started with us earlier this month and will now work with Stuart to ensure an orderly handover during 2015.

The Board believes that Saga is well positioned to deliver long term sustainable returns for our shareholders by delivering consistent profitable growth with a capital efficient model, leading to exceptional cash generation on an ongoing basis. As a result of this, I am delighted to be able to announce in our first year as a listed company that we are recommending a dividend of 4.1p per share. This dividend is pro-rata for the proportion of the financial year post IPO and equates to 6.0p per share on an annualised basis. The final dividend will be paid on 30 June 2015, subject to shareholder approval at the AGM, to shareholders on the register on the Record Date of 05 June 2015.

This dividend is at the top end of the forecast range we outlined at the time of IPO and, in combination with the bonus share scheme, will mean an annualised return of over 8%[7] for all eligible retail investors. Additionally, we have announced that the top end of the target dividend range has increased from 50% to 60% of net income.

[7] *Based on the IPO issue price of 185p per share and the annualised dividend of 6.0p per share*

Group CEO Statement

Overview

I am pleased to report on what has been a momentous year for Saga, our first as a listed company and a year in which we were delighted to welcome many of our loyal customers as new shareholders in the company.

We have grown Group Trading EBITDA from continuing operations by 6.0% to £227.4m, like-for-like profit before tax by 9.6% to £195.5m and generated £170.9m of available operating cash flow. This has allowed us to reduce our level of net debt to 2.5x EBITDA ahead of schedule and make the recommendation that our first dividend be at the top end of the forecast range we announced on IPO.

When I joined the business last March, I was immediately involved in the IPO, which was completed in May. The IPO provided the opportunity to reassess the business and our plans for growth and I spent the following months really getting to know Saga, our customers, staff and products. The strategy review focussed on four main areas, allowing us to reach absolute clarity on:

1. The Saga business model: what we do well, what we should be doing better and how we ensure that customer insight and customer focus remain at the heart of the business.
2. Where our model works best: where we can operate most effectively, where our customers want us to operate and where we should be operating.
3. Where the businesses' earnings come from.
4. What we are going to do to drive consistent growth for our shareholders.

The outcome was the refreshing of our corporate strategy, as outlined at our Capital Markets Day in January.

Put simply, the new strategy, which defines our direction for many years to come, is centred on releasing the growth potential in our core businesses of Motor and Home Insurance, Private Medical and Travel Insurance, as well as Saga's respected Travel brands. The growth will come from truly understanding the needs of the UK's over 50s better than anyone else, and designing unique and better services for them. This is something that Saga has done successfully for six decades, using our proprietary database of over 10 million names.

In addition we have some interesting growth opportunities in both wealth management and private home healthcare. These are new areas for Saga and will take a few years to reach scale, but they have great potential.

Our focus is now very much on bringing the strategy to life. That process is still work in progress, and we have set ourselves some challenging targets.

As always, our unrelenting focus remains on ensuring our customers receive a high quality Saga product, developed by us to meet their specific needs and delivered with market leading standards of service.

Delivery

We will work to capitalise on the high-quality growth opportunity I have outlined by doing more of what we do best:

1. Expanding our insurance footprint: insurance is the most significant part of the Saga Group and an excellent operation. However, we still have a relatively small share of the over 50s market in the UK and we can expand our footprint by providing insurance products, sourced through a panel of suppliers.

2. Doing more to grow our Travel business: Travel is a core part of Saga and central to the spirit of the brand. However, it is currently relatively small in profit terms and there is significant potential to grow this business.
3. Continuing to expand our high quality personal finance offering for example through our new wealth management joint venture, Saga Investment Services.
4. Continuing to optimise the use of our database: it is an exceptionally valuable tool and has been used very effectively to help build the business we have today. However, we can do more with it. Increased segmentation, digital marketing and distribution will be an ever more important part of our activities to ensure we are providing our customers with the right products at the right time.
5. Putting innovation at the heart of the business: allowing us to develop products and services based on customer insight in areas where our model can operate effectively, such as Legal Services and private home healthcare.

The most important factor in ensuring all of this is delivered effectively is the quality of our people. Throughout the business our team is committed to making Saga the best business it can be by focussing on the customer experience. I would like to thank them for all their hard work.

I would also like to highlight some changes that have been made within the senior team.

As announced at our Interim Results, Stuart Howard has decided to retire after 15 years as Group Chief Financial Officer. Jonathan Hill joined on 7th April 2015 as Group CFO Designate. Jonathan was previously Group Finance Director and a member of the plc board of Bovis Homes Group PLC. Prior to that, he held various senior roles within TUI Travel and Centrica.

David Slater is moving from the role of CEO of AICL to that of Non-Executive Director on the AICL Board. Subject to regulatory approval, Andrew Button will be promoted to the role of CEO of AICL. Andrew has been with Saga for 14 years, during which time he established and created the AICL actuarial function, which is market-leading and a key part of one of the strongest and most respected underwriting businesses in the UK. I would like to thank David for his tremendous contribution over seven years and I am delighted that the business will continue to benefit from his knowledge and expertise

Karen Caddick will join Saga as Group HR Director at the end of May 2015. Karen was previously Group HR Director of Millennium & Copthorne Hotels plc . She has also held Group HR Director positions at Morrisons plc, Punch Taverns & Spirit Group plc and The Financial Times.

Financial Services

Motor Insurance

Alongside many of our peers, we have continued to experience challenging conditions in the motor market. Prices stabilised in the second half of 2014 but since then, there have been no meaningful signs of any price increases. We have built our strategy for the future on the premise that these market conditions will prevail but, should that prove to be overly pessimistic, we are very well placed to capitalise on any improvement.

After a period during which the core motor book reduced in size as a result of our decision not to chase policy numbers in unfavourable market conditions, I am pleased to report that core policy numbers for the period are up 1.5% on last year. This has been achieved through a renewed focus on retention, targeting our marketing efforts and resources on maintaining the size of the overall book.

Over the past 10 years, we have chosen to underwrite the majority of our core motor policies ourselves. We have done this very successfully and it has been highly profitable for us. However, our underwriting vehicle, AICL, has been deliberately highly risk averse. As a result of this, we do not convert the majority of the enquiries we receive on an annual basis for motor insurance, despite them coming from 'Saga customers'. As a result we still have a relatively small market share of around 8.5%[8] of the over 50s motor insurance market in the UK and we have constrained our ability to grow this.

As highlighted, the Group is committed to growth whilst maintaining a capital efficient and cash generative operating model. We are therefore in the process of building a panel within our Motor Insurance business that will allow us to provide insurance products to more customers by utilising other sources of underwriting, capitalising on the power of our brand and market position but without needing to commit more of our own capital. We also believe that this is an extremely attractive proposition for insurers joining the panel. Not only do they gain access to a large pool of potential customers, but also access to select data which can have pricing and proprietary value.

We already operate very effectively with this structure in our Home Insurance business and, although we are still in the early stages of development, we are seeing strong demand from underwriters to be part of the motor panel and the indicative prices they are providing are very encouraging. We will be providing further updates on our progress during the course of this year.

We announced earlier this year that we plan to acquire, subject to regulatory approval, Bennetts, the UK's leading motorbike insurance provider. Upon completion we will add over 200,000 motorbike insurance policies to the 18,000 we already provided under the Saga brand.

In many ways this proposed acquisition encapsulates our strategy: a growing UK insurance broker with a market leading brand, and where the combined customer base offers great potential for both Saga and Bennetts. 77% of Bennetts' customers are over 40, 43% are over 50 and it is a growth market with nearly a third of all spending on motorcycling activities in 2014 coming from those over 50. This is predominantly characterised by the second-time-around biker who, with disposable income available, is able to indulge in their passion for biking. Additionally, a large proportion of Bennetts' customers have cars and we can now provide Bennetts with access to 10.8 million potential new customers by using the Saga database.

Bennetts is the leading brand in the motorbike market in the UK and will continue to trade under its own name in the same way that has proved so effective with other brands within the Group, such as Titan in our Travel business.

Underwriting

The Group has always taken a deliberately prudent approach to underwriting and reserving. As a result, our underwriting business, AICL, is very well capitalised. At 31st January 2015, we held solvency capital of £161.6m, resulting in a Solvency I coverage ratio of 277%, which is well above the 200% minimum margin required by the regulator.

With regards to the potential impact of Solvency II, as we have stated before, our indicative results indicate that Solvency II will not require us to make any additional future capital injections into AICL.

Reserve releases were £57.8m in the period, compared with £57.0m in the prior year, without any erosion in the strength of our reserves. This is a result of our prudent approach to risk in challenging market conditions and a favourable development in our claims experience.

Home Insurance

The market for home insurance continues to be highly competitive and we have seen market rates fall by 5.7% over the twelve months to January 2015.

[8] *GfK NOP at 31 August 2014*

We operate a panel of 16 insurers in the home market. AICL sits on that panel, but the risk it underwrites is 99% co-insured and 1% reinsured, meaning we take no underwriting risk. The panel continues to become ever more efficient, with an increasing number of underwriters bringing a wide range of different areas of expertise as well as increasingly competing with each other for the business. This, in combination with our provision of proprietary predictive data from our database to the panel (the 'Saga factor'), has led to a reduction in the net rate at which we can source underwriting for these policies by 11.6% over the year, 5.9 percentage points more than market rates have fallen.

We can therefore manage our approach proactively, either investing in growing our policy numbers by passing the savings on to the customer or retaining a greater margin.

Moving forward, we will continue to build and refine the panel and believe we can grow market share from a relatively low base of 6.8% of the UK's over 50s.

Other Financial Services

Within Other Financial Services we have continued to deliver consistently strong growth. Our activities here are driven by Private Medical Insurance ("PMI") and Travel Insurance, which, in combination, account for 65% of our Trading EBITDA in this segment.

Again, we predominantly focus on building products based on customer insight and ensuring the customer experience, sourcing the best possible third-party provider for product.

PMI remains an important area for us and we continue to grow policy numbers in a declining market by finding new routes to market for our product.

Our Travel Insurance product, which is separate to the travel insurance included in our Travel products, has performed exceptionally strongly in the past year. This is a very important source of income for us but, equally as important, has become a key tool in the acquisition of new names onto the database, adding 137,000 names during the period.

Finally, our high quality Personal Finance business continues to make progress alongside the progress we have made in launching Saga Investment Services, our wealth management joint venture. During the year we opened an additional 66,000 new savings accounts, provided 158,000 Saga Credit Cards on which £221 million was spent last year and delivered 108,000 share trades.

Legal Services

During the year we launched a new product, Saga Legal Services. Its development is a stand out example of innovation at work within Saga and the highly effective use of the business model and the brand. We identified that the market for legal services, such as probate, wills and conveyancing, is fragmented, with no trusted dominant national brand. Additionally, it is a marketplace where Saga can differentiate its offer; service levels play a key role, our customer knowledge gives us a competitive advantage and cross-selling opportunities can flow from an initial relationship.

We therefore developed a range of products based on customer feedback and found a market leading supplier. Saga Legal Services was launched as a pilot offering, testing the products in a real world environment and backed with a small amount of marketing. The success of the initial pilot, which attracted 36,000 quotes and 8,500 instructions, led to enhanced marketing support with the launch of a television advertising campaign in February 2015. Early signs are that this has had a positive impact and we have now had 45,000 quotes enquires and over 10,700 instructions since launch.

Our insurance business is making good early progress on delivering the strategy outlined in January of this year. We are on track to introduce the motor panel, helping us to deliver a broader range of products to customers we could not historically serve. We are targeting an increased market share in our Home Insurance business, driven by the flexibility provided to us by the panel we already have in place. We will continue to look for opportunities to expand our product offering to solve customer needs, maximise our use of digital channels and continue our ongoing drive for efficiencies throughout the business.

Outlook

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

The UK motor and home markets remain highly competitive and we have seen rates continue to be flat in early 2015. The launch of our motor insurance broking panel later this year will allow us to offer even more competitive rates to customers, as we have achieved with our home insurance panel, and further grow our market share. We expect continued strong profitability in the year ahead.

Our proactive management of the home insurance panel and our use of shared proprietary packaged data with the panel, the Saga Factor, leave us well placed to capitalise on our pricing advantage for our customers in a competitive marketplace. We have an encouraging start to year although competitive pressures remain.

Performance in Other Financial Services continues to be strong, driven by the success of Travel Insurance and Private Medical Insurance. We expect a continued robust operating performance.

Travel

We have an excellent, highly regarded travel business that includes our tour operator businesses, Saga Holidays, Titan and Destinology (which we acquired during the year) and our Cruising business which comprises of two ships, the Saga Sapphire and the Saga Pearl II.

Travel is central to the history of the Saga Group, a key element of our DNA and vitally important to our brand with high levels of customer satisfaction and 80% repeat business. This excellence was recognised again during the year, when Saga, Titan and Destinology won a record 46 awards at the industry 'Oscars', the British Travel Awards, making us the most successful and most admired travel organisation in the UK.

However, in the past few years the team was consciously given a remit to limit risk rather than focus on significant growth, meaning Travel makes a relatively small financial contribution to the Group as a whole.

With our renewed focus on growth throughout our core businesses, this has changed and the Travel team, under the leadership of Andrew Strong, has been challenged to grow the business.

We have announced a strong start today with the Travel business enjoying an excellent year from a financial and operational perspective. Both our tour operating and Cruising businesses expanded. Overall revenues of £381.3m grew by 15.2% and Trading EBITDA of £26.0m by 29.4%. We took just under 200,000 customers on a holiday or cruise in the last year.

Tour Operating

We are passionate about our Saga holiday brands, and our research shows there is significant additional demand within these businesses where our customers want us to take them further afield and on more adventurous holidays.

In July, Saga Holidays successfully launched third-party cruise products to complement our existing cruise business. This part of the business is progressing well and we have taken over 2,000 customer booking on this type of cruise since we started. Pleasingly, 74% having never cruised with us before. This is also a further strong example of our model in action: using first-class third-party providers we can offer a broader range of products to our current customer base, while introducing new customers to the Saga experience.

In October we launched the sale of Saga Holidays products through third-party travel agents. As over 50% of our core customer demographic will book their holiday through a travel agent, this additional distribution channel will drive further bookings growth for the future.

During the year we have also upgraded our Saga Holidays website to improve the customer journey across PC, tablet and mobile. Nearly 27,000 browsers have registered with us through our website in the past five months. To complement this we have further developed our contact centre capabilities offering more flexibility to our customers around choice of airport departure.

Cruising

Cruising is a vital part of our Travel offering through our two ships, the Saga Sapphire and Saga Pearl II. This gives us an opportunity for customers to live in our brand for weeks, and even months, at a time, trusting us with their wellbeing and treating us as a home away from home.

We continue to make the investment required in our cruise offering to enhance the customer experience and maintain the high levels of customer satisfaction that we see already. A major refit of the Sapphire was successfully completed in December 2014, enhancing our service capability and proposition on board. Load factors were 85% (2014: 77%) across both ships and the number of shipping days at 336,000 was an increase of 6.7% against last year.

Looking forward, the team will continue to deliver on its strategy for growth, including:

- Continuing to increase and improve the range of products offered to our customers through all of our holiday brands.
- Delivering an enhanced service proposition including investment in our representatives in resorts and in optimising the journey for customers, integrating service across customer channels.
- The continuation of the digital transformation throughout the Travel business to enhance the customer journey and develop a multi-channel approach to our customer interactions.

Outlook

Trading across the Travel businesses has started strongly and we expect positive growth across all business lines.

Healthcare Services

We remain absolutely committed to continuing to explore the market for private home healthcare where we can build a relationship directly with the customer. This year we have split out the private pay care businesses that previously sat within the Allied business - Patricia White's, Country Cousins and Saga SOS - and put them under the control of a dedicated management team that is also managing our recently announced agreement with Spire Hospitals and our private home healthcare pilot which is now in market and making good progress.

While the contribution of our ongoing Healthcare Services operations to the bottom line, with Trading EBITDA of £2.2 million, was relatively modest last year and will continue to be so in the short to medium term, we are excited by the long-term prospects in this area. The domiciliary care market in the UK remains highly fragmented and, after assessing our accumulated learnings from running Allied, we see a significant opportunity for a trusted brand offering a convenient, private, digital focused service to our target demographic on a national scale.

However, we have decided that the public healthcare part of the Allied business, where Saga has no direct relationship with the consumer, does not fit with the Saga business model. We therefore announced our decision to divest the parts of Allied Healthcare that focus on the provision of domiciliary care to Local Authorities and the NHS.

This part of Allied is the leading provider of domiciliary care in the UK, employing more than 15,000 carers, looking after the frail and elderly at home. In the past 2-3 years, it has developed the very highest standards of clinical care and quality oversight of any such company, continues to win new contracts from Local Authorities and the NHS and drive efficiencies through the business. As a result of this it increased its Trading EBITDA in the last twelve months to £9.0m (2014: £7.9m), despite a 9.8% decline in revenues

Given this decision, we have written down the value of this part of the Healthcare business and, together with the other charges in respect of the discontinued business, this has given rise to a total charge of £220.2m. These operations will be reported as discontinued going forward. We have appointed advisers to facilitate the sale and we will keep the market updated on progress.

Media

For three decades, Saga Magazine has played a vital role connecting millions of Saga customers with content designed to enrich their lives. As the UK's best selling paid-for monthly magazine, Saga Magazine remains an integral part of our brand story and Saga's heritage and a unique way for Saga to engage with more than a million people each month. At the end of 2014, Saga Magazine celebrated its 30th anniversary, a testament to its relevance and longevity.

As our customers increasingly migrate to mobile, digital and online platforms for content consumption and purchasing, our Publishing business is accelerating its move to deliver a digital and mobile-first approach to content, to ensure we remain as relevant to our audience as we were 30 years ago.

Saga Publishing aims to generate the content that fuels our customers' thirst for life and be the number one source of information, advice and entertainment to help Saga customers navigate life's complex choices and decisions.

Our Publishing business is placing content at the heart of our customer relationships, using content to build customer journeys that bridge across all parts of the Saga Group. Our aim is to create seamless content and commercial journeys for our audience that support the Group's wider business objectives.

To meet our digital, business and customer challenges, our publishing team has been restructured with centralised production, marketing and commercial teams supporting dedicated digital and print teams, creating engaging content across all platforms. A new leadership team has been put in place to transform Saga Publishing into a digital-first business, capitalising on commercial partnerships, platforms and opportunities that digital engagement offers.

Saga Magazine also aims to reinforce its relevance, and become a true advocate of the issues facing the UK's over 50s. With a customer-centric view of the world, Saga Magazine will look to effect positive change to improve the lives of its audience.

Thirty years ago, the then-revolutionary idea of using content to engage customers helped create the enviable relationship that we possess with our audience. The same holds true today, and Saga Publishing is ensuring it continues to produce a vibrant and relevant magazine and digital content that has a clear role in inspiring our audience and broadcasting the Group's wider commercial offerings.

New Opportunities

While we are clear that our core businesses will be the key drivers of the growth targeted in the Group's strategy, we continue to identify and pilot new opportunities that we think are the right fit for our business model, can provide attractive future growth potential and, most importantly, generate exceptional customer satisfaction feedback.

Personal Finance

Personal Finance, which includes the recently announced creation of Saga Investment Services, the 50/50 wealth management joint venture with Tilney Bestinvest, represents a particularly exciting opportunity.

The over 50s in the UK hold 68% of the nation's wealth. The changes to the rules in relation to pensions, combined with the fact that the changing regulatory environment (RDR1 and RDR2) has led to many existing providers withdrawing from the marketplace, creates an opportunity for a new provider with a customer-centric approach and a trusted brand.

We have chosen a partner who shares our absolute commitment to the customer and, while it is early days, we are in the process of configuring a best-in-class set of products which we hope to be able to offer to customers towards the end of the year.

Retirement Villages

Another area we have highlighted our interest in is retirement villages. These are extremely popular in other parts of the world but are yet to gain significant traction in the UK. We have partnered with Rangeford, a developer of retirement villages, to market Wadswick Green, their new village in Corsham, Wiltshire.

We believe that we can add significant value via our marketing expertise, insight and customer relationships and we are continuing to evaluate the potential to offer ongoing services across the areas we already specialise in through our Travel and Healthcare businesses.

Conclusion

It has been an exciting and challenging first year as Group CEO during which we completed our long held ambition to become a public company.

We have developed and started to implement a clear strategy, built on understanding our customers better than anyone else, delivering products and services with exceptional customer service, unlocking long term sustainable growth through our core business and looking for opportunities to provide new products and services to our customers in areas where our model can operate effectively.

This strategy maintains our focus on a capital efficient, cash generative model. Going forward, we will therefore continue to seek to maximise returns for investors by optimising the balance between investment in value enhancing growth, payment of dividends and debt reduction.

Looking ahead our refreshed strategy provides us with a clear plan for delivering growth on our Trading EBITDA growth target of 5% to 7%. The team throughout the business has risen to the challenges I have set them and there is a renewed sense of energy and opportunity to drive our business forward. I am excited by the growth that we are already starting to see in our core businesses and by some of the tangible results we are seeing from our product innovation.

Once again, I would like to thank our customers, shareholders and employees; Saga is a truly special and unique business and one it is a privilege to lead. I look forward to keeping you all updated on our progress.

Chief Financial Officer's Review

GROUP OVERVIEW

The Group has delivered strong financial performance in its first year as a public company, delivering 9.6% growth in like-for-like profit before tax from continuing operations, which is shown before tax, one-off IPO and financing costs, new interest and debt service costs, and net fair value gains and losses on derivatives. The Group has achieved a pro forma operating earnings per share of 12.6p. Available cash conversion has remained strong, enabling the Board to propose a dividend of 4.1p per share, at the top end of the pay-out range communicated at the time of the IPO.

On 15 January 2015, the Group announced its intention to divest the local authority section of its healthcare business, Allied Healthcare. Accordingly, this has been treated as a discontinued operation and is not included in the like-for-like analysis.

Group P&L	**12m to Jan 2015**	***Growth***	**12m to Jan 2014**	**12m to Jan 2014**	
				Reported	**Adjustment[9]**
Revenue	**£900.5m**	***0.6%***	**£895.4m**	**£944.0m**	**(£48.6m)**
Trading EBITDA	**£227.4m**	***6.0%***	**£214.5m**	**£226.2m**	**(£11.7m)**
Trading EBITDA % (of gross revenue)	*21.3%*	*0.6%*	*20.7%*		
Depreciation / loss on disposal	(£17.3m)		(£20.1m)	(£27.3m)	£7.2m
Amortisation	(£11.7m)		(£10.7m)	(£10.7m)	£0.0m
Interest on available cash	£0.0m		£1.1m	n/a	£1.1m
Operating profit	**£198.4m**	***7.4%***	**£184.8m**	**£188.2m**	**(£3.4m)**
Operating profit %	*22.0%*	*1.4%*	*20.6%*		
Exceptional expenses	(£2.4m)		(£6.4m)	(£6.4m)	£0.0m
Net finance costs (pension scheme)	(£0.5m)		(£0.1m)	(£0.1m)	£0.0m
Like-for-like profit before tax	**£195.5m**	***9.6%***	**£178.3m**	**£181.7m**	**(£3.4m)**
Net fair value gains / (losses) on derivatives	£2.9m		(£10.4m)	(£10.4m)	£0.0m
IPO expenses and new debt costs					
IPO expenses	(£50.0m)		£0.0m	£0.0m	£0.0m
Interest on debt and borrowings	(£34.6m)		£0.0m	£0.0m	£0.0m
Profit before tax from continuing operations (reported)	£113.8m	*(32.2%)*	£167.9m	£171.3m	(£3.4m)
Loss after tax for the year from discontinued operations	(£220.2m)	*1,130.2%*	(£17.9m)	(£18.3m)	£0.4m
Tax expense	(£27.4m)	*(36.9%)*	(£43.4m)	(£43.4m)	£0.0m
(Loss) / profit after tax	**(£133.8m)**	***(225.5%)***	**£106.6m**	**£109.6m**	**(£3.0m)**
Basic earnings per share:					
Pro forma operating earnings per share	12.6p	*13.5%*	11.1p		
Earnings per share from continuing operations	8.6p	*(46.3%)*	16.0p		
(Loss) / earnings per share	(13.4p)	*(198.5%)*	13.6p		

9 Adjustments have been made to the comparative period to enable like-for-like comparison between the two periods.
For revenue, adjustments relate to the Travel business and reflect the retirement of one of the Group's ships, the Saga Ruby, and the cessation of some small Holidays businesses.
For operating profit, adjustments reflect the retirement of the Saga Ruby and the ceased Holidays businesses, together with the removal of a one-off benefit within the Media and Central Costs segment in respect of a deferred grant and a one-off release of accruals within the Motor Insurance segment.

Segmental Performance Summary	12m to Jan 2015	*Growth*	12m to Jan 2014	12m to Jan 2014 Reported	12m to Jan 2014 Adjustment[10]
Revenue					
Motor Insurance	£312.0m	*(12.2%)*	£355.2m	£355.2m	£0.0m
Home Insurance	£91.8m	*1.4%*	£90.5m	£90.5m	£0.0m
Other Financial Services	£94.3m	*(2.7%)*	£96.9m	£96.9m	£0.0m
	£498.1m	*(8.2%)*	£542.6m	£542.6m	£0.0m
Travel	£381.3m	*15.2%*	£331.0m	£379.6m	(£48.6m)
Healthcare Services	£4.3m	*(8.5%)*	£4.7m	£4.7m	£0.0m
Media and Central Costs	£16.8m	*(1.8%)*	£17.1m	£17.1m	£0.0m
	£900.5m	*0.6%*	£895.4m	£944.0m	(£48.6m)
Trading EBITDA					
Motor Insurance	£104.2m	*8.9%*	£95.7m	£96.7m	(£1.0m)
Home Insurance	£64.5m	*2.2%*	£63.1m	£63.1m	£0.0m
Other Financial Services	£41.9m	*12.3%*	£37.3m	£37.3m	£0.0m
	£210.6m	*7.4%*	£196.1m	£197.1m	(£1.0m)
Travel	£26.0m	*29.4%*	£20.1m	£27.8m	(£7.7m)
Healthcare Services	£2.2m	*(18.5%)*	£2.7m	£2.7m	£0.0m
Media and Central Costs	(£11.4m)	*159.1%*	(£4.4m)	(£1.4m)	(£3.0m)
	£227.4m	*6.0%*	£214.5m	£226.2m	(£11.7m)

Revenue

During the financial year ended 31 January 2015, the Group generated total revenue from continuing operations of £900.5m (2014*:* £895.4m), which was up 0.6%. Financial Services revenue was £498.1m, which was down £44.5m (8.2%) reflecting the general reduction in motor market premiums. Travel revenue increased by £50.3m (15.2%) to £381.3m, with growth from both Holidays and Cruising; the acquisition of Destinology contributed £26.2m (52.1%) of the total Travel revenue increase.

Trading EBITDA

The Group delivered a £12.9m (6.0%) increase in Trading EBITDA from continuing operations to £227.4m (2014: £214.5m). The Financial Services and Travel businesses both saw increases in Trading EBITDA of £14.5m (7.4%) and £5.9m (29.4%) respectively, although this was partially offset by a £7.0m increase in Media and Central Costs, driven by higher central administrative costs as a result of becoming a plc.

Trading EBITDA as a percentage of gross revenue (which represents total sales to customers and includes the third-party element of premiums not underwritten by the Group) was 21.3%.

Operating Profit

At the operating profit level, the Group delivered a £13.6m (7.4%) increase to £198.4m (2014: £184.8m).

This was in line with Trading EBITDA combined with lower depreciation and loss on disposal costs, which were down £2.8m and were offset against a £1.0m increase in amortisation.

---

[10] *Adjustments have been made to the comparative period to enable like-for-like comparison between the two periods.*
For revenue, adjustments relate to the Travel business and reflect the retirement of one of the Group's ships, the Saga Ruby, and the cessation of some small Holidays businesses.
For operating profit, adjustments reflect the retirement of the Saga Ruby and the ceased Holidays businesses, together with the removal of a one-off benefit within the Media and Central Costs segment in respect of a deferred grant and a one-off release of accruals within the Motor Insurance segment.

Like-for-like Profit Before Tax

The Group did not exist in a comparable form in the prior year, and therefore like-for-like profit before tax has been included to facilitate meaningful year-on-year comparison. Like-for-like profit before tax from continuing operations is shown before tax, one-off costs associated with the IPO and the issuance of the Group's own debt facilities, interest and service costs associated with this debt for which there is no comparative cost, and net fair value gains and losses on derivatives.

The increase in operating profit together with lower exceptional expenses, which were down £4.0m due to lower restructuring costs, has flowed through to like-for-like profit before tax, which was £17.2m (9.6%) higher at £195.5m.

Profit Before Tax

Profit before tax from continuing operations on a statutory reporting basis was £113.8m. This was £54.1m lower than the previous year (2014: £167.9m) reflecting the £17.2m increase in like-for-like profit before tax and a £13.3m favourable movement on derivative financial instrument gains and losses year-on-year, offset by £50.0m of one-off exceptional expenses incurred as a result of the flotation of the Group and interest on debt and borrowings of £34.6m for which there was no comparable charge in the previous year.

The favourable year-on-year movement in derivative gains and losses reflects a net loss in the prior year of £10.4m moving to a net gain in the current year. These gains and losses arise on the Group's currency and fuel hedging activity, which the Group excludes from Trading EBITDA due to their distorting impact as the derivatives move in and out of the money over the period through to delivery date.

Whilst the Group has always maintained a comprehensive economic hedging strategy for currency, fuel oil and interest rate risk, the conversion to IFRS during the IPO process prohibited the retrospective application of hedge accounting. The Group implemented hedge accounting for the majority of its new foreign exchange derivatives with effect from 1 February 2014, and for a proportion of its new fuel oil derivatives with effect from 1 August 2014. Therefore, the volatility associated with the movement in derivative fair values is expected to reduce in future years.

Finance Charges

During the year, total interest on debt and borrowings of £34.6m was charged to the Income Statement. There was no equivalent cost in the previous year for the Group's debt financing. The charge of £34.6m comprises £12.1m of one-off expenses, namely costs incurred on issue of £5.9m and costs expensed on repayment of £550.0m of principal of £6.2m, and ongoing debt service costs of £22.5m, comprising the amortisation of the remaining costs over the life of the debt of £2.4m and other ongoing fees and interest paid and accrued of £20.1m.

Tax Expense

The Group's tax expense of £27.4m reduced by £16.0m from the previous year. This reflects the tax deductions for allowable IPO expenses and the finance cost of the new debt, together with a reduction in the corporation tax rate.

Earnings per Share

The Group's basic loss per share for the financial year ending 31 January 2015 was 13.4p.

However, given the exceptional expenses and new interest costs incurred in the period, it is more meaningful to consider post-tax operating earnings per share on a pro forma basis to enable a like-for-like comparison across periods.

To do this, an interest charge has been made to reflect a cost for the £1.25bn of debt which was provided to the Group via intercompany loans by an intermediate parent company up until 25 April 2014. The charge has been calculated using the rate specified in the Group's Senior Facilities Agreement for a level of debt of £1.25bn.

A charge has also been made to the additional costs incurred in connection with being a plc which were not incurred as a private company. These costs include the costs of additional senior staff, notably the new Group Chief Executive Officer, Non-Executive Directors, and Investor Relations function, together with additional costs associated with the regulatory requirements. The charge has been made to include a full year of these costs in both periods.

Basic post-tax pro forma operating earnings per share from continuing operations for the year was 12.6p (2014: 11.1p), which is an increase of 13.5%.

Reconciliation of like-for-like profit before tax to post-tax pro forma operating earnings	**12m to Jan 2015**	***Growth***	**12m to Jan 2014**
Like-for-like profit before tax	**£195.5m**	***9.6%***	**£178.3m**
Adjustments:			
Exceptional expenses	£2.4m		£6.4m
Ongoing debt service costs	(£22.5m)		£0.0m
	(£20.1m)		£6.4m
Pro forma adjustments:			
Interest charge	(£14.1m)		(£61.3m)
Plc costs	(£1.8m)		(£4.5m)
Tax effect of adjustments	£3.4m		£16.0m
	(£12.5m)		(£49.8m)
Tax expense	(£36.9m)		(£46.5m)
Post-tax pro forma operating earnings	**£126.0m**	***42.5%***	**£88.4m**
Pro forma operating earnings per share	12.6p	*13.5%*	11.1p

Dividends

Strong profit delivery and continued high levels of cash conversion have enabled the Group to beat its target reduction of the net debt to Trading EBITDA ratio of 0.5 times per year. The ratio reduced by 0.6 times to 2.5 times during the nine months from the IPO to the end of the financial year, which has allowed the Board to propose a divided of 4.1p per share. This dividend is at the top end of the pay-out range detailed in the Prospectus, and reflects the period following the flotation.

This dividend will be paid on 30 June 2015 to holders of ordinary shares on the register at the close of business on 5 June 2015.

Cash Flow and Liquidity

The Group maintained a strong cash flow performance in the year to 31 January 2015, achieving an available operating cash flow of £170.9m, or 72.3% of Trading EBITDA. This reduced by £25.8m (13.1%) on the previous year, as a greater proportion of Trading EBITDA came from the restricted trading businesses within Financial Services and Travel in the financial year to 31 January 2015 when compared to the previous year, which will flow through to available cash in the following year, coupled with increased capital investment in IT systems in the Insurance business.

	12m to Jan 2015	***Growth***	**12m to Jan 2014**
Trading EBITDA			
From continuing businesses	£227.4m	*6.0%*	£214.5m
From discontinued businesses	£9.0m	*13.9%*	£7.9m
Total	£236.4m	*6.3%*	£222.4m
Less Trading EBITDA from restricted businesses	(£78.8m)	*83.7%*	(£42.9m)
Working capital and non-cash items (including dividends paid from underwriting vehicle and Travel business)	£30.1m	*8.3%*	£27.8m
Capital expenditure funded with available cash	(£16.8m)	*58.5%*	(£10.6m)
Available operating cash flow	£170.9m	*(13.1%)*	£196.7m
Available operating cash flow %	*72.3%*	*(16.1%)*	*88.4%*

The acquisition of Destinology on 13 August 2014 was funded by cash held by the Travel division which is not available to be used by the Group for purposes outside of the Travel division. As a consequence, the release of the Travel division's surplus cash to the rest of the Group was reduced by £5.5m.

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

	12m to Jan 2015	**12m to Jan 2014**
Net cash flow from operating activities (reported)	£155.3m	£174.1m
Exclude cash impact of:		
Trading of restricted divisions	(£53.2m)	(£48.4m)
Cash released from restricted divisions	£26.5m	£9.0m
Exceptional expenses	£7.2m	£15.6m
Interest paid	£19.7m	£0.0m
Debt issue costs	£22.6m	£0.0m
	£22.8m	(£23.8m)
Capital expenditure funded from available cash	(£16.8m)	(£10.6m)
Exclude 'non-operating' interest and tax cash flows	£9.6m	£57.0m
Available operating cash flow	**£170.9m**	**£196.7m**

Financing

On 25 April 2014, the Group raised new financing of £1.25bn, and later utilised the £550.0m of proceeds raised via the IPO to repay the gross debt down to £700.0m. The debt matures in 2019. Interest is incurred at a variable rate of LIBOR plus 2.25%.

To protect the Group from significant LIBOR increases, instruments are in place which cover £510.0m of the debt and cap LIBOR at 3.0% until June 2016.

The Group has access to a revolving credit facility of £150.0m on a next day basis. This amount has not been drawn in cash although the Group has used £31.0m of it to secure various regulatory bonds and other guarantees.

The pro forma starting net debt to Trading EBITDA ratio for the Group, which has been adjusted to treat all IPO and refinancing costs as paid at that date, was 3.1 times. Since then, cash generation and Trading EBITDA growth has reduced this ratio by 0.6 times to 2.5 times as at 31 January 2015.

Pensions

The Group operates three funded defined benefit schemes. The Saga Pension Scheme ("Saga scheme") is open to new members who accrue benefits on a career average salary basis. The two remaining schemes, the Nestor Healthcare Group Retirement Benefits Scheme and the Healthcall Group Limited Pension Scheme (" Nestor schemes") are closed and have very few active members.

Over the year, the total deficit on an IAS19 basis for all three schemes increased by £30.8m to £55.1m (2014: £24.3m). This has been driven by a £77.6m increase in the present value of the total defined benefit obligations to £321.4m (2014: £243.8m), offset by a £46.8m increase in the fair value of the scheme assets to £266.3m (2014: £219.5m). The significant increase in the present value of future obligations has been driven by the dramatic fall in gilt yields seen at the end of 2014, leading to a reduction in the discount rate applied to value future liabilities.

By scheme, the deficit at 31 January 2015 comprises £40.4m on the Saga scheme and £14.7m on the Nestor schemes. The Nestor scheme liability has been included in liabilities held for sale.

Actuarial valuations for funding purposes were performed on the Nestor Healthcare Group Retirement Benefits Scheme as at 5 April 2012, and on the Healthcall Group Limited Pension Scheme as at 31 October 2012. Following these valuations, recovery plans were put in place for these schemes, costing £3.4m annually.

During the year a funding valuation was performed for the Saga scheme as at 31 January 2014 which showed a deficit of £15.6m at that date. Further to this valuation, the Group has agreed a recovery plan for the Saga scheme under which it will contribute an additional £2.0m per year for 10 years, commencing in February 2015.

At 31 January 2015	Saga scheme	Nestor schemes	Total
Fair value of scheme assets	£212.3m	£54.0m	£266.3m
Present value of defined benefit obligation	(£252.7m)	(£68.7m)	(£321.4m)
Defined benefit scheme liability	(£40.4m)	(£14.7m)	(£55.1m)

At 31 January 2014	Saga scheme	Nestor schemes	Total
Fair value of scheme assets	£171.2m	£48.3m	£219.5m
Present value of defined benefit obligation	(£186.1m)	(£57.7m)	(£243.8m)
Defined benefit scheme liability	(£14.9m)	(£9.4m)	(£24.3m)

Significant Balance Sheet Movements Not Considered Elsewhere

Total assets and liabilities have reduced by £1,163.1m and £1,027.4m respectively over the year which reflects the repayment or cancellation of balances with parent undertakings in preparation for the listing of the Group on the London Stock Exchange, and the write-down of the goodwill associated with the Allied Healthcare business.

The repayment or cancellation of balances with parent undertakings reduced total assets by £1,030.7m and reduced total liabilities by £1,779.9m. Total liabilities then increased by £700.0m following the drawing of the Group's own debt facilities to replace those previously provided by an intermediate parent via the repaid liabilities - the outstanding bank debt liability net of unamortised costs at 31 January 2015 is £692.2m.

Goodwill has reduced by £164.8m to £1,471.4m. This reduction reflects a £177.8m write down as part of the classification of the Allied Healthcare business as held for sale, partially offset by £13.0m additional goodwill arising on the acquisition of Destinology. The classification of the Allied Healthcare business as held for sale also required the write down of intangible fixed assets by £19.9m, offset by those acquired with Destinology totalling £20.8m. Overall, other intangible fixed assets have reduced by £12.6m to £34.8m driven by the amortisation charge for the year.

The classification of Allied Healthcare as held for sale also accounts for £52.6m of the reduction in trade receivables (down £52.7m to £163.7m), as these receivables at 31 January 2015 of £40.4m are included within the total assets held for sale of £47.7m.

FINANCIAL SERVICES

Financial Services revenue has fallen by £44.5m (8.2%) to £498.1m over the course of the year. This is almost entirely driven by the Motor Insurance business where revenues are down £43.2m as a result of the continued reduction in average premiums within the motor market.

Core policies are broadly flat year-on-year (down 0.7% to 2,679k) although add-on policies have fallen by 10.0% to 1,999k following the implementation of regulatory changes across the industry over the sale of add-ons.

Despite the reduction in revenue, the Financial Services businesses have delivered a £14.5m (7.4%) increase in Trading EBITDA to £210.6m. This has been driven by a very strong underwriting performance on the Group's core underwritten Motor business - up £19.8m to £78.5m for the year (2014: £58.7m) - offset by a £7.8m decrease in Motor ancillaries, as detailed in the following Motor Insurance section.

	12m to Jan 2015					12m to Jan 2014			
	Core UW	**Ancillary**	**Broking / Other**	**Total Financial Services**	***Growth***	**Core UW**	**Ancillary**	**Broking / Other [11]**	**Total Financial Services**
Gross revenue	£280.7m	£51.2m	£334.5m	£666.4m	*(2.4%)*	£318.5m	£58.6m	£305.8m	£682.9m
Revenue	**£280.7m**	**£51.0m**	**£166.4m**	**£498.1m**	***(8.2%)***	**£318.5m**	**£58.4m**	**£165.7m**	**£542.6m**
Gross profit	**£109.6m**	**£43.6m**	**£140.3m**	**£293.5m**	***4.3%***	**£89.3m**	**£51.2m**	**£140.8m**	**£281.3m**
Gross profit %	*39.0%*	*85.2%*	*41.9%*	*44.0%*	*2.8%*	*28.0%*	*87.4%*	*46.0%*	*41.2%*
Operating expenses	(£44.2m)	(£9.0m)	(£55.8m)	(£109.0m)	*1.2%*	(£45.7m)	(£8.4m)	(£53.6m)	(£107.7m)
Investment return	£17.1m	£0.2m	£0.0m	£17.3m	*13.1%*	£15.1m	£0.2m	£0.0m	£15.3m
Joint venture	£0.0m	£0.0m	£1.2m	£1.2m	*100.0%*	£0.0m	£0.0m	£0.0m	£0.0m
Operating profit	**£82.5m**	**£34.8m**	**£85.7m**	**£203.0m**	***7.5%***	**£58.7m**	**£43.0m**	**£87.2m**	**£188.9m**
Operating profit %	*29.4%*	*68.0%*	*25.6%*	*30.5%*	*2.8%*	*18.4%*	*73.4%*	*28.5%*	*27.7%*
Add back depreciation and amortisation	£3.6m	£0.4m	£3.6m	£7.6m	*5.6%*	£4.1m	£0.3m	£2.8m	£7.2m
Trading EBITDA	**£86.1m**	**£35.2m**	**£89.3m**	**£210.6m**	***7.4%***	**£62.8m**	**£43.3m**	**£90.0m**	**£196.1m**
Trading EBITDA %	*30.7%*	*68.8%*	*26.7%*	*31.6%*	*2.9%*	*19.7%*	*73.9%*	*29.4%*	*28.7%*
Number of policies sold:									
- core	981k	22k	1,676k	2,679k	*(0.7%)*	1,014k	4k	1,679k	2,697k
- add-ons	n/a	1,911k	88k	1,999k	*(10.0%)*	n/a	2,142k	79k	2,221k
	981k	1,933k	1,764k	4,678k	*(4.9%)*	1,014k	2,146k	1,758k	4,918k
Gross written premiums	£241.6m	£60.0m	£306.0m	£607.6m	*(5.3%)*	£270.5m	£61.9m	£309.2m	£641.6m

Individual analysis of the Motor Insurance, Home Insurance, and Other Financial Services businesses is provided on the following pages.

[11] Adjustments have been made to the comparative period to enable a like-for-like comparison between the two periods, by removing a one-off release of £1.0m of accruals from operating expenses.

Motor Insurance

The reduction in average premiums within the motor market over the course of 2013 has continued this year, driven by reductions in claims costs and competitive pricing from a number of insurers. Despite this, the Group has grown the volume of its core Motor policies by 1.5% to 1,077k policies.

The Group's careful pricing strategy has delivered a relative reduction in claims costs compared to revenue, which, coupled with a consistent level of reserve releases, has driven a strong growth in Trading EBITDA.

	12m to Jan 2015					12m to Jan 2014			
	Core UW	**Ancillary**	**Broking / Other**	**Total Motor**	***Growth***	**Core UW**	**Ancillary**	**Broking / Other [12]**	**Total Motor**
Gross revenue	£240.8m	£35.4m	£65.1m	£341.3m	*(5.9%)*	£275.9m	£42.1m	£44.6m	£362.6m
Revenue	**£240.8m**	**£35.2m**	**£36.0m**	**£312.0m**	***(12.2%)***	**£275.9m**	**£41.9m**	**£37.4m**	**£355.2m**
Gross profit	**£101.7m**	**£31.1m**	**£11.1m**	**£143.9m**	***5.6%***	**£84.7m**	**£38.5m**	**£13.1m**	**£136.3m**
Gross profit %	*42.2%*	*87.9%*	*17.1%*	*42.2%*	*4.6%*	*30.7%*	*91.4%*	*29.4%*	*37.6%*
Operating expenses	(£42.2m)	(£8.2m)	(£8.7m)	(£59.1m)	*0.0%*	(£44.0m)	(£7.8m)	(£7.3m)	(£59.1m)
Investment return	£15.6m	£0.0m	£0.0m	£15.6m	*10.6%*	£14.1m	£0.0m	£0.0m	£14.1m
Operating profit	**£75.1m**	**£22.9m**	**£2.4m**	**£100.4m**	***10.0%***	**£54.8m**	**£30.7m**	**£5.8m**	**£91.3m**
Operating profit %	*31.2%*	*64.7%*	*3.7%*	*29.4%*	*4.2%*	*19.9%*	*72.9%*	*13.0%*	*25.2%*
Add back depreciation and amortisation	£3.4m	£0.0m	£0.4m	£3.8m	*(13.6%)*	£3.9m	£0.0m	£0.5m	£4.4m
Trading EBITDA	**£78.5m**	**£22.9m**	**£2.8m**	**£104.2m**	***8.9%***	**£58.7m**	**£30.7m**	**£6.3m**	**£95.7m**
Trading EBITDA %	*32.6%*	*64.7%*	*4.3%*	*30.5%*	*4.1%*	*21.3%*	*72.9%*	*14.1%*	*26.4%*
Number of policies sold:									
- core	947k	22k	108k	1,077k	*1.5%*	978k	4k	79k	1,061k
- add-ons	n/a	1,324k	83k	1,407k	*(13.8%)*	n/a	1,558k	75k	1,633k
	947k	1,346k	191k	2,484k	*(7.8%)*	978k	1,562k	154k	2,694k
Gross written premiums	£235.0m	£37.9m	£32.0m	£304.9m	*(8.7%)*	£263.3m	£41.6m	£29.0m	£333.9m

Revenue

The Motor Insurance business generated revenue of £312.0m, £43.2m (12.2%) lower than the previous year (2014: £355.2m).

Revenue from core underwriting reduced by £35.1m (12.7%) driven by the impact of lower claims costs and market conditions on average premiums, and a small reduction (3.2%) in the number of core Motor policies underwritten by the Group. This reduction in policies was more than offset by a 56.6% increase in broker and ancillary core policies, resulting in an overall increase in core policies of 1.5%.

Ancillary revenue was down £6.7m (16.0%), which was primarily due to a 234k (15.0%) reduction in add-on policy sales as a result of enhanced operational controls introduced during the course of 2013 following the implementation of regulatory changes across the industry over the sale of add-ons.

Revenue from broking and other activities was down 3.7% to £36.0m driven by lower average premiums, which have been partially offset by a 37k (24.0%) increase in policies sold.

[12] Adjustments have been made to the comparative period to enable a like-for-like comparison between the two periods, by removing a one-off release of £1.0m of accruals from operating expenses.

Gross Profit

Motor Insurance as a whole generated gross profit of £143.9m, which was £7.6m (5.6%) higher than the previous year (2014: £136.3m).

Gross profit from the core underwritten Motor business increased by £17.0m, driven by a 12.7 percentage point improvement in the reported loss ratio. This was due to a significant improvement in claims experience driving a marked decrease in current year claims costs (down 22.7% to £180.0m) and a consistent level of reserve releases.

The reduction in claims costs reflects the 12.5% reduction in premium (item A in the following table), improved risk selection and favourable claims experience, mainly in relation to bodily injury claims.

Claims handling costs for the Motor core underwriting business were largely flat against the previous year, and total expenses were down £1.8m (4.1%); however net earned premiums reduced at a greater rate (12.5%) leading to an increase in the expense ratio of 2.2 percentage points.

The net result was a 10.5 percentage point improvement in the reported combined operating ratio year-on year to 77.9%.

Ancillary gross profit was down £7.4m (19.2%) as a result of lower add-on sales, and gross profit from broking and other activities was down £2.0m (15.3%).

Motor Core Underwriting P&L		**12m to Jan 2015**	***Growth***	**12m to Jan 2014**
Net earned premium	**A**	£232.8m	*(12.5%)*	£266.1m
Instalment income		£3.6m	*(25.0%)*	£4.8m
Other income		£4.4m	*(12.0%)*	£5.0m
Revenue		**£240.8m**	***(12.7%)***	**£275.9m**
Claims costs	**B**	(£180.0m)	*(22.7%)*	(£232.8m)
Reserve releases	**C**	£52.6m	*(1.7%)*	£53.5m
Claims handling	**D**	(£11.7m)	*(1.7%)*	(£11.9m)
Total cost of sales	**E**	(£139.1m)	*(27.2%)*	(£191.2m)
Gross profit		**£101.7m**	***20.1%***	**£84.7m**
Total expenses	**F**	(£42.2m)	*(4.1%)*	(£44.0m)
Investment return		£15.6m	*10.6%*	£14.1m
Operating profit		**£75.1m**	***37.0%***	**£54.8m**
Add back depreciation & amortisation		£3.4m	*(12.8%)*	£3.9m
Trading EBITDA		**£78.5m**	***33.7%***	**£58.7m**
Reported loss ratio	**(B+C)/A**	54.7%	*12.7%*	67.4%
Expense ratio	**(D+F)/A**	23.2%	*(2.2%)*	21.0%
Reported combined operating ratio	**(E+F)/A**	77.9%	*10.5%*	88.4%
Pure combined operating ratio	**(B+D+F)/A**	100.5%	*8.0%*	108.5%

Operating Profit and Trading EBITDA

The business delivered operating profit of £100.4m and Trading EBITDA of £104.2m, which were up £9.1m (10.0%) and £8.5m (8.9%) respectively year-on-year.

Operating profit from core underwriting was up £20.3m (37.0%), as the improvement in gross profit flowed through to the bottom line, coupled with a £1.8m (4.1%) reduction in operating expenses in line with volumes and a £1.5m (10.6%) increase in investment returns.

The reduction in ancillary gross profit flowed through to operating profit, which was down £7.8m (25.4%).

Similarly, the reduction in gross profit from broking and other activities flowed through to operating profit, which was down £3.4m (58.6%).

Home Insurance

The home insurance industry saw a fall in average market premiums over the course of 2013/14, particularly for buildings cover, as favourable weather conditions led to lower claims costs. However, average net rates provided by the Group's panel of home insurers fell faster than the market, and the Group was able to pass on these net rate reductions to its customers thereby improving its competitive position whilst maintaining overall profitability.

	12m to Jan 2015				12m to Jan 2014		
	Ancillary UW	**Core Broking / Coinsured**	**Total Home**	***Growth***	**Ancillary UW**	**Core Broking / Coinsured**	**Total Home**
Gross revenue	£15.8m	£157.7m	£173.5m	*(12.3%)*	£16.5m	£181.3m	£197.8m
Revenue	**£15.8m**	**£76.0m**	**£91.8m**	***1.4%***	**£16.5m**	**£74.0m**	**£90.5m**
Gross profit	**£12.5m**	**£74.8m**	**£87.3m**	***1.4%***	**£12.7m**	**£73.4m**	**£86.1m**
Gross profit %	*79.1%*	*47.4%*	*50.3%*	*6.8%*	*77.0%*	*40.5%*	*43.5%*
Operating expenses	(£0.8m)	(£24.6m)	(£25.4m)	*1.6%*	(£0.6m)	(£24.4m)	(£25.0m)
Investment return	£0.2m	£0.0m	£0.2m	*0.0%*	£0.2m	£0.0m	£0.2m
Operating profit	**£11.9m**	**£50.2m**	**£62.1m**	***1.3%***	**£12.3m**	**£49.0m**	**£61.3m**
Operating profit %	*75.3%*	*31.8%*	*35.8%*	*4.8%*	*74.5%*	*27.0%*	*31.0%*
Add back depreciation and amortisation	£0.4m	£2.0m	£2.4m	*33.3%*	£0.3m	£1.5m	£1.8m
Trading EBITDA	**£12.3m**	**£52.2m**	**£64.5m**	***2.2%***	**£12.6m**	**£50.5m**	**£63.1m**
Trading EBITDA %	*77.8%*	*33.1%*	*37.2%*	*5.3%*	*76.4%*	*27.9%*	*31.9%*
Number of policies sold:							
- core	n/a	1,258k	1,258k	*(3.4%)*	n/a	1,302k	1,302k
- add-ons	587k	n/a	587k	*0.5%*	584k	n/a	584k
	587k	1,258k	1,845k	*(2.2%)*	584k	1,302k	1,886k
Gross written premiums	£22.1m	£159.9m	£182.0m	*(6.9%)*	£20.3m	£175.2m	£195.5m

Revenue

The Home Insurance business generated revenue of £91.8m, an increase of £1.3m (1.4%) on the previous year (2014: £90.5m).

Revenue from the core Home product, which is underwritten by a panel of third-party insurers, was up £2.0m (2.7%) from £74.0m to £76.0m. Lower net rates from the panel led to a reduction in gross written premiums charged to the customer, which were down £15.3m (8.7%) year-on-year.

Revenue from the ancillary products that are underwritten by the Group was down marginally by £0.7m (4.2%) from £16.5m to £15.8m.

Gross Profit

Overall, Home Insurance generated gross profit of £87.3m, which was up £1.2m (1.4%) year-on-year.

Claims handling costs have increased by £0.8m as a result of the Group selling a greater share of its Home policies through its coinsurance arrangement, where policies are administered within the Group but are underwritten by The New India Assurance Company Ltd. However, this has been matched by higher reserve releases resulting in cost of sales being largely flat at £4.5m and allowing the upside on revenue to flow through to gross profit.

Operating Profit and Trading EBITDA

The business delivered operating profit of £62.1m and Trading EBITDA of £64.5m from its Home Insurance trading, which were up £0.8m (1.3%) and £1.4m (2.2%) respectively year-on-year.

Other Financial Services

Trading in Other Financial Services has been solid, with increases in Travel Insurance sales, growth in the return from our Saga Law joint venture and increases in profit from the underwriting of third-party products all contributing to an uplift in operating profit and Trading EBITDA.

	12m to Jan 2015				**12m to Jan 2014**		
	Core UW	**Core Broking / Other**	**Total Other Financial Services**	***Growth***	**Core UW**	**Core Broking / Other**	**Total Other Financial Services**
Gross revenue	£39.9m	£111.7m	£151.6m	*23.8%*	£42.6m	£79.9m	£122.5m
Revenue	**£39.9m**	**£54.4m**	**£94.3m**	***(2.7%)***	**£42.6m**	**£54.3m**	**£96.9m**
Gross profit	**£7.9m**	**£54.4m**	**£62.3m**	***5.8%***	**£4.6m**	**£54.3m**	**£58.9m**
Gross profit %	*19.8%*	*48.7%*	*41.1%*	*(7.0%)*	*10.8%*	*68.0%*	*48.1%*
Operating expenses	(£2.0m)	(£22.5m)	(£24.5m)	*3.8%*	(£1.7m)	(£21.9m)	(£23.6m)
Investment return	£1.5m	£0.0m	£1.5m	*50.0%*	£1.0m	£0.0m	£1.0m
Joint venture	£0.0m	£1.2m	£1.2m	*100.0%*	£0.0m	£0.0m	£0.0m
Operating profit	**£7.4m**	**£33.1m**	**£40.5m**	***11.6%***	**£3.9m**	**£32.4m**	**£36.3m**
Operating profit %	*18.5%*	*29.6%*	*26.7%*	*(2.9%)*	*9.2%*	*40.6%*	*29.6%*
Add back depreciation and amortisation	£0.2m	£1.2m	£1.4m	*40.0%*	£0.2m	£0.8m	£1.0m
Trading EBITDA	**£7.6m**	**£34.3m**	**£41.9m**	***12.3%***	**£4.1m**	**£33.2m**	**£37.3m**
Trading EBITDA %	*19.0%*	*30.7%*	*27.6%*	*(2.8%)*	*9.6%*	*41.6%*	*30.4%*
Number of policies sold:							
- core	34k	310k	344k	*3.0%*	36k	298k	334k
- add-ons	n/a	5k	5k	*25.0%*	n/a	4k	4k
	34k	315k	349k	*3.3%*	36k	302k	338k
Gross written premiums	£6.6m	£114.1m	£120.7m	*7.6%*	£7.2m	£105.0m	£112.2m
Number of Personal Finance customers	n/a	0.3m	0.3m	*0.0%*	n/a	0.3m	0.3m

Revenue

Other Financial Services generated revenue of £94.3m, which was down £2.6m (2.7%) on the previous year (2014: £96.9m).

Revenue from broking and non-insurance trading was broadly flat year-on-year at £54.4m. Broking policies sold were up 13k (4.3%) and broking gross written premiums were up £9.1m (8.7%) due to increased Travel Insurance sales and a greater proportion of Annual Travel policies being sold, which carry a higher premium than Single Trip policies. This resulted in higher commission revenue from the Travel Insurance product, which was offset by lower commission on non-insurance products.

Core underwriting activity generated revenue of £39.9m, a reduction of £2.7m (6.3%) on the previous year. This was due to lower premiums being earned on third-party insurance underwritten by the Group.

Gross Profit

Gross profit of £62.3m generated across Other Financial Services as a whole increased by £3.4m (5.8%) on the previous year (2014: £58.9m).

Gross profit from broking and non-insurance trading activity was broadly flat in line with revenue, as this tranche of business has no cost of sales.

Gross profit from core underwriting activity was up £3.3m (71.7%) due to higher reserve releases.

Operating Profit and Trading EBITDA

The Group delivered operating profit of £40.5m and Trading EBITDA of £41.9m in its Other Financial Services business, which were up £4.2m (11.6%) and £4.6m (12.3%) respectively against the previous year.

Growth our Saga Law joint venture delivered a net return of £1.2m. This was offset against an increase in operating expenses, resulting in a £0.7m (2.2%) year-on-year improvement in operating profit from broking and non-insurance trading as a whole. £0.4m of the increase in operating expenses was due to an increase in depreciation costs, and therefore Trading EBITDA increased by £1.1m (3.3%) year-on-year.

The increase in gross profit from core underwriting activity flowed through to the bottom line, with operating profit and Trading EBITDA up £3.5m (89.7%) and £3.5m (85.4%) respectively.

Insurance Underwriting

Reserving

	12m to Jan 2015	*Growth*	12m to Jan 2014
Motor insurance:			
Core UW	£52.6m	*(1.7%)*	£53.5m
Ancillary	£0.6m	*(40.0%)*	£1.0m
	£53.2m	*(2.4%)*	£54.5m
Home insurance	£1.6m	*77.8%*	£0.9m
Other insurance	£3.0m	*87.5%*	£1.6m
Total	£57.8m	*1.4%*	£57.0m

The Group's prudent approach to underwriting and reserving has facilitated reserve releases in most financial years. Reserves are regularly assessed by the Group's internal actuarial team and are reviewed annually by external professional actuaries. Due to the uncertainties associated with claims reserves including the length of time required to settle certain claims, the Group deems it appropriate to maintain margin for a period of time to allow actual experience to develop. When it is appropriate to do so, any surplus margin is released and realised in the Group's Trading EBITDA.
Favourable claims development experience at the end of 2013 and throughout the twelve months to 31 January 2015 has resulted in prior year claims reserves totalling £57.8m being released during the year. This release is in line with the previous year.

The Group's total insurance contract liabilities net of reinsurance assets has reduced by £24.5m over the year from £665.8m as at 31 January 2014 to £641.3m as at 31 January 2015, driven primarily by a £24.0m reduction in IBNR claims reserves.

Analysis of insurance contract liabilities at 31 January 2015 and 31 January 2014 is as follows:

	12m to Jan 2015			12m to Jan 2014		
	Gross	Reinsurance Assets	Net	Gross	Reinsurance Assets	Net
Insurance Contract Liabilities						
Reported claims	£330.6m	(£45.9m)	£284.7m	£324.2m	(£45.5m)	£278.7m
Incurred but not reported	£211.5m	(£14.3m)	£197.2m	£234.0m	(£12.8m)	£221.2m
Claims handling provision	£10.3m	£0.0m	£10.3m	£8.7m	£0.0m	£8.7m
Total claims outstanding	£552.4m	(£60.2m)	£492.2m	£566.9m	(£58.3m)	£508.6m
Unearned premiums	£152.3m	(£3.2m)	£149.1m	£161.4m	(£4.2m)	£157.2m
Total	£704.7m	(£63.4m)	£641.3m	£728.3m	(£62.5m)	£665.8m

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 satisfy the regulatory capital requirements of the Gibraltan regulator. The maturity profile of the invested financial assets is aligned with the expected cash outflow profile associated with the settlement of claims in the future.

The amount held in invested funds increased by £3.4m (0.5%) over the course of the financial year, from £650.6m as at 31 January 2014 to £654.0m as at 31 January 2015. As at 31 January 2015, £542.0m (82%) of the financial assets held by the Group were invested with counterparties with a risk rating of A or above reflecting the Group's prudent investment strategy.

At 31 January 2015	AAA	AA	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
Loan funds	-	-	-	£19.6m	£19.6m
Hedge funds	-	-	-	£33.8m	£33.8m
Equities	-	-	-	£8.7m	£8.7m
Total invested funds	£142.5m	£180.3m	£213.6m	£117.6m	£654.0m
Hedging derivative assets	-	-	£5.6m	-	£5.6m
Total financial assets	£142.5m	£180.3m	£219.2m	£117.6m	£659.6m

At 31 January 2014	AAA	AA	A	Unrated	Total
Underwriting investment portfolio:					
Deposits with financial institutions	£29.0m	£120.0m	£310.3m	£6.5m	£465.8m
Debt securities	£51.2m	-	-	-	£51.2m
Money market funds	£107.5m	-	-	-	£107.5m
Loan funds	-	-	-	£13.0m	£13.0m
Hedge funds	-	-	-	£13.1m	£13.1m
Total invested funds	£187.7m	£120.0m	£310.3m	£32.6m	£650.6m
Amounts owed by related undertakings under the previous group structure	-	-	-	£1,031.1m	£1,031.1m
Total financial assets	£187.7m	£120.0m	£310.3m	£1,063.7m	£1,681.7m

Solvency Capital

The Group's underwriting entity continues to hold more than twice the amount of capital reserves that it is statutorily required to hold pursuant to Gibraltar Financial Services Commission regulations. The coverage ratio maintained by the underwriting company at 31 January 2015 was up 52 percentage points since 31 January 2014 to 277%, where the regulator requires a minimum of 200%.

This will reduce in the coming year as the underwriting entity distributes part of its profit for the current year to the Group. However, the Group does not foresee any requirement to inject additional capital into the underwriting business as a result of this distribution or as a result of Solvency II coming into effect in the future.

	12m to Jan 2015	12m to Jan 2014
Solo statutory solvency capital		
Total invested equity	£178.9m	£161.2m
Regulatory adjustments	(£17.3m)	(£17.4m)
Total regulatory capital resource	£161.6m	£143.8m
European Insurance Directive Requirement (Solvency I)		
Required minimum margin (RMM)	£58.3m	£64.0m
Capital resources in excess of RMM	£103.3m	£79.8m
Coverage ratio	277%	225%

TRAVEL

The Travel business has had an excellent year in the twelve months to 31 January 2015, with very strong growth in revenues, profits and margins in both the Holidays and Cruising businesses, when compared on a like-for-like basis by removing the trading results of the Saga Ruby and the smaller Holidays brands that were discontinued during the previous year.

The Group has seen organic growth in passenger volumes, which has been further enhanced by the acquisition of Destinology in August 2014. There has also been a shift towards higher value long-haul and river cruise holidays, coupled with restructured cabin pricing and improved availability of on-board services and excursions in the Cruising business.

	12m to Jan 2015	*Growth*	12m to Jan 2014	12m to Jan 2014 Reported	12m to Jan 2014 Adjustment
Revenue:					
Holidays	£297.3m	*15.8%*	£256.8m	£270.0m	(£13.2m)
Cruising	£84.0m	*13.2%*	£74.2m	£109.6m	(£35.4m)
	£381.3m	***15.2%***	**£331.0m**	**£379.6m**	**(£48.6m)**
Gross profit:					
Holidays	£58.9m	*8.7%*	£54.2m	£53.3m	£0.9m
Cruising	£17.8m	*79.8%*	£9.9m	£11.3m	(£1.4m)
	£76.7m	***19.7%***	**£64.1m**	**£64.6m**	**(£0.5m)**
Gross profit %	*20.1%*	*0.7%*	*19.4%*		
Trading EBITDA	**£26.0m**	***29.4%***	**£20.1m**	**£27.8m**	**(£7.7m)**
Trading EBITDA %	*6.8%*	*0.7%*	*6.1%*		
Operating profit	**£13.6m**	***151.9%***	**£5.4m**	**£5.9m**	**(£0.5m)**
Operating profit %	*3.6%*	*2.0%*	*1.6%*		
Number of holidays passengers	172k	*11.0%*	155k		
Number of ship passenger days	336k	*6.7%*	315k		

Revenue

The Travel business generated revenue of £381.3m, which was up £50.3m (15.2%) on the previous year on a like-for-like basis (2014: £331.0m).

The Holidays business generated revenue of £297.3m, an increase of £40.5m (15.8%). £26.2m of this was attributable to Destinology Limited, which was acquired on 12 August 2014, with the remaining growth coming from the established brands.

The Saga Holidays brand saw a 1.5% drop in the number of passengers travelling during the financial year, but delivered revenue growth of £5.9m (3.3%). This was due to a shift in product mix towards higher value long-haul holidays, coupled with the introduction of the sale of third-party cruise product offerings by Saga Holidays in July 2014 for departures from 1 January 2015. Prior to this, third-party cruise products had only been offered by Titan Travel.

In October 2014, the business also launched the sale of its Saga Holidays products through third-party travel agents, providing an additional distribution channel through which to drive further bookings growth for the future.

The Titan Travel brand delivered passenger growth of 9.7% and revenue growth of £8.4m (10.7%).

Saga Cruising generated revenue of £84.0m, which was up £9.8m (13.2%). The business restructured the pricing and banding of its cabins at the start of the year, which drove an increase in demand for higher-graded cabins from customers. This was coupled with an increase in passenger days and an enhanced availability of packages for on-board services and excursions, both in advance of and during each cruise. These all contributed to the growth in revenues.

Gross Profit

The Travel business generated gross profit of £76.7m, which was up £12.6m (19.7%) on the previous year (2014: £64.1m).

Gross profit generated by the Holidays business of £58.9m was up £4.7m (8.7%). £3.7m of this growth was attributable to Destinology, with the rest attributable to a shift towards higher value, higher margin long-haul holidays.

The Cruising business generated gross profit of £17.8m, which was up £7.9m (79.8%) on the previous year. A higher number of passenger days resulted in much improved load factors, which had a positive impact on the gross margin of each ship. The Saga Sapphire and Saga Pearl II load factors were up 6.8 and 9.2 percentage points on the previous year, to 83.6% and 87.0%, respectively. This represents high occupancy levels for the passenger demographic of the ships where single occupancy and the absence of children in cabins naturally reduce the load factors. The improvements to cabin pricing structures and improved availability of on-board services and excursions also contributed to higher gross profits.

Operating Profit and Trading EBITDA

The business delivered an operating profit of £13.6m and Trading EBITDA of £26.0m, which were up £8.2m (151.9%) and £5.9m (29.4%) respectively.

The increase seen in gross profits was partially offset by an increase in overheads due to the inclusion of Destinology and an increase in spend on TV advertising to drive passenger volumes for the coming years.

Acquisition of Destinology

On 13 August 2014, the Group acquired a 75% shareholding in Destinology Limited, one of the UK's leading online travel companies, which offers bespoke holidays at five-star hotels and resorts in major international destinations, including the Maldives, Dubai, the Caribbean, the Far East, USA and Europe. Destinology fits well with the Group's existing travel brands and demographic, enhancing the range of travel offers to customers.

The acquisition cost of £23.0m was settled via an upfront cash payment of £22.2m with £0.8m deferred for one year. Acquisition costs of £0.3m have been charged to the Income Statement as an exceptional expense. These amounts have been settled from the restricted cash held by the Travel business.

The Group has the option to acquire the remaining 25% shareholding in Destinology at a later date. Accordingly the subsequent purchase is considered to be a linked transaction and Destinology has been consolidated as a 100% subsidiary.

HEALTHCARE SERVICES

On 15 January 2015, the Group announced its decision to divest the local authority part of its healthcare business, Allied Healthcare, and focus on privately funded healthcare. As at 31 January, the Allied business represented a disposal group held for sale and as such is reported as a discontinued operation in the Group's financial statements.

The continuing part of the segment, Saga Healthcare, constitutes the private pay elements of the business that remains, namely the Country Cousins and Patricia White's brands and the Saga SOS Personal Alarms product offering.

Continuing Operations

	12m to Jan 2015	*Growth*	12m to Jan 2014
Revenue	**£4.3m**	***(8.5%)***	**£4.7m**
Gross profit	**£4.0m**	***(9.1%)***	**£4.4m**
Gross profit %	*93.0%*	*(0.6%)*	*93.6%*
Trading EBITDA	**£2.2m**	***(18.5%)***	**£2.7m**
Trading EBITDA %	*51.2%*	*(6.2%)*	*57.4%*
Operating profit	**£2.0m**	***(20.0%)***	**£2.5m**
Operating profit %	*46.5%*	*(6.7%)*	*53.2%*

The Saga Healthcare business, which represents the continuing portion of the Healthcare Services segment, experienced a broadly stable year of trading.

The business generated revenue of £4.3m, which reduced by £0.4m (8.5%) on the previous year (2014: £4.7m). This flowed through to gross profit of £4.0m, which similarly reduced by £0.4m (9.1%), as this business has very low cost of sales since all of the Country Cousins and Patricia White's carers are self-employed.

The business generated Trading EBITDA of £2.2m and operating profit of £2.0m, which both decreased by £0.5m, or 18.5% and 20.0% respectively.

Discontinued Operations

The Group has recognised a total loss after tax in respect of the discontinued Allied Healthcare operation of £220.2m, a significant increase on the loss in the previous year of £17.9m, analysed as follows:

	12m to Jan 2015	12m to Jan 2014	12m to Jan 2014 Reported	12m to Jan 2014 Adjustment
(Loss) / profit for the year from discontinued operations after tax	(£0.3m)	£0.7m	£0.3m	£0.4m
Amortisation of associated intangible assets	(£10.4m)	(£14.9m)	(£14.9m)	£0.0m
Impairment of associated intangible assets	£0.0m	(£3.7m)	(£3.7m)	£0.0m
Loss on re-measurement of disposal group to fair value	(£209.5m)	£0.0m	£0.0m	£0.0m
	(£220.2m)	(£17.9m)	(£18.3m)	£0.4m

The majority of this loss, £209.5m, has arisen on the re-measurement of the disposal group's assets and liabilities to fair value, with a further £10.4m of amortisation costs recognised in respect of intangible assets that form part of the disposal group, and a loss after tax from discontinued operations of £0.3m during the year.

The fair value re-measurement has placed a value on the business of £nil. This value has been determined by considering the current asset and liability position of the business, the future profit cash flows and the associated capital investment set out within management's five year plan for the business, the risk attaching to the various cash flows, and the costs of disposing of the business. There are a range of ways of valuing the business and it is our expectation that an appropriate buyer will ultimately value the business higher than £nil.

The Allied Healthcare business has continued to operate in a challenging market throughout the year and the revenue for the year of £283.2m was down £30.6m (9.8%) on the previous year (2014: £313.8m).

	12m to Jan 2015	*Growth*	12m to Jan 2014	12m to Jan 2014	
				Reported	Adjustment
Revenue	**£283.2m**	***(9.8%)***	**£313.8m**	**£313.8m**	**£0.0m**
Gross profit	**£83.4m**	***(6.8%)***	**£89.5m**	**£89.1m**	**£0.4m**
Gross profit %	*29.4%*	*0.9%*	*28.5%*		
Trading EBITDA	**£9.0m**	***13.9%***	**£7.9m**	**£7.5m**	**£0.4m**
Trading EBITDA %	*3.2%*	*0.7%*	*2.5%*		
Operating profit	**£6.2m**	***17.0%***	**£5.3m**	**£4.9m**	**£0.4m**
Operating profit %	*2.2%*	*0.5%*	*1.7%*		
Exceptional items	(£8.4m)	*6.3%*	(£7.9m)	(£7.9m)	£0.0m
Net finance costs	(£0.3m)	*(40.0%)*	(£0.5m)	(£0.5m)	£0.0m
Loss before tax	(£2.5m)	*(19.4%)*	(£3.1m)	(£3.5m)	£0.4m
Tax expense	£2.2m	*(42.1%)*	£3.8m	£3.8m	£0.0m
(Loss) / profit for the year from discontinued operations	(£0.3m)	*(142.9%)*	£0.7m	£0.3m	£0.4m

Despite this revenue pressure, the business has taken a number of actions throughout the year and over the previous year which have delivered benefits. Gross profit as a percentage of revenue has improved by 0.9 percentage points year-on-year to 29.4% driven by the branch efficiency programme, which is a good performance given the deflationary pressures on hourly rates for the provision of care services experienced throughout the market.

Significant focus on central administrative expenses has enabled the business to grow Trading EBITDA by £1.1m (13.9%) to £9.0m. This has dropped through to a year-on-year increase in operating profit of £0.9m (17.0%), and takes operating profit to £6.2m.

The cost of the ongoing restructuring programme during the year was £8.4m, which has been treated as exceptional, coupled with net finance costs of £0.3m, after which the Allied business made a loss before tax of £2.5m, which was £0.6m (19.4%) better than the previous year (2014: £3.1m).

MEDIA AND CENTRAL COSTS

	12m to Jan 2015	*Growth*	12m to Jan 2014	12m to Jan 2014	
				Reported	Adjustment
Revenue	**£16.8m**	***(1.8%)***	**£17.1m**	£17.1m	£0.0m
Gross profit	**£1.2m**	***200.0%***	**£0.4m**	£0.4m	£0.0m
Gross profit %	*7.1%*	*4.8%*	*2.3%*		
Trading EBITDA	**(£11.4m)**	***(159.1%)***	**(£4.4m)**	(£1.4m)	(£3.0m)
Trading EBITDA %	*(67.9%)*	*(42.2%)*	*(25.7%)*		
Operating loss	**(£18.0m)**	***(51.3%)***	**(£11.9m)**	(£10.0m)	(£1.9m)
Operating loss %	*(107.1%)*	*(37.5%)*	*(69.6%)*		

Revenue

The Group generated third-party revenue of £16.8m in its Media and Central Costs segment, which was broadly flat year-on-year.

Gross Profit

Gross profit was up £0.8m (200.0%) to £1.2m reflecting better margins in the Saga Magazine business.

Operating Loss and Trading EBITDA

The Media and Central Costs segment as a whole made an operating loss of £18.0m and a Trading EBITDA loss of £11.4m, which were up £6.1m and £7.0m year-on-year.

This was driven by a reduction in interest received on available cash and higher central administrative overheads necessary to establish and operate Saga plc. Such incremental overheads equate to £4.5m on an annualised basis.

Consolidated income statement
for the year ended 31 January 2015

	Note	**2015** **£'m**	2014 £'m
Revenue	3	900.5	944.0
Cost of sales	3	(525.1)	(593.3)
Gross profit		**375.4**	**350.7**
Administrative and selling expenses		(244.5)	(181.6)
Investment income		13.9	12.7
Finance costs		(35.1)	(10.6)
Finance income		2.9	0.1
Share of profit of joint venture		1.2	-
Profit before tax from continuing operations		**113.8**	**171.3**
Tax expense	5	(27.4)	(43.4)
Profit for the year from continuing operations		**86.4**	**127.9**
Loss after tax for the year from discontinued operations	19	(220.2)	(18.3)
(Loss)/profit for the year		**(133.8)**	**109.6**
Attributable to:			
Equity holders of the parent		(134.2)	108.5
Non-controlling interests		0.4	1.1
		(133.8)	**109.6**
(Loss)/earnings per share:			
Basic	7	(13.4p)	13.6p
Diluted	7	(13.4p)	13.6p
Earnings per share for continuing operations:			
Basic	7	8.6p	16.0p
Diluted	7	8.5p	16.0p

Consolidated statement of comprehensive income
for the year ended 31 January 2015

	2015 **£'m**	2014 £'m
(Loss)/profit for the year	**(133.8)**	**109.6**
Other comprehensive income		
Other comprehensive income to be reclassified to profit and loss account in subsequent years		
Exchange differences on translation of foreign operations	-	0.1
Net loss on cash flow hedges	(3.0)	-
Net gain/(loss) on available for sale financial assets	3.8	(1.1)
Tax effect	(0.1)	0.2
	0.7	(0.8)
Other comprehensive income not to be reclassified to profit and loss account in subsequent years		
Re-measurement losses on defined benefit plans	(34.8)	(16.4)
Tax effect	6.9	3.3
	(27.9)	**(13.1)**
Total other comprehensive losses	**(27.2)**	**(13.9)**
Total comprehensive (loss)/income for the year	**(161.0)**	**95.7**
Attributable to:		
Equity holders of the parent	(161.4)	94.6
Non-controlling interests	0.4	1.1
	(161.0)	**95.7**

Consolidated statement of financial position
as at 31 January 2015

	Note	**2015**	2014
Assets		**£'m**	£'m
Goodwill	9	1,471.4	1,636.2
Intangible fixed assets	10	34.8	47.4
Investment in joint venture		1.2	-
Property, plant and equipment	11	133.2	139.8
Financial assets	12	659.6	1,681.7
Deferred tax assets		22.9	19.9
Current tax assets		-	5.1
Reinsurance assets	15	63.4	62.5
Inventories		5.3	4.8
Trade and other receivables		163.7	216.4
Assets held for sale	19	47.7	-
Cash and short-term deposits	13	198.8	151.3
Total assets		**2,802.0**	**3,965.1**
Liabilities			
Retirement benefit scheme obligations	14	40.4	24.3
Gross insurance contract liabilities	15	704.7	728.3
Provisions		5.9	9.2
Financial liabilities	12	711.7	1,798.4
Current tax liabilities		14.0	-
Deferred tax liabilities		5.5	7.0
Other liabilities		129.3	113.2
Trade and other payables		158.7	164.9
Liabilities held for sale	19	47.7	-
Total liabilities		**1,817.9**	**2,845.3**
Equity			
Issued capital		11.1	-
Share premium		519.4	-
Retained earnings		410.7	1,118.7
Share-based payment reserve		40.7	-
Foreign currency translation reserve		0.5	0.5
Available for sale reserve		3.6	0.6
Hedging reserve		(2.3)	-
Equity attributable to equity holders of the parent		**983.7**	**1,119.8**
Non-controlling interest		0.4	-
Total equity		**984.1**	**1,119.8**
Total liabilities and equity		**2,802.0**	**3,965.1**

Consolidated statement of changes in equity
for the year ended 31 January 2015

	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 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)
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**
At 1 February 2013	**-**	**-**	**1,043.3**	**-**	**0.5**	**1.4**	**-**	**1,045.2**	**(0.1)**	**1,045.1**
Profit for the year	-	-	108.5	-	-	-	-	108.5	1.1	109.6
Dividends paid	-	-	(20.0)	-	-	-	-	(20.0)	(1.0)	(21.0)
Other comprehensive losses	-	-	(13.1)	-	-	(0.8)	-	(13.9)	-	(13.9)
At 31 January 2014	**-**	**-**	**1,118.7**	**-**	**0.5**	**0.6**	**-**	**1,119.8**	**-**	**1,119.8**

Consolidated statement of cash flows
for the year ended 31 January 2015

	Note	**2015** **£'m**	2014 £'m
Net cash flows from operating activities	18	**155.3**	**174.1**
Investing activities			
Proceeds from sale of property, plant and equipment		0.2	9.5
Purchase of property, plant and equipment		(26.4)	(29.5)
Net purchase of financial assets		(61.3)	(39.2)
Acquisition of subsidiaries	8	(14.3)	(0.7)
Net cash flows used in investing activities		**(101.8)**	**(59.9)**
Financing activities			
Payment of finance lease liabilities		(0.6)	(1.2)
Proceeds from borrowings	16	1,250.0	-
Repayment of borrowings	16	(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)	(1,262.2)
Net movement on balances with parent undertakings		774.9	814.7
Dividends paid		(2,063.0)	(21.0)
Net cash flows used in financing activities		**(69.0)**	**(469.7)**
Net decrease in cash and cash equivalents		**(15.5)**	**(355.5)**
Net foreign exchange differences		(0.2)	0.1
Cash and cash equivalents at 1 February		253.6	609.0
Cash and cash equivalents at 31 January	13	**237.9**	**253.6**

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. On 29 May 2014, the Company was admitted via a Premium Listing to the London Stock Exchange.

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 2015 were approved for issue by the Board of Directors on 29 April 2015 and will be available on the Company's website in due course.

Saga Group offers a wide range of products and services to its customer base which include a range of general insurance and financial services products, package and cruise holidays, domiciliary care, and a monthly subscription magazine. Accordingly, the Group segments its business into four trading segments – Financial Services, Travel, Healthcare Services and Media and Central costs (see note 3).

2.1 Basis of preparation

The results in this preliminary announcement have been taken from the Group's 2015 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 2015 Annual report and accounts.

The preliminary announcement for the year ended 31 January 2015 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 2015 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 changes to the accounting policies of the Group for the year ended 31 January 2015 other than those listed below. Full details of the accounting policies can be found in the Prospectus which was issued on 8 May 2014 and can be found at www.saga.co.uk/shares.

During the year, the Group has implemented the following new accounting policies in respect of accounting transactions and balances that it previously did not have.

a Joint arrangements

The Group participates in a joint arrangement where control of the arrangement is shared with another party. A joint arrangement is classified as a joint operation or joint venture, depending on management's assessment of the legal form and substance of the arrangement.

The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis, whereas the Group's investment and share of results of joint ventures are shown within single line items in the consolidate statement of financial position and the consolidated income statement respectively.

Notes to the consolidated financial statements (continued)

2.2 Summary of significant accounting policies (continued)

b Non-current assets held for sale, disposal groups and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. To be classified as held for sale, an asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets, and the sale must be highly probable. Sale is considered to be highly probable when management is committed to a plan to sell an asset and an active programme to locate a buyer and complete the plan has been initiated at a price that is reasonable in relation to its current fair value, and there is an expectation that the sale will be completed within one year from the date of classification. Non-current assets classified as held for sale are carried on the Group's statement of financial position at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount of profit or loss after tax from discontinued operations in the income statement.

c Hedge accounting

The Group designates certain derivative financial instruments as cash flow hedges of certain forecast transactions. These transactions are highly probable to occur and present an exposure to variations in cash flows that could ultimately affect amounts determined in profit or loss.

Where a derivative financial instrument is designated as a hedge, the effective part of any fair value gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately within the income statement.

When a hedged forecast transaction subsequently results in the recognition of a financial asset or a financial liability, any associated cumulative gain or loss is removed from the hedging reserve and reclassified into the income statement in the same period in which the asset or liability affects profit or loss. When a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, any associated cumulative gain or loss is removed from the hedging reserve and is included in the initial cost or other carrying amount of the non-financial asset or liability.

For foreign currency hedges, prospective hedge effectiveness testing is performed at the inception of the hedging relationship, and subsequently at each balance sheet date, through comparison of the projected fair values of the hedged forecast transaction and the hedging instrument using a combination of the hypothetical derivative approach and sensitivity analysis, as part of the dollar-offset method. Retrospective hedge testing is also performed at each reporting date using the dollar-offset method, by comparing the cumulative changes in the fair values of the forecast hedged transaction and the hedging instrument.

For fuel oil hedges, prospective hedge effectiveness testing is performed at the inception of the hedging relationship, and subsequently at each balance sheet date, using regression analysis. This method involves calculating the strength of the correlation between the price of the derivative and the price of the fuel oil being purchased. Retrospective hedge testing is also performed at each reporting date using the same technique.

Notes to the consolidated financial statements (continued)

2.2 Summary of significant accounting policies (continued)

c Hedge accounting (continued)

When a hedging instrument no longer meets the criteria for hedge accounting, through maturity, sale, other termination, or the revoking of the designated hedging relationship, hedge accounting is discontinued prospectively. If the hedged forecast transaction is still expected to occur, the associated cumulative gain or loss remains in the hedging reserve and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in the income statement immediately.

d Share-based payments

The Group provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is measured by reference to the fair value on the grant date and is recognised as an expense over the relevant vesting period, ending on the date on which the employee becomes fully entitled to the award.

Fair values of share-based payment transactions are calculated using Black-Scholes and Monte-Carlo modelling techniques. In valuing equity settled transactions, assessment is made of any vesting conditions to categorise these into market performance conditions, non-market performance conditions, and service conditions.

Where the equity settled transactions have market performance conditions (that is, performance which is directly or indirectly linked to the share price), the fair value of the award is assessed at the time of grant and is not changed, regardless of the actual level of vesting achieved, except where the employee ceases to be employed prior to the vesting date.

For service conditions and non-market performance conditions, the fair value of the award is assessed at the time of grant and is reassessed at each reporting date to reflect updated expectations for the level of vesting. No expense is recognised for awards that ultimately do not vest.

At each reporting date prior to vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and, in the case of non-market conditions, the best estimate of the number of equity instruments that will ultimately vest or, in the case of instruments subject to market conditions, the fair value on grant adjusted only for leavers. The movement in the cumulative expense since the previous reporting date is recognised in the income statement, with the corresponding increase in share-based payments reserve.

Upon vesting of an equity instrument, the cumulative cost in the share-based payments reserve is reclassified to retained earnings in equity.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Notes to the consolidated financial statements (continued)

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 2015. 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.

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 2017.

iii. 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 financial statements.

iv. 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 financial statements.

v. 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 financial statements.

Notes to the consolidated financial statements (continued)

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 cash generating units 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.

2.4 Significant accounting judgements, estimates and assumptions (continued)

iii) Valuation of retirement benefit scheme obligation

The cost of defined benefit pension plans and the present value of the retirement benefit scheme 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.

iv) Fair value of financial instruments determined using valuation techniques

Where the fair values of financial assets and financial liabilities are categorised under Level 2 or 3, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk, and model inputs such as volatility for longer dated derivatives and discount rates and prepayment rates.

v) Share-based payments

During the period, the Group has granted a number of different equity-based awards to employees and customers for which a share-based payments charge may be required to be made in the Income Statement. The Group has considered each award separately to determine whether it comprises a share-based payment and to determine whether it is “equity-settled” or “cash-settled”, and to determine the vesting period and any vesting conditions.

The fair values of share-based payments have been determined using techniques based upon “Black-Scholes” and “Monte-Carlo” pricing models. The model assumptions have been considered at the time of award and, in the case of non-market based conditions, will be revisited at each reporting date up to vesting.

vi) Share issue costs

The Group incurred incremental costs totalling £30.3m in respect of its listing on the London Stock Exchange and issue of new shares. IAS 32 ‘Financial Instruments: Presentation’ requires the Group to charge the costs of issuing new shares against the Share Premium Account within Equity.

The Group has reviewed the incremental costs to identify those solely incurred in issuing new shares, those incurred in connection with the entire share capital, and those not associated with issuing new shares at all. Those costs incurred in connection with the entire share capital have been apportioned to the issue of new shares by reference to the number of new shares compared to the entire share capital.

Further to this, the Group has charged £27.6m against Share Premium and charged the remaining £2.7m to the Income Statement as an exceptional expense. These costs are not deductible for Corporation tax purposes.

vii) Disposal group held for sale

Further to the Group’s decision to divest the local authority section of its healthcare business, Allied Healthcare, the business has been classified as a disposal group held for sale, and the assets and liabilities of the business have been re-measured to fair value.

Notes to the consolidated financial statements (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

vii) Disposal group held for sale (continued)

In order to be recognised as a disposal group held for sale, IFRS 5 'Non-current assets held for sale and discontinued operations' requires the business to be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, and the sale must be highly probable.

The Group has considered the Allied Healthcare business and the processes underway to divest it, in particular those relating to marketing and contact with interested potential buyers, and concluded that the relevant criteria have been met at 31 January 2015. Accordingly, the business has been treated as a disposal group held for sale in the statement of financial position and as a discontinued activity in the income statement.

3 Segmental information

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

- *Financial Services*: The segment primarily comprises general insurance and financial services products. Revenue is derived primarily from insurance premiums, insurance commissions and financial services product commissions. This segment is further analysed into three sub-segments:
    - Motor Insurance
    - Home Insurance
    - Other Financial Services

  The Group operates its own general insurer which underwrites all of the Group's Saga-branded Motor insurance policies, a proportion of its Home insurance policies, and some of its other products. The remaining insurance policies are underwritten by third party underwriters.

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

- *Healthcare Services*: The segment primarily comprises the delivery of domiciliary care services and delivery of various primary care services.

- *Media and Central Costs*: The segment primarily comprises a monthly subscription magazine product, the Group's internal mailing house and centrally borne administrative costs.

Segment performance is primarily evaluated using the Group's key performance measure of Trading EBITDA. Items not allocated to a segment relate to transactions that do not form part of the on-going segment performance. Group financing (including finance costs) and income taxes are managed on a Group basis and are not allocated to individual operating segments.

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.

Finance income and costs, and fair value gains and losses on derivative financial instruments are not allocated to individual segments as the underlying instruments are managed on a Group basis. 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)

2015	Financial Services				Travel	Healthcare Services	Media & Central Costs	Adjust's	Total
	Motor Insurance	Home Insurance	Other Financial Services	Total					
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Gross revenue	341.3	173.5	151.6	666.4	381.3	4.3	16.8	-	1,068.8
Inter-segment	-	-	-	-	-	-	8.3	(8.3)	-
Segment revenue	341.3	173.5	151.6	666.4	381.3	4.3	25.1	(8.3)	1,068.8
Third party premiums	(29.3)	(81.7)	(57.3)	(168.3)	-	-	-	-	(168.3)
Revenue	**312.0**	**91.8**	**94.3**	**498.1**	**381.3**	**4.3**	**25.1**	**(8.3)**	**900.5**
Cost of sales	(168.1)	(4.5)	(32.0)	(204.6)	(304.6)	(0.3)	(15.6)	-	(525.1)
Gross profit	**143.9**	**87.3**	**62.3**	**293.5**	**76.7**	**4.0**	**9.5**	**(8.3)**	**375.4**
Results									
Trading EBITDA	**104.2**	**64.5**	**41.9**	**210.6**	**26.0**	**2.2**	**(11.4)**	**-**	**227.4**
Trading EBITDA %	*30.5%*	*37.2%*	*27.6%*	*31.6%*	*6.8%*	*51.2%*	*(45.4%)*		*21.3%*
Depreciation	(1.5)	(0.6)	(0.6)	(2.7)	(9.3)	(0.2)	(5.1)	-	(17.3)
Amortisation of intangible assets	(2.3)	(1.8)	(0.8)	(4.9)	(3.1)	-	(1.5)	(2.2)	(11.7)
Operating profit	**100.4**	**62.1**	**40.5**	**203.0**	**13.6**	**2.0**	**(18.0)**	**(2.2)**	**198.4**
Exceptional expenses									(52.4)
Net fair value gain on derivative financial instruments									2.9
Net finance costs									(35.1)
Profit before tax from continuing operations									**113.8**
Total assets less liabilities				299.7	(25.1)	-	(89.2)	798.7	984.1

The total revenue of £900.5m is generated solely in the UK.

Cost of sales within the Financial Services 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)

2014	Financial Services: Motor Insurance	Financial Services: Home Insurance	Financial Services: Other Financial Services	Financial Services: Total	Travel	Healthcare Services	Media & Central Costs	Adjust's	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Gross revenue	362.6	197.8	122.5	682.9	379.6	4.7	17.1	-	1,084.3
Inter-segment	-	-	-	-	-	-	8.9	(8.9)	-
Segment revenue	362.6	197.8	122.5	682.9	379.6	4.7	26.0	(8.9)	1,084.3
Third party premiums	(7.4)	(107.3)	(25.6)	(140.3)	-	-	-	-	(140.3)
Revenue	**355.2**	**90.5**	**96.9**	**542.6**	**379.6**	4.7	**26.0**	**(8.9)**	**944.0**
Cost of sales	(218.9)	(4.4)	(38.0)	(261.3)	(315.0)	(0.3)	(16.7)	-	(593.3)
Gross profit	**136.3**	**86.1**	**58.9**	**281.3**	**64.6**	4.4	**9.3**	**(8.9)**	**350.7**
Results									
Trading EBITDA	**96.7**	**63.1**	**37.3**	**197.1**	**27.8**	2.7	**(1.4)**	**-**	**226.2**
Trading EBITDA %	*26.7%*	*31.9%*	*30.4%*	*28.9%*	*7.3%*	57.4%	*(5.4%)*	-	*20.9%*
Depreciation	(1.3)	(0.5)	(0.3)	(2.1)	(17.9)	(0.2)	(5.5)	-	(25.7)
Loss on disposal	-	-	-	-	(1.6)	-	-	-	(1.6)
Amortisation of intangible assets	(3.1)	(1.3)	(0.7)	(5.1)	(2.4)	-	(3.1)	(0.1)	(10.7)
Operating profit	**92.3**	**61.3**	**36.3**	**189.9**	**5.9**	2.8	**(10.0)**	**(0.1)**	**188.2**
Exceptional expenses									(6.4)
Net fair value loss on derivative financial instruments									(10.4)
Net finance costs									(0.7)
Profit before tax from continuing operations									**171.3**
Total assets less liabilities				274.9	(5.3)	(0.2)	(55.5)	905.9	1,119.8

The total revenue of £944.0m is generated solely in the UK.

Cost of sales within the Financial Services 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)

Amortisation of intangible assets detailed as unallocated relates to separately identified intangibles acquired through acquisitions. This arises on consolidation and is not considered to be part of the underlying trading of any segment.

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

	2015	2014
	£'m	£'m
Goodwill (note 9)	1,471.4	1,636.2
Contracts, brands and customer relationships (note 10)	18.8	29.2
Bank loans (note 16)	(692.2)	-
Assets relating to discontinued operations	-	(2.4)
Net amounts owed to parent undertakings	-	(749.2)
Deferred tax – non-retirement benefit scheme related	0.7	(3.7)
	798.7	905.9

3a Analysis of Financial Services revenue

	2015	2014
	£'m	£'m
Income from insurance underwritten by the Group		
- Motor Insurance	270.0	310.9
- Home Insurance	16.4	16.4
- Other	39.3	41.7
	325.7	369.0
Income from other insurance and financial services products	172.4	173.6
	498.1	542.6

3b Analysis of Financial Services cost of sales

	2015	2014
	£'m	£'m
Net Claims incurred on insurance underwritten by the Group		
- Motor Insurance	143.3	194.8
- Home Insurance	4.5	4.4
- Other	31.5	37.8
	179.3	237.0
Other cost of sales	25.3	24.3
	204.6	261.3

Notes to the consolidated financial statements (continued)

4 Exceptional expenses

	2015	2014
	£'m	£'m
Share-based payment costs (note 17)	40.8	-
Flotation and other costs	9.2	-
Restructuring costs	1.0	5.6
Acquisition of subsidiaries (note 8)	0.3	-
Other exceptional expenses	1.1	0.8
	52.4	6.4

Flotation and other costs comprise the cost of various bonuses paid to Directors and employees of the Group on the IPO date, and the costs of the IPO which have not been charged to the Share Premium Account of £2.7m.

Restructuring costs represents costs associated with restructuring and re-organising 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.

5 Tax

The major components of the income tax expense are:

	2015	2014
	£'m	£'m
Consolidated income statement		
Current income tax		
Current income tax charge	29.9	48.1
Adjustments in respect of previous years	-	0.9
	29.9	49.0
Deferred tax		
Relating to origination and reversal of temporary differences	(2.0)	(5.6)
Adjustments in respect of previous years	(0.5)	-
Tax expense in the income statement	27.4	43.4

Reconciliation of net deferred tax assets:

	2015	2014
	£'m	£'m
At 1 February	12.9	0.7
Tax credit recognised in the income statement	2.5	5.6
Tax credit recognised in other comprehensive income	6.8	3.5
Deferred taxes acquired in business combinations	(4.0)	-
Deferred tax charge attributable to discontinued operations	0.5	3.1
Transferred to assets held for sale (note 18)	(1.3)	-
At 31 January	17.4	12.9

The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Notes to the consolidated financial statements (continued)

5 Tax (continued)

A reduction in the UK Corporation Tax rate from 23% to 21% took effect on 1 April 2014, and a further reduction to 20% has been enacted in the Finance Act 2013 to take effect from 1 April 2015. As a result, the closing deferred tax balances have been reflected at 20%.

The Group has tax losses which arose in the UK of £4.9m (2014: £4.6m) 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 £1.0m.

6 Dividends

With the exception of the corporate restructuring dividends, no dividends were declared by the Company during the year ended 31 January 2015 (2014: nil).

The Directors propose a final dividend for the year ended 31 January 2015 of 4.1p per share. This is subject to approval by shareholders at the Annual General Meeting on 23 June 2015 and would be paid on 30 June 2015. These financial statements do not reflect this dividend payable.

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 dividing the profit after tax attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year and the weighted average number of ordinary shares that would be issued on conversion of all potential dilutive options into ordinary shares.

The Group did not exist in its current form for the comparative period, therefore basic and diluted EPS have been calculated using the number of shares pre-admission to the London Stock Exchange as if they had always been in issue, in accordance with IAS33.

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 EPS is as follows:

Basic EPS	**2015**	2014
(Loss)/profit attributable to ordinary equity holders of the parent (£'m)	(134.2)	108.5
Profit from continuing operations (£'m)	86.4	127.9
Weighted average number of ordinary shares (millions)		
Original shares	800.0	800.0
297.3m shares issued on 29 May 2014	202.0	-
0.5m share options exercised (see note 17)	0.4	-
Weighted average number of ordinary shares outstanding (millions)	1,002.4	800.0
Basic EPS	**(13.4p)**	**13.6p**
Basic EPS for continuing operations	**8.6p**	**16.0p**

Notes to the consolidated financial statements (continued)

7 Earnings per share (continued)

The calculation of diluted EPS is as follows:

Diluted EPS	**2015**	2014
(Loss)/profit attributable to ordinary equity holders of the parent (£'m)	(134.2)	108.5
Profit from continuing operations (£'m)	86.4	127.9
Weighted average number of ordinary shares for basic EPS (millions)	1,002.4	800.0
Effect of dilution:		
12.6m share options (see note 17)	8.6	-
7.0m free shares	4.7	-
Weighted average number of ordinary shares adjusted for the effect of dilution (millions)	1,015.7	800.0
Diluted EPS	**(13.4p)**	**13.6p**
Diluted EPS for continuing operations	**8.5p**	**16.0p**

The diluted EPS for the year is not adjusted for the share options and shares to be issued as these are anti-dilutive.

The Group's key earnings per share measure is Operating EPS.

Operating EPS is presented to exclude items which are not considered to be part of the Group's operating performance. This is achieved by removing the impact of non-recurring exceptional items, and by measuring prior to net fair value gains and losses on derivatives not designated as hedges under IAS 39 as these movements arise and reverse across financial periods and are not representative of the actual effectiveness the Group's economic hedging activities.

The following table provides a reconciliation of Operating earnings from continuing operations and the calculated basic and diluted Operating EPS:

Operating EPS	**2015**	2014
	£'m	£'m
Profit before tax from continuing operations	113.8	171.3
Adjusted for:		
Exceptional expenses (note 4)	52.4	6.4
Exceptional finance costs	12.1	-
Net fair value gains/(losses) on derivatives	(2.9)	10.4
Pre-tax operating earnings from continuing operations	175.4	188.1
Tax at effective rate	(36.9)	(46.5)
Operating earnings after tax from continuing operations	138.5	141.6
Post-tax operating EPS (basic)	**13.8p**	**17.7p**
Post-tax operating EPS (diluted)	**13.6p**	**17.7p**

Notes to the consolidated financial statements (continued)

7 Earnings per share (continued)

The Group did not exist in its current form during the prior year. On 25 April 2014, the Group took on its own bank debt to replace that previously provided by the Group's parent company via interest-free intercompany loans (see note 16), and on 29 May 2014, the Group was listed on the London Stock Exchange (see note 16).

Accordingly, in order to provide more comparable period-on-period understanding, a Pro forma Operating EPS has also been calculated which adjusts the current and prior year periods to allow like-for-like comparison:

Pro forma Operating EPS	**2015**	2014
	£'m	£'m
Post-tax operating earnings from continuing operations	138.5	141.6
Adjusted for:		
Pro forma interest charge	(14.1)	(61.3)
Pro forma plc costs	(1.8)	(4.5)
Underlying adjustments	-	(3.4)
Tax on adjustments at effective rate of 21.3% (2014: 23.2%)	3.4	16.0
Post-tax pro forma operating earnings from continuing operations	**126.0**	**88.4**
Post-tax pro forma operating EPS (basic)	**12.6p**	**11.1p**
Post-tax pro forma operating EPS (diluted)	**12.4p**	**11.1p**

Pro forma adjustments have been made for interest charges and plc costs to allow comparison between the periods on a like-for-like basis.

The interest charge is made to include a charge for the £1.25bn of debt which was provided to the company via intercompany loans by an immediate parent company up until 25 April 2014 (see note 16). Interest has been calculated using the rate specified in the Group's Senior Facilities Agreement for a level of debt of £1.25bn.

On 29 May 2014, the Group was listed on the London Stock Exchange and, as a consequence, started to incur additional costs associated with being a plc which it did not incur as a private company. These costs include the costs of additional senior staff, notably the new CEO, Non-Executive Directors, and Investor Relations function, together with additional costs associated with the regulatory requirements. The plc costs charge is made to include a full year of these costs in both periods.

8 Acquisition of Destinology Limited

On 13 August 2014, the Group acquired a 75% shareholding in Destinology Limited, one of the UK's leading online travel companies, which offers bespoke holidays at five-star hotels and resorts in major international destinations, including the Maldives, Dubai, the Caribbean, the Far East, USA and Europe. Destinology fits well with the Group's existing travel brands and demographic, enhancing our range of travel offers to customers.

The Group has the option to acquire the remaining 25% shareholding in Destinology at a later date. Accordingly the subsequent purchase is considered to be a linked transaction and Destinology has been consolidated as a 100% subsidiary.

Notes to the consolidated financial statements (continued)

8 Acquisition of Destinology Limited (continued)

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

	Fair value £'m
Assets	
Brand	12.7
Database of customers	7.4
Software	0.7
Property, plant and equipment	0.4
Trade receivables	4.9
Cash	8.0
Total assets	34.1
Liabilities	
Trade payables	(13.9)
Deferred tax liability	(4.0)
Total liabilities	(17.9)
Total identifiable net assets at fair value	**16.2**
Goodwill arising on acquisition	13.0
Purchase consideration transferred	**29.2**

The goodwill arising on acquisition of £13.0m represents the fair value arising from the acquired management structure, strategic knowledge, capability and other synergies arising on acquisition.

Purchase consideration	**£'m**
Cash settled on acquisition date	22.2
Deferred for one year	0.8
Contingent consideration in respect of remaining 25% shareholding	6.2
Total consideration	**29.2**

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 Group and the existing shareholders respectively hold call and put options over the remaining 25% of the shares. The price to be paid for the remaining 25% is dependent upon the profitability of the Destinology business at certain future dates (specifically one year, and two years from the acquisition date). The contingent consideration of £6.2m in respect of the remaining 25% has been valued based upon a probability-weighted range of outcomes and is classified as level 3 in the fair value hierarchy.

Transaction costs of £0.3m have been expensed and are included as part of the exceptional expenses within administrative and selling expenses.

Notes to the consolidated financial statements (continued)

8 Acquisition of Destinology Limited (continued)

Analysis of cash flows on acquisition:	£'m
Initial cash consideration	(22.2)
Net cash acquired	8.0
	(14.2)
Transaction costs of the acquisition (included in operating cash flows)	(0.3)
Net cash flow on acquisition	**(14.5)**

From the date of acquisition, Destinology Limited contributed £26.2m of revenue and £0.9m to the profit before tax for the year ended 31 January 2015 of the group. Had these acquisitions occurred at the beginning of the financial year, contribution to Group revenue and profit before income tax for the full year would have been £56.5m and £1.7m respectively.

9 Goodwill

During the year, the Group acquired £13.0m of goodwill with its acquisition of Destinology (see note 8) and, following the decision to divest the Allied Healthcare business, transferred £177.8m of goodwill to assets held for sale (see note 19).

Further to these transactions, the net book value of goodwill is £1,471.4m (2014: £1,636.2m), allocated to the Financial Services and Travel segments.

The Group has performed impairment testing over the carrying value of goodwill at 31 January 2015, and assessed the recoverable amounts to be at least equal to the carrying amounts.

10 Intangible fixed assets

During the year, the Group capitalised £8.6m (2014: £8.2m) of software assets and acquired £20.8m of other intangible fixed assets with its acquisition of Destinology (see note 8). The acquired Destinology intangible fixed assets comprised brands (£12.7m), customer relationships (£7.4m) and software (£0.7m).

Following the decision to divest the Allied Healthcare business, the net book value of the associated intangible fixed assets of £19.9m has been transferred to assets held for sale (see note 19).

During the year, the Group charged £22.1m (2014: £29.7m) of amortisation to its intangible assets, of which £11.7m (2014: £10.7m) was in respect of its continuing business. The net book value of intangible fixed assets is as follows:

	2015	2014
	£'m	£'m
Contracts	-	28.3
Brands	12.8	0.9
Customer relationships	6.0	-
Software	16.0	18.2
	34.8	47.4

The Group has performed a review for indicators of impairment of the acquired brands and customer relationships at 31 January 2015, and concluded that no indicators of impairment exist at that date.

Notes to the consolidated financial statements (continued)

11 Property, plant and equipment

During the year, the Group capitalised assets with a cost of £19.4m (2014: £20.0m) and acquired £0.4m of assets with its acquisition of Destinology (see note 8). Following the decision to divest the Allied Healthcare business, assets with a net book value of £6.1m have been transferred to assets held for sale (see note 19).

The Group's capital amounts contracted for but not provided in the financial statements amounted to £nil (2014: nil).

12 Financial assets and financial liabilities

a Financial assets and financial liabilities

Financial assets	**2015**	2014
	£'m	£'m
Fair value through profit or loss		
Foreign exchange forward contracts	1.5	-
Loan funds	19.6	13.0
Hedge funds	33.8	13.1
Equities	8.7	-
	63.6	26.1
Fair value through the hedging reserve		
Foreign exchange forward contracts	4.1	-
	4.1	-
Loans and receivables		
Deposits with financial institutions	479.4	465.8
Amounts owed by parent undertaking	-	1,030.7
Amounts owed by related undertakings	-	0.4
	479.4	1,496.9
Available for sale investments		
Debt securities	71.9	51.2
Money market funds	40.6	107.5
	112.5	158.7
Total financial assets	**659.6**	1,681.7
Current	234.4	1,600.6
Non-current	425.2	81.1
	659.6	1,681.7

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 fixed / floating interest securities investments could be realised at short notice, it is anticipated that they will be held until maturity.

Notes to the consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

a Financial assets and financial liabilities (continued)

Financial liabilities	**2015**	2014
	£'m	£'m
Fair value through profit or loss		
Foreign exchange forward contracts	2.1	7.2
Fuel oil swaps	4.5	0.9
	6.6	8.1
Fair value through the hedging reserve		
Foreign exchange forward contracts	4.6	-
Fuel oil swaps	2.5	-
	7.1	-
Loans and borrowings		
Bank loans (note 16)	692.2	-
Obligations under finance leases and hire purchase	-	0.6
Bank overdrafts	5.8	5.2
Amounts owed to parent undertaking	-	1,779.9
Amounts owed to related undertakings	-	4.6
	698.0	1,790.3
Total financial liabilities	**711.7**	1,798.4
Current	21.1	1,797.5
Non-current	690.6	0.9
	711.7	1,798.4

b Fair values

Financial instruments held at fair value are valued using quoted market prices or other valuation techniques.

Valuation techniques include net present value and discounted cash flow models, and comparison to similar instruments for which market observable prices exist. Assumptions and market observable inputs used in valuation techniques include foreign currency exchange rates and future oil prices.

The fair value and carrying value of financial assets and financial liabilities are materially the same. Financial instruments held at fair value have been categorised into a fair value measurement hierarchy as follows:

i. Level 1

These are valuation techniques that are based entirely on quoted market prices in an actively traded market and are the most reliable. All money market funds and debt securities are categorised as Level 1 as the fair value is obtained directly from the quoted market price.

ii. Level 2

These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are quoted prices available for similar instruments in active markets. The models incorporate various inputs including the credit quality of counter-parties, interest rate curves and forward rate curves of the underlying instrument.

All the derivative financial instruments are categorised as Level 2 as the fair values are obtained from the counterparty, brokers or valued using observable inputs. Where material, CVA / DVA risk adjustment is factored into the fair values of these instruments. As at 31 January 2015, the marked-to-market values of derivative assets are net of a credit valuation adjustment attributable to derivative counter-party default risk. The fair values are periodically reviewed by the Treasury Committee.

Notes to the consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

b Fair values (continued)

iii. Level 3

These are valuation techniques for which any one or more significant inputs are not based on observable market data.

The following table provides the quantitative fair value hierarchy of the Group's financial assets and liabilities:

	2015				2014		
	Level 1 £'m	Level 2 £'m	Level 3 £'m	**Total £'m**	Level 1 £'m	Level 2 £'m	**Total £'m**
Financial assets measured at fair value							
Foreign exchange forward contracts	-	5.6	**-**	**5.6**	-		**-**
Fuel oil swaps	-	-	**-**	**-**	-		**-**
Loan funds	-	19.6	**-**	**19.6**	-	13.0	**13.0**
Hedge funds	-	33.8	**-**	**338**	-	13.1	**13.1**
Equities	8.7	-	**-**	**8.7**	-		**-**
Available for sale financial assets							
Debt securities	71.9	-	**-**	**71.9**	51.2		**51.2**
Money market funds	-	40.6	**-**	**40.6**	-	107.5	**107.5**
Financial liabilities measured at fair value							
Derivative financial liabilities							
Foreign exchange forward contracts	-	6.7	**-**	**6.7**	-	7.2	**7.2**
Fuel oil swaps	-	7.0	**-**	**7.0**	-	0.9	**0.9**
Assets for which fair values are disclosed							
Loans and receivables							
Deposits with financial institutions	-	479.4	**-**	**479.4**	-	465.8	**465.8**
Amounts owed by parent undertaking	-	-	**-**	**-**	-	1,030.7	**1,030.7**
Amounts owed by previous related undertaking	-	-	**-**	**-**	-	0.4	**0.4**
Liabilities for which fair values are disclosed							
Contingent consideration (see note 8)	-	-	6.2	**6.2**	-	-	-
Loans and borrowings							
Bank Loans	-	692.2	**-**	**692.2**	-	-	**-**
Obligations under finance leases and hire purchase	-	-	**-**	**-**		0.6	**0.6**
Bank overdrafts	-	5.8	**-**	**5.8**	-	5.2	**5.2**
Amounts owed to parent undertaking	-	-	**-**	**-**	-	1,779.9	**1,779.9**
Amounts owed by previous related undertaking	-	-	**-**	**-**	-	4.6	**4.6**

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

Notes to the consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

c Cash flow hedges

Forward currency risk

During the year ended 31 January 2015, the Group designated 226 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods. These contracts are entered into to minimise the Group's exposure to foreign exchange risk.

The table below summarises the foreign currency cash flow hedging instruments in place as at 31 January 2015:

	Designated in year ended 31 Jan 2015		All current cash flow hedges	
				Fair Value
	Volume	£'m	Volume	£'m
Foreign Currency Cash Flow Hedging Instruments				
Euro (EUR)	63	(4.2)	63	(4.2)
US Dollar (USD)	50	4.0	50	4.0
Other currencies	113	(0.3)	113	(0.3)
Total	226	(0.5)	226	(0.5)

Hedging instruments for other currencies are in respect of Australian dollars, Canadian dollars, Swiss francs, Japanese yen, New Zealand dollars, Norwegian krone, Swedish krona, Thai baht and South African rand.

The table below summarises the present value of the highly probable forecast foreign currency cash flows that have been designated in a hedging relationship as at 31 January 2015. These cash flows are expected to become determined in profit or loss in the same period in which the cash flows occur.

Determination period	EUR	USD	Other currencies	Total
	£'m	£'m	£'m	£'m
1 Feb 15 – 31 Jul 15	19.2	9.9	3.4	32.5
1 Aug 15 – 31 Jan 16	25.8	25.9	5.3	57.0
1 Feb 16 – 31 Jul 16	15.0	13.7	3.2	31.9
1 Aug 16 – 31 Jan 17	1.9	2.0	1.1	5.0
Total	61.9	51.5	13.0	126.4

During the year, the Group recognised £4.1m of gains and £4.6m of losses on forward currency cash flow hedging instruments through other comprehensive income into the hedging reserve. The Group recognised a £0.4m loss though the Income Statement in respect of the ineffective portion of hedges measured during the period.

There has been no de-designation of hedges during the year ended 31 January 2015 as a result of foreign currency cash flows forecast that are no longer expected to occur, or as a result of failed ineffectiveness testing. No amounts have been removed from the hedging reserve to be included in either profit or loss or in the carrying value of non-financial assets and liabilities.

Notes to the consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

c Cash flow hedges (continued)

Commodity price risk

The Group uses derivative financial instruments to mitigate the risk of adverse changes in the price of fuel. The Group enters into fixed price contracts (swaps) in the management of its fuel price exposures. All fuel hedges are designated as cash flow hedges.

These contracts are expected to reduce the volatility attributable to price fluctuations of fuel. Hedging the price volatility of forecast fuel purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The table below summarises the commodity cash flow hedging instruments in place as at 31 January 2015:

	Designated in year ended 31 Jan 2015		All current cash flow hedges	Fair Value
	Volume	£'m	Volume	£'m
Commodity Cash Flow Hedging Instruments	36	(2.5)	36	(2.5)

The table below summarises the present value of the highly probable forecast fuel oil purchase cash flows that have been designated in a hedging relationship as at 31 January 2015. These cash flows are expected to become determined in profit or loss in the same period in which the cash flows occur.

Determination period	Total £'m
1 Feb 15 – 31 Jul 15	0.8
1 Aug 15 – 31 Jan 16	1.5
1 Feb 16 – 31 Jul 16	0.4
1 Aug 16 – 31 Jan 17	-
Total	2.7

During the period, the Group recognised £2.5m of losses on commodity cash flow hedging instruments through other comprehensive income into the hedging reserve. The Group recognised a £10,000 loss though the Income Statement in respect of the ineffective portion of hedges measured during the period.

There has been no de-designation of hedges during the year ended 31 January 2015 as a result of commodity cash flows forecast that are no longer expected to occur, or as a result of failed ineffectiveness testing. No amounts have been removed from the hedging reserve to be included in either profit or loss or in the carrying value of non-financial assets and liabilities.

Notes to the consolidated financial statements (continued)

13 Cash and cash equivalents

	2015 £'m	2014 £'m
Cash at bank and in hand	66.5	52.4
Short-term deposits	132.3	98.9
Cash and short-term deposits	198.8	151.3
Money markets funds	40.6	107.5
Bank overdraft	(5.8)	(5.2)
Cash held by disposal group (note 18)	4.3	-
Cash and cash equivalents in the cash flow statement	237.9	253.6

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 £85.2m (2014: £66.8m).

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

14 Retirement benefit schemes

The Group operates three funded defined benefit schemes. Two of these schemes, the Nestor Healthcare Group Retirement Benefits Scheme and the Healthcall Group Limited Pension Scheme ("Nestor schemes") provide benefits based on final salary and are closed to new members. The Saga Pension Scheme ("Saga scheme") is open to new members who accrue benefits on a career average salary basis. The assets of all schemes are held separately from those of the Group in independently administered funds.

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

At 31 January 2015	Saga scheme £'m	Nestor schemes £'m	Total £'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 assets held for sale (note 19)	-	14.7	14.7
	(40.4)	-	(40.4)

At 31 January 2014	Saga scheme £'m	Nestor schemes £'m	Total £'m
Fair value of scheme assets	171.2	48.3	219.5
Present value of defined benefit obligation	(186.1)	(57.7)	(243.8)
Defined benefit scheme liability	(14.9)	(9.4)	(24.3)

The valuations used have been based on a full assessment of the liabilities of the schemes. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

During the year ended 31 January 2015, the net liability of the three schemes has worsened by £30.8m to a total scheme liability of £55.1m, of which £14.7m has been transferred to assets held for sales (see note 19).

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:

	2015	2014
Gross	**£'m**	£'m
Claims outstanding	552.4	566.9
Provision for unearned premiums	152.3	161.4
Total gross liabilities	704.7	728.3

	2015	2014
Recoverable from reinsurers	**£'m**	£'m
Claims outstanding	60.2	58.3
Provision for unearned reinsurance premiums	3.2	4.2
Total reinsurers' share of insurance liabilities	63.4	62.5

	2015	2014
Net	**£'m**	£'m
Claims outstanding	492.2	508.6
Provision for unearned premiums	149.1	157.2
Total net insurance liabilities	641.3	665.8

Reconciliation of movements in claims outstanding:

	2015	2014
	£'m	£'m
Gross claims outstanding at 1 February	566.9	542.4
Less: reinsurance claims outstanding	(58.3)	(41.8)
Net claims outstanding at 1 February	508.6	500.6
Gross claims incurred	182.9	254.7
Less: reinsurance recoveries	(3.6)	(17.7)
Net claims incurred (note 3b)	179.3	237.0
Gross claims paid	(197.4)	(230.2)
Less: received from reinsurance	1.7	1.2
Net claims paid	(195.7)	(229.0)
Gross claims outstanding at 31 January	552.4	566.9
Less: reinsurance claims outstanding	(60.2)	(58.3)
Net claims outstanding at 31 January	492.2	508.6

Notes to the consolidated financial statements (continued)

15 Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of movements in the provision for net unearned premiums:

	2015	2014
	£'m	£'m
Gross unearned premiums at 1 February	161.4	178.9
Less: unearned reinsurance premiums	(4.2)	(2.5)
Net unearned premiums at 1 February	157.2	176.4
Gross premiums written	324.2	358.2
Less: outward reinsurance premium	(6.6)	(8.4)
Net premiums written	317.6	349.8
Gross premiums earned	(333.3)	(375.7)
Less reinsurance premium earned	7.6	6.7
Net premiums earned (note 3a)	(325.7)	(369.0)
Gross unearned premiums at 31 January	152.3	161.4
Less: unearned reinsurance premiums	(3.2)	(4.2)
Net unearned premiums at 31 January	149.1	157.2

The total loss on purchasing reinsurance recognised during the year was £4.0m (2014: £11.0m profit).

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

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

16 Loans and borrowings

	2015	2014
	£'m	£'m
Bank loans, maturing 2019	700.0	-
Accrued interest payable	3.4	-
	703.4	-
Less: deferred issue costs	(11.2)	-
	692.2	-

On 17 April 2014, the Group entered into a Senior Facilities Agreement in order to provide appropriate debt finance and to ensure the availability of sufficient liquidity reserves for the Group going forward. Prior to this, these facilities had been provided to the group via its parent undertaking.

The amounts available to the Group under the Senior Facilities Agreement included (i) a term loan facility of £825.0m maturing in 2019 ("Facility A"), (ii) a term loan facility of £425.0m maturing in 2020 ("Facility B") and (iii) a multicurrency revolving credit facility of £150.0m.

Notes to the consolidated financial statements (continued)

16 Loans and borrowings (continued)

On 25 April 2014, the Group drew £825.0m under Facility A and £425.0m under Facility B. At the end of May, following the receipt of £550.0m from the Group's flotation, Facility B was repaid in full and £125.0m of Facility A was repaid, to leave the outstanding principal on the Group's borrowings at £700.0m.

Further to the repayment of £550.0m, interest on the debt is incurred at a variable rate of LIBOR plus 2.25%. To protect the Group from significant increases in interest rates, interest rate caps which cap LIBOR at 3.0% are in place to cover £510.0m of the debt through to June 2016.

During the period the Group charged £34.6m to the income statement in respect of fees and interest associated with the Senior Facilities Agreement.

17 Share-based payments

During the year, the Group granted a number of different equity-based awards to employees and customers which it has determined to be share-based payments. The fair values of these awards have been assessed using techniques based upon the "Black-Scholes" pricing model.

The Group has charged amounts to the Income Statement in respect of the following share-based payments:

a) Options over 13,132,410 shares issued to certain Directors and employees on 29 May 2014 to recognise their contribution to the business in the lead up to Admission;

b) Options over 2,162,162 shares issued to the Chief Executive Officer on 29 May 2014 which vest over the three to five year period following Admission;

c) Bonus shares receivable by Eligible Customers and Eligible Employees who acquired shares under the Customer and Employee Offers on 29 May 2014 and who hold those shares for a continuous period of 12 months from that date;

d) Options over 4,015,508 shares issued under the Long-Term Incentive Plan to certain Directors 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.

Further information on items a) to c) is provided in the Prospectus which was issued on 8 May 2014 and can be found at www.saga.co.uk/shares. The total amount charged to the Income Statement in respect of these items and treated as exceptional expenses in the year is £40.8m.

The total amount charged to the Income Statement in respect of item d) in the year is £1.0m.

Notes to the consolidated financial statements (continued)

18 Cash flow from operating activities

	2015 £'m	2014 £'m
Operating activities		
Profit before tax from continuing operations	113.8	171.3
Loss before tax from discontinued operations	(222.4)	(22.1)
(Loss)/profit before tax	(108.6)	149.2
Depreciation and impairment of property, plant and equipment	20.1	28.3
Amortisation and impairment of intangible assets	22.1	29.3
Loss on disposal of property, plant and equipment	-	1.6
Share-based payment expense	41.8	-
Loss on re-measurement of disposal group held for sale	209.5	-
Finance costs	35.1	10.6
Finance income	(2.9)	(0.1)
Share of post-tax profits of joint venture	(1.2)	-
Interest income from investments	(13.9)	(12.7)
Movements in reinsurance assets	(0.9)	(18.2)
Movements in inventories	(0.5)	1.6
Movements in trade and other receivables	15.8	33.0
Movements in prepayments	(4.3)	6.4
Movements in retirement benefit scheme obligations	(4.5)	(4.5)
Movements in gross insurance contract liabilities	(23.6)	7.3
Movements in provisions	(0.2)	(0.2)
Movements in other liabilities	16.1	(7.5)
Movements in trade and other payables	(1.6)	(5.6)
	198.3	218.5
Interest received	8.9	12.6
Interest paid	(19.7)	-
Debt issue costs	(22.6)	-
Interest on finance lease agreements	-	(0.1)
Income tax paid	(9.6)	(56.9)
Net cash flows from operating activities	**155.3**	**174.1**

Notes to the consolidated financial statements (continued)

19 Discontinued operations and assets held for sale

On 15 January 2015, the Group announced its decision to divest the local authority section of its Healthcare business, Allied Healthcare. As at 31 January 2015, the requirements of IFRS 5 were met and accordingly Allied Healthcare has been classified as a disposal group held for sale in the statement of financial position and as a discontinued operation in the income statement. The sale of the business is expected to be completed by 31 January 2016.

The loss after tax in the income statement in respect of the discontinued operation is comprised as follows:

	2015	2014
	£'m	£'m
(Loss)/profit after tax, before amortisation and impairment	(0.3)	0.3
Amortisation of associated intangible assets	(10.4)	(14.9)
Impairment of associated intangible assets	-	(3.7)
Loss on re-measurement of disposal group to fair value	(209.5)	-
	(220.2)	**(18.3)**

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

	2015	2014
Basic and diluted earnings per share from discontinued operations	(21.9p)	(2.4p)

a. The results of Allied Healthcare for the year

	2015	2014
	£'m	£'m
Revenue	283.2	313.8
Cost of sales	(199.8)	(224.7)
Gross profit	**83.4**	**89.1**
Administrative and selling expenses	(74.4)	(81.6)
Trading EBITDA	**9.0**	**7.5**
Depreciation and amortisation	(2.8)	(2.6)
Exceptional expenses	(8.4)	(7.9)
Net finance expense on retirement benefit schemes	(0.3)	(0.5)
Loss before tax	**(2.5)**	**(3.5)**
Tax expense	2.2	3.8
(Loss)/profit for the year from discontinued operations	**(0.3)**	**0.3**
Attributable to:		
Equity holders of the parent	(0.7)	(0.8)
Non-controlling interests	0.4	1.1
	(0.3)	**0.3**

The exceptional costs of £8.4m (2014: £7.9m) relate to an ongoing programme of restructuring within the business.

Notes to the consolidated financial statements (continued)

19 Discontinued operations and assets held for sale (continued)

b. Amortisation of associated intangible assets

During the year, the Group charged amortisation on the intangible assets acquired with the Allied Healthcare business to the income statement totalling £10.4m (2014: £14.9m amortisation, £3.7m impairment).

c. Loss on re-measurement

The major classes of assets and liabilities of Allied Healthcare classified as held for sale as at 31 January are as follows:

	Book value	Measurement to fair value
	£'m	£'m
Assets		
Goodwill	177.8	-
Intangible assets	19.9	-
Property, plant and equipment	6.1	-
Deferred tax assets	5.4	3.0
Trade and other receivables	40.4	40.4
Cash and short-term deposits	4.3	4.3
	253.9	**47.7**
Liabilities		
Trade and other payables	17.8	17.8
Financial liabilities	0.3	0.3
Deferred tax liabilities	4.1	-
Retirement benefit scheme obligations	14.7	14.7
Provisions	3.1	3.1
Other liabilities	4.4	4.4
Liabilities on re-measurement to fair value	-	7.4
	44.4	**47.7**
Net assets directly associated with disposal group	**209.5**	**-**
Loss on re-measurement to fair value	**(209.5)**	
Fair value of disposal group	**-**	

Following the classification of Allied Healthcare as a discontinued operation, a write-down of £209.5m was recognised on 31 January 2015 to reduce the carrying amount of the net assets in the disposal group to £nil.

The fair value of the business was determined by considering the current asset and liability position, the future profit cash flows and associated capital investment set out within the five year plan for the business, the risks attaching to the various cash flows, and the expected costs of disposing of the business. In determining the fair value, reference was made to other market transactions, and standard valuation techniques were adopted.

Having determined the fair value of £nil, the write-down was allocated first to the non-current assets with a provision created of £7.4m for the costs of disposal and any associated loss.

Notes to the consolidated financial statements (continued)

20 Related party transactions

In previous periods, the Group has had related party transactions with the Acromas group of companies as its parent undertaking, and with the AA group of companies which were under common control.

On 2 July 2013, all transactions between the Group and the AA group were formalised under an arm's length agreement. On 26 June 2014, the Acromas group sold its entire shareholding in the AA group and the Group's related party relationship ceased with it on that date. Transactions with the AA group during the period up to 26 June 2014 were similar in nature to those for the year ended 31 January 2014.

Transactions with the Acromas group have previously been in respect of cash flows passed to service the debt financing provided by the parent undertaking. Further to the listing of the Group on the London Stock Exchange, the Acromas group remains the majority shareholder; however, following the Senior Facilities drawn down by the Group on 25 April 2014, these cash flows have ceased.

Full details of the Group's related party transactions for the year ended 31 January 2014 are provided in the Prospectus which was issued on 8 May 2014 and can be found at www.saga.co.uk/shares.

C N C Sherwood, a non-executive Director of Saga plc, is also a Partner of Permira Advisers, where he serves on the firm's holding company board and investment committee. Mr Sherwood also serves as non-executive Director on the boards of a number of Permira's investments and as a non-executive Director of Acromas Holdings Limited, the ultimate controlling party of Saga plc. The ultimate controlling parties of Acromas Holdings Limited include funds advised by Permira Advisers.

Acromas Financial Services Limited, an indirectly held subsidiary of Saga plc, traded with Just Retirement Group plc during the year, acting as agent in respect of the latter's care funding annuity and equity release products, earning commission and fixed contributions. Permira Advisers are the ultimate controlling party of Just Retirement Group plc.

During the year ended 31 January 2015, Acromas Financial Services Limited earned commission and fixed contributions relating to Just Retirement Group plc's care funding and equity release products of £1.3m. As at 31 January 2015 amounts invoiced and owed to Acromas Financial Services Limited by Just Retirement Group plc were £0.4m.

In January 2015, Acromas Financial Services Limited entered in to a joint venture with Tilney Bestinvest to provide investment products to Saga's customers. Permira Advisers are the ultimate controlling party of Tilney Bestinvest. During the year ended 31 January 2015 no commission or revenue was received by Acromas Financial Services Limited from Tilney Bestinvest. As at 31 January 2015 amounts invoiced and owed to Acromas Financial Services Limited by Tilney Bestinvest were £nil.

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, an indirectly held subsidiary of Saga plc, traded with during the year. WNS (Holdings) Limited provides claims handling management services to Acromas Insurance Company Limited and during the year ended 31 January 2015 earned fees of £5.8m (2014: £6.0m) and payments made to WNS (Holdings) Limited in respect of repair costs of £41.9m (2014: £45.5m). As at 31 January 2015 amounts owing to WNS (Holdings) Limited by Acromas Insurance Company Limited were £3.7m (2014: £2.6m).