19 September 2019

Saga plc

Interim Results for the six months ended 31 July 2019

Good progress made in Insurance and Cruise; Results in line with expectations

Saga plc ("Saga" or "the Group") announces its interim results for the six months ended 31 July 2019.

Financial highlights

	31 July 2019	31 July 2018 (restated)[1]	Change
Profit before tax	£52.6m	£109.7m	(52.1)%
Underlying Profit Before Tax[2]	£52.8m	£107.5m	(50.9)%
Interim dividend	1.3p	3.0p	(1.7p)
Available operating cash flow[2]	£24.9m	£90.2m	(72.4)%
Total net debt[3]	£642.9m	£391.3m	64.3%
Net debt (excluding Cruise)	£397.9m	£391.3m	1.7%
Debt ratio (net debt to Trading EBITDA, excluding Cruise)	2.2x	1.8x	-

- Underlying Profit Before Tax of £52.8m and Available Operating Cash Flow of £24.9m in line with expectations.
- Full year guidance for Underlying Profit Before Tax of between £105m and £120m remains unchanged.
- Interim dividend of 1.3p, in line with the rebased dividend policy.

Good progress in strategic reset announced in April 2019

- In Insurance, we are pleased with the positive response to our new product offerings with over 175,000 3-year fixed price policies being sold since launch. Our direct to consumer strategy is yielding a direct share of new business of 53% (H2 2018/19: 44%), with over half of those direct customers choosing the 3-year fixed price product.
- Cruise revenue targets for 2019/20 have been fully achieved, with forward bookings of more than 50% of the 2020/21 target, with capacity days increasing by 28% next year. These sales support our target of £40m of EBITDA per annum from each new ship.

Lance Batchelor, Group Chief Executive Officer, commented:

"We have made good progress against our strategic reset. The sales of our 3-year fixed price insurance are encouraging, and a higher proportion of customers are coming to us direct. *Spirit of Discovery* is now fully operational, delighting customers, and delivering on our targets for filling additional cruise capacity into next year.

We are pursuing a number of initiatives to further improve the performance of our insurance business. In Tour Operations we are adapting to a challenging market by building on differentiated tours and river cruise. Our membership programme is starting to prove effective in helping us develop a deeper relationship with, and sell multiple products to, our members."

Patrick O'Sullivan, Chairman, commented:

"I am pleased with the progress that has been achieved this year. It is early days in our transformation programme and there remains much to do but what we have seen so far gives us confidence that we are pursuing the right strategy.

The Board believes in the opportunity for and ability of the Group to return to sustainable growth and restore value for all shareholders and is supporting the Executive team as they focus on the profitability of our core Travel and Insurance businesses as well as the capital efficiency of the Group. There is real strength in the Saga brand. In order to maximise its potential and realise the value of our strategy we need to serve our customers well with the right products and great service so that we continue to deserve the trust they place in us."

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[1] The Group has adopted IFRS16 Leases and is reporting its performance for the six months to 31 July 2019 against a restated comparative period for the six months to 31 July 2018 under this new standard. For further details see note 19.
[2] Alternative performance measure – refer to the glossary on pages 52-53 for definition and explanation
[3] Bank debt and borrowings net of available cash (excluding restricted cash)

END

An interim results presentation to analysts and investors will be held at 09.00 Thursday 19 September 2019 at the offices of Numis, 10 Paternoster Square, London, EC4M 7LT. The presentation will be broadcast via a webcast and a conference call for registered participants. Registration for the webcast can be completed at http://corporate.saga.co.uk/. The conference call can be accessed on: UK: 020 3936 2999, all other locations: +44 20 3936 2999. Participant Password: 946253.

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Notes to editors

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

Chairman's statement

Saga has made good progress in returning to its heritage as a company that delivers high quality, differentiated products and services that resonate with its core customer group. It is early days in our transformation programme and there remains much to do but what we have seen so far gives us confidence that we are pursuing the right strategy. This, plus a focus on the profitability of our core Travel and Insurance businesses, are the things that will help us return to sustainable growth and, over time, restore significant value for our shareholders.

The Board is actively looking at ways to improve efficiency and accelerate the implementation of the strategic direction set out in April. I am pleased to report that, in their first year, new members of the Board have brought their considerable experience to bear. In Insurance Julie Hopes and Gareth Hoskin have been integral to our plans to build on the early success of 3-year fixed price, and Eva Eisenschimmel has helped lead discussions around the future of the Saga brand and customer proposition.

The Search for a Group CEO is progressing well. We are targeting a leader who can drive the next phase of Saga's transformation and deliver a sustainable and growing business.

While there are still challenges, the business has made a good start in addressing the issues we described in April. There is strength in the Saga Brand for our core target market, where it has a clear role to represent and deliver trusted service and peace of mind. We know that, in order to realise the value of our strategy and maximise the benefits of our brand, we must serve our customers well with the right products and great service so that we continue to deserve the trust they place in Saga.

On behalf of the Board, I thank all our employees sincerely for their intensive effort in helping us make such a strong start in resetting our direction, and for their advocacy of our customers. Getting back to growth will require exceptional commitment and execution from everyone at Saga. I remain confident the business will rise to the challenge.

Group CEO's statement

Overview

At the beginning of this year we relaunched our strategy and in the first 6 months of the year we have made good progress in both our Insurance and Cruise businesses. Our 3-year fixed price product has now sold over 175,000 policies and we have launched, on time and on budget, the first of our two new cruise ships, *Spirit of Discovery*. Customer feedback on our Cruise offering has been fantastic. Forward bookings of over 50% to date, of the significantly increased capacity we are offering for 2020/21, underpin our EBITDA target for each new ship of £40m per annum. Nonetheless, we have more to do to continue this early progress in stabilising our Insurance business and strengthening our direct customer relationship.

As we expected, Underlying Profit Before Tax[2] for the first half declined to £52.8m (H1 2018: £107.5m) reflecting the lower level of reserve releases from AICL, lower margins in our Retail Broking business, and the short-term impact of the retirement of *Saga Pearl II* in the first half. Reported profit before tax declined to £52.6m (H1 2018: £109.7m) which was driven by the trading factors described above and the £2.3m gain on fair value of derivatives offset by £2.2m of restructuring costs. Our full year guidance for Underlying Profit Before Tax of between £105m and £120m remains unchanged.

Group Available Operating Cash Flow[2] was £24.9m, 28.6% of Trading EBITDA[2]. The decrease of £65.3m compared to the previous year is due to a reduction in broking earnings and a decrease in dividends from AICL, as well as two non-recurring effects with a combined impact of £40m. These were expected and more detail is included in the Operating and Financial Review. Excluding these two one-offs, Group operating cash would have been around 75% of Trading EBITDA for the first half.

Insurance

Retail Broking

We have seen encouraging signs of progress in Retail Broking despite a tough market environment in UK personal lines insurance. The business has stabilised after a challenging second half of last year.

The launch of 3-year fixed price products in Motor and Home continues to progress as we expected. As of 8 September we have sold over 175,000 3-year fixed price policies, of which over 70,000 relate to new business and 105,000 relate to renewals. More than half of our direct new Saga branded Home and Motor customers have chosen the 3-year fixed price product. This has allowed us to increase our direct distribution, and over 50% of our new customers are now coming to us direct compared to 44% in H2 last year.

Saga branded Home and Motor policies slightly declined by 1.9% to 811k due to a 1 ppt increase in retention offset by lower new business volumes. Motor and Home margins (after marketing expenses) were £75.5 per policy, in line with expectations for the first half. Our Home and Motor retention rates have increased as a result of several initiatives to retain customers for longer.

We will build on this early success by continuing to enhance our direct distribution model, repositioning our PCW strategy to complement our direct strategy, improving customer retention further and expanding our insurance footprint in both Home and Motor. A key element will be a broader underwriting footprint and so I am pleased to see Sabre join our Motor panel.

Underwriting

AICL has achieved a reported COR (excluding quota share) of 81.7% (H1 2018: 61.5%), generating profit before tax of £21.3m (H1 2018: £45.6m). Claims inflation is running slightly ahead of expected levels in relation to theft and some other smaller components of risk, but this is within normal ranges overall and the level of reserve releases in the first half is in line with our expectations.

Travel

The first passenger cruise of *Spirit of Discovery* was a major milestone and the culmination of many years of work for the Saga team and our ship yard partner Meyer Werft. We are less than a year away from the delivery of our second ship, *Spirit of Adventure*, which will complete the transformation of our Cruise business.

We have now achieved the full year revenue and booking targets for 2019/20, with forward bookings of over 50% of our sales target for 2020/21. This underpins our ambitious plans for £40m of EBITDA per annum from each new ship.

The performance of our Tour Operations business reflects challenging markets in which the continued Brexit uncertainty has impacted customer demand. The Underlying PBT of £4.2m has been impacted by lower gross profits resulting from fewer passengers and a high level of discounting across the industry. These factors are not expected to continue into the second half given our visibility over forward bookings.

Possibilities

We have made steady progress with our membership programme, *Possibilities*, with a 61% increase in the number of members who are engaged (more than three responses). We are now able to email half of our 1.1m members and response rates remain at very high levels. Marketing consent remains at around 90%.

We have strong evidence of the value of membership as a route to our customers. We have sold 3,500 cruise passenger bookings to members in the first half compared with our aspiration to sell 4,000 Travel passenger bookings by the end of the year. Importantly, over 65% of these bookings were first time Cruise travellers with us.

Our activities in the second half will be focused on improving the membership programme's digital experience and regional availability, two areas identified by non-engaged members as key.

Regulation

The Group continues to monitor developments in the regulatory environment, including the outcome of the market study that is being conducted by the UK Financial Conduct Authority (FCA). The FCA has indicated that they expect to publish a preliminary outcome from this study in the next month. Saga welcomes the work being undertaken by the FCA and has taken proactive steps to improve renewal pricing for long-tenured customers and to further improve pricing practices. We will evaluate the outcome of the FCA review during the second half of the year.

Outlook

We have made sufficient progress in the first half to confirm our confidence in achieving Underlying Profit Before Tax of between £105m and £120m for the full year. Our focus over the next six months will be in building on this to ensure that we can grow our core businesses and continue to improve cost and capital efficiency.

Operating and Financial Review

The Group has reported Underlying Profit Before Tax[2] of £52.8m, a decrease of 50.9% in comparison to the prior year. This is line with expectations and is largely due to:

- a reduction in reserve releases within Acromas Insurance Company Limited (AICL);
- lower margins within our Retail Broking business, particularly in Home; and
- the exit of Saga Pearl II from service in April 2019, ahead of the arrival of Spirit of Discovery. The financial benefits of the Group's first purpose-built cruise ship have been recognised from the date of the first cruise in July 2019.

Despite a challenging external environment in both Insurance and Travel, there is no change to the Group's full year profit target of delivering Underlying Profit Before Tax of between £105m and £120m.

<u>Operating Performance</u>

Group Income Statement

£m	**6m to July 2019**	***Growth***	**6m to July 2018 (restated)[1]**
Revenue[4]	**395.9**	***(8.3%)***	**431.9**
Underlying Profit Before Tax[2]			
Total Retail Broking (earned)	49.3	*(22.6%)*	63.7
Underwriting	21.3	*(53.3%)*	45.6
Total Insurance	70.6	*(35.4%)*	109.3
Travel	0.8	*(93.9%)*	13.1
Emerging Businesses and Central Costs	(12.2)	*(38.6%)*	(8.8)
Net finance costs[5]	(6.4)	*(4.9%)*	(6.1)
	52.8	***(50.9%)***	**107.5**
Net fair value gains / (losses) on derivatives	2.3		2.2
Impairment of PPE	(0.3)		0.0
Restructuring costs	(2.2)		0.0
Profit before tax	**52.6**	***(52.1%)***	**109.7**
Tax expense	(6.8)	*68.1%*	(21.3)
Profit after tax	**45.8**	***(48.2%)***	**88.4**
Basic earnings per share:			
Underlying earnings per share[2]	4.1p	*(47.4%)*	7.8p
Earnings per share	4.1p	*(48.1%)*	7.9p

The Group's business model is based on providing high-quality and differentiated products to its target demographic, predominantly focused on Insurance and Travel.

The Insurance business operates mainly as a broker, sourcing underwriting capacity from selected third-party insurance companies, and, for Motor and Home, also from the Group's in-house underwriter. Travel is comprised of Tour Operating and Cruising. Emerging Businesses are at an earlier stage of development, and principally comprise Personal Finance and domiciliary Healthcare.

[4] Revenue is stated net of ceded reinsurance premiums earned on business underwritten by the Group of £70.3m (H1 2018: £68.7m).

[5] Net finance costs exclude net fair value gains / (losses) on derivatives and IAS19R pension interest costs.

Revenue
Revenue[4] decreased by 8.3% to £396m (H1 2018: £432m) due to lower Retail Broking revenues driven by a decline in new business volumes as the Group seeks to stabilise policies without comprising profitability, partially offset by an increase in the number of policies renewing. Booked revenue in Tour Operations has been impacted by very competitive market conditions and ongoing political uncertainties. As indicated in the Group's AGM Trading Statement, Cruise revenues in the half were impacted by *Saga Pearl II*'s exit from service in April 2019 but will increase significantly from July onwards following *Spirit of Discovery*'s maiden cruise.

Total customer spend[2] with Saga was broadly stable at £617m (H1 2018: £627m). This includes gross written premiums and insurance premium tax.

Total customer spend reconciles to revenue as follows:

£m	**6m to July 2019**	***Growth***	**6m to July 2018 (restated)**
Total customer spend	**617.2**	***(1.6%)***	**627.2**
Net premiums paid to insurance underwriters	(180.2)		(151.6)
Insurance premium tax	(41.1)		(43.7)
Revenue	**395.9**	***(8.3%)***	**431.9**

Underlying Profit Before Tax[2]
Underlying Profit Before Tax decreased by 50.9% to £52.8m (H1 2018: £107.5m).

This was primarily due to a £24.3m reduction in Underwriting as reserve releases declined, a £14.4m reduction in Retail Broking, resulting from a decline in margins and a £3.1m reduction in the written to earned benefit, and a £12.3m reduction in Travel profitability.

Net finance costs in the year were £6.4m, an increase of 4.9% on the previous year (H1 2018: £6.1m), largely due to higher interest costs following the implementation of IFRS 16.

Profit before tax
Profit before tax was £52.6m for the year, a decrease of 52.1%. In addition to the factors outlined above, the Group has impaired some property, plant and equipment assets by £3.3m, this was offset by a £3.0m partial reversal of the previous non-cash impairment charge relating to the *Saga Sapphire*, following the conclusion of an agreement for the sale of this ship in 2020. The current year also includes one-off restructuring costs relating to non-core businesses.

Tax expense
The Group's tax expense for the year was £6.8m (H1 2018: £21.3m) representing an effective tax rate of 13.0% (H1 2018: 19.4%). The decrease in the effective tax rate is due to corporation tax credits received and a reversal of certain tax provisions. Underlying tax expense for the period is £10.2m, representing an effective tax rate of 19.4%.

Earnings per share
The Group's underlying earnings per share were 4.1p (H1 2018: 7.8p). The Group's earnings per share were a profit of 4.1p (H1 2018: profit of 7.9p).

Retail Broking

The Retail Broking business provides tailored insurance products and services, principally motor, home, private medical and travel insurance. Its role is to price the policies and source the lowest cost of risk, whether through the panel of home and motor underwriters or through solus arrangements for private medical and travel insurance. The Group's in-house insurer, AICL, sits on the motor and home panels and competes for that business with other panel members on equal terms. Even if underwritten by a third party, the product is presented as a Saga product and the Group will always manage the customer relationship.

Retail Broking profit before tax on a written basis (which excludes the impact of the written to earned adjustment) reduced to £52.1m from £63.4m, and on an earned basis (which includes the impact of the written to earned adjustment) reduced to £49.3m from £63.7m.

The reduction in profit before tax on a written basis was due to a £10.3m reduction in written gross profit, after also deducting marketing expenses. The reduction in written gross profit, after marketing expenses, is due mainly to home and motor insurance (£9.0m), with a lower impact from other business (£1.3m).

The lower gross margin, after marketing expenses, on Home and Motor insurance is largely due to a £4.8m decline in Saga branded new business profitability, and a £4.4m reduction in Saga branded renewal profitability. As a result, the overall gross margin per policy, calculated as written gross profit less marketing expenses divided by policy numbers, for Home and Motor combined, was £75.50 in the first half, compared to £81.20 in the prior year.

The change in renewal profitability is due to an increase in the proportion of lower margin policies sourced from price comparison websites in 2018/19 and lower margins on in-force home policies. The change in new business profitability is mainly due to a challenging market environment and shifting distribution trends, leading to an increase in acquisition costs per policy.

These factors were largely expected and are consistent with the change in direction set out in April 2019. While the implementation of our new approach to renewal pricing from July 2019 will lead to a lower gross margin per policy in the second half, it is expected that the full year margin will be within the indicative guidance of £71 to £74 per policy.

Written profit and gross margin per policy for Home and Motor are after allowing for deferral of part of the revenues from 3-year fixed policies, recognising the inflation risk inherent in this product. As of 31 July 2019, £1.8m of income has been deferred in relation to 3-year fixed policies written in the first half of the year.

£m	6m to July 2019 Motor Broking	Home Broking	Other Broking	Total	*Growth*	6m to July 2018 (restated) Motor Broking	Home Broking	Other Broking	Total
GWP									
Broked	61.1	80.4	60.7	202.2	*(4.6%)*	64.7	80.6	66.6	211.9
Underwritten	121.7	0.0	2.1	123.8	*5.5%*	114.9	0.0	2.4	117.3
	182.8	80.4	62.8	326.0	*(1.0%)*	179.6	80.6	69.0	329.2
Broker revenue	23.8	17.5	25.2	66.5	*0.2%*	16.5	22.9	27.0	66.4
Instalment revenue	3.9	1.5	0.0	5.4	*5.9%*	3.6	1.4	0.1	5.1
Add-on revenue	10.2	5.0	0.0	15.2	*(25.9%)*	14.7	5.8	0.0	20.5
Other revenue	20.4	8.9	12.8	42.1	*(2.3%)*	22.0	8.6	12.5	43.1
Written revenue	**58.3**	**32.9**	**38.0**	**129.2**	***(4.4%)***	**56.8**	**38.7**	**39.6**	**135.1**
Written gross profit	**56.9**	**32.7**	**31.8**	**121.4**	***(5.8%)***	**55.7**	**38.7**	**34.5**	**128.9**
Marketing expenses	(11.8)	(5.4)	(4.8)	(22.0)	*(14.6%)*	(9.6)	(3.4)	(6.2)	(19.2)
Other operating expenses	(27.3)	(10.4)	(9.6)	(47.3)	*(2.2%)*	(25.6)	(10.7)	(10.0)	(46.3)
Written Underlying PBT	**17.8**	**16.9**	**17.4**	**52.1**	***(17.8%)***	**20.5**	**24.6**	**18.3**	**63.4**
Written to earned adjustment	(2.8)	0.0	0.0	(2.8)	*(>100%)*	0.3	0.0	0.0	0.3
Earned Underlying PBT	**15.0**	**16.9**	**17.4**	**49.3**	***(22.6%)***	**20.8**	**24.6**	**18.3**	**63.7**
Number of policies sold ('000)									
Core	614	345	130	1,089	*(7.2%)*	662	341	171	1,174
Add-ons	795	271	5	1,071	*(4.4%)*	831	284	5	1,120
	1,409	616	135	2,160	*(5.8%)*	1,493	625	176	2,294
Core policies sold ('000)									
Core Saga branded	466	345	130	941	*(5.7%)*	486	341	171	998
Core non-Saga branded	148	0	0	148	*(15.9%)*	176	0	0	176
	614	345	130	1,089	*(7.2%)*	662	341	171	1,174
Third party panel share[6]	21.3%				*(0.7%)*	22.0%			

Motor Broking

Gross written premiums increased by 1.8% reflecting an increase in average gross written premiums, mainly due to the launch of the 3-year fixed product, partially offset by a 7.3% reduction in core policies. Gross written premiums from business underwritten by AICL increased by 5.9% to £121.7m (H1 2018: £114.9m), reflecting initiatives to align AICL pricing to target returns.

Add-on revenue declined £4.5m to £10.2m reflecting the inclusion of add-on features into the Group's new direct essentials and 3-year fixed price products; this is now reflected in GWP.

Written gross profit minus marketing expenses was £45.1m (H1 2018: £46.1m), contributing £73/policy (H1 2018: £70/policy). This reflects a 3% increase in the number of renewals, a decline in new business volumes and reduced net rates, offset by an increased cost of acquisition for new direct business. Written marketing expenses increased by 22.9%, reflecting investments to support the Group's new product strategy, with increased advertising spend to support the direct distribution model.

Overall written Underlying Profit Before Tax[2] decreased by 13.2% to £17.8m (H1 2018: £20.5m).

The written to earned charge of £2.8m for the first half of the current year is a result of initiatives to increase AICL's share of the panel. Business underwritten by AICL is primarily accounted for within Broking on a 'written' basis, but in the Group accounts this is adjusted to an 'earned' basis.

Home Broking

Gross written premiums decreased by 0.2% due to lower average gross written premiums on a stable base of core policies.

[6] Third-party underwriter's share of the motor panel for Saga branded policies

Written gross profit minus marketing expenses was £27.3m (H1 2018: £35.3m), on a per policy basis this was £79/policy (H1 2018: £104/policy). The decline was mainly due to lower margins on the renewal book as a result of lower profitability new business written in the previous year and an increase in net rates, plus an increased cost of acquisition for new business.

Written marketing expenses increased by 58.8% to £5.4m, due to higher acquisition costs for direct business and investment to support the launch of the Group's new product strategy.

Other Broking

Other insurance broking business is primarily comprised of private medical insurance (PMI) and travel insurance. These products have been designed for Saga customers and play an important role in deepening the Group's relationship with them.

Gross written premiums declined 9.0% as higher premiums on PMI have been offset by lower travel insurance volumes. PMI premium rises in the market reflected increasing claims frequency, as our customers are increasingly turning to the private market.

Travel insurance profitability and policy count declined, largely due to lower new business volumes in an extremely competitive market along with the impact of Brexit uncertainty on holiday bookings.

Insurance underwriting

£m		6m to July 2019 Reported	Quota Share	Underlying	*Growth*	6m to July 2018 (restated) Reported	Quota Share	Underlying
Net earned premium		31.6	(64.3)	95.9	(8.7%)	42.4	(62.6)	105.0
Other revenue		5.8	5.2	0.6	(68.4%)	5.2	3.3	1.9
Revenue	**A**	**37.4**	**(59.1)**	**96.5**	**(9.7%)**	**47.6**	**(59.3)**	**106.9**
Claims costs	**B**	(28.8)	55.7	(84.5)	*5.8%*	(35.9)	53.8	(89.7)
Reserve releases	**C**	14.2	(3.8)	18.0	*(52.6%)*	38.0	0.0	38.0
Other cost of sales	**D**	(1.9)	6.9	(8.8)	*23.5%*	(5.5)	6.0	(11.5)
	E	(16.5)	58.8	(75.3)	*(19.1%)*	(3.4)	59.8	(63.2)
Gross profit		**20.9**	**(0.3)**	**21.2**	***(51.5%)***	**44.2**	**0.5**	**43.7**
Operating expenses	**F**	(1.4)	1.9	(3.3)	*(32.0%)*	(1.0)	1.5	(2.5)
Investment return		1.8	(2.6)	4.4	*(17.0%)*	2.4	(2.9)	5.3
Quota share net cost		0.0	1.0	(1.0)	*(11.1%)*	0.0	0.9	(0.9)
Underlying Profit Before Tax		**21.3**	**-**	**21.3**	***(53.3%)***	**45.6**	**-**	**45.6**
Reported loss ratio	**(B+C)/A**	39.0%		68.9%	20.5%	(4.4%)		48.4%
Expense ratio	**(D+F)/A**	8.8%		12.5%	(0.6%)	13.7%		13.1%
Reported COR	**(E+F)/A**	47.9%		81.5%	20.0%	9.2%		61.5%
Pure COR	**(E+F-C)/A**	85.8%		100.1%	3.1%	89.1%		97.0%
Number of earned policies				402k	(5.6%)			426k
Net earned premium per policy (£)				239	(2.8%)			246

The Group's in-house underwriter AICL continues to play an important role on the motor panel, providing a source of competitively priced risk, primarily focused on lower risk drivers. AICL also underwrites a portion of the home panel, although all the risk in the home insurance business is passed on to a third-party insurance company.

Excluding the impact of the quota share reinsurance agreement, net earned premium decreased by 8.7% to £95.9m (H1 2018: £105.0m) in line with the decline in broking policy volumes in H2 last year, partially offset by an increase in policies written by AICL in the current period.

Also excluding the impact of the quota share, the Underwriting business saw an increase in the pure combined operating ratio to 100.1% (H1 2018: 97.0%). This was due to higher than average returns on profit and loss sharing agreements in the prior year.

Reserve releases of £18.0m (H1 2018: £38.0m) have resulted in a reported combined operating ratio of 81.5% (H1 2018: 61.5%), excluding the impact of the quota share treaty. The Group retains an economic interest in motor reserve releases. To the extent they are commuted under the quota share arrangement they are recognised within 'other revenue' as a profit share.

	6m to July 2019 Reported	Quota Share	Underlying	*Growth*	6m to July 2018 Reported	Quota Share	Underlying
	£'m	**£'m**	**£'m**		**£'m**	**£'m**	**£'m**
Motor insurance	15.4	(2.6)	18.0		38.0	0.0	38.0
Home insurance	(1.2)	(1.2)	0.0		0.0	0.0	0.0
	14.2	(3.8)	18.0	*(52.6%)*	38.0	0.0	38.0

Reserve releases reflect favourable claims development on small and large PI relative to prudent initial loss ratios and favourable in-year experience, as well as a reduction in the discount rate applied to personal injury claim settlements from -0.75% to -0.25%. The reduction in reserve releases compared to the prior year is in line with expectations.

The investment return decreased by £0.9m to £4.4m (H1 2018: £5.3m). This was largely due to a profit on sale of bonds in the prior year, coupled with a lower yield on a smaller investment portfolio.

Travel

£m	6m to July 2019 Tour Operations	Cruising	Total Travel	*Growth*	6m to July 2018 (restated) Tour Operations	Cruising	Total Travel
Revenue	**176.9**	**42.1**	**219.0**	***(4.8%)***	**182.4**	**47.6**	**230.0**
Gross profit	**31.2**	**8.8**	**40.0**	***(18.4%)***	**36.4**	**12.6**	**49.0**
Marketing expenses	(9.7)	(7.5)	(17.2)	*(18.6%)*	(10.0)	(4.5)	(14.5)
Other operating expenses	(17.2)	(3.6)	(20.8)	*(3.3%)*	(18.1)	(3.4)	(21.5)
Investment return	0.2	0.0	0.2	*100.0%*	0.1	0.0	0.1
Finance costs	(0.3)	(1.1)	(1.4)	*(100.0%)*	0.0	0.0	0.0
Underlying Profit Before Tax	**4.2**	**(3.4)**	**0.8**	***(93.9%)***	**8.4**	**4.7**	**13.1**
Average revenue per passenger (£)	2,106	3,827	2,305	*3.2%*	2,049	3,400	2,233
Holidays passengers ('000)							
Stays	34		34	*(19.0%)*	42		42
Escorted tours	30		30	*7.1%*	28		28
River cruise	15		15	*15.4%*	13		13
Third-party ocean cruise	5		5	*(16.7%)*	6		6
	84		84	*(5.6%)*	89		89
Cruise passengers ('000)		11	11	*(21.4%)*		14	14
Cruise passenger days ('000)		145	145	*(13.2%)*		167	167
Load factor		82%	82%	*0.0%*		82%	82%
Per Diems (£)		256	256	*(3.0%)*		264	264

Cruise

The Group's cruise business is undergoing a significant transformation with the first of its two purpose-built cruise ships now in operation. Saga's first new cruise ship was delivered on time and on budget, embarking on its maiden voyage in July 2019.

The Cruise business reported an underlying loss of £3.4m (H1 2018: profit £4.7m) for the first six months. This is due to the sale of *Saga Pearl II* and a consequent short-term reduction in revenue, as well as training, launch, marketing and finance costs supporting the *Spirit of Discovery*.

Cruise bookings for 2019/20 for the *Spirit of Discovery* and for 2020/21 for the two new ships reflect strong demand generation and support the Group's target of £40m EBITDA per ship.

Tour Operations

In Tour Operations, the environment for the travel market remains challenging, with competitive discounting and current political uncertainties continuing to impact performance. Within this context, the Tour Operations business generated revenue of £176.9m (H1 2018: £182.4m) with 2.8% higher average revenue per passenger, partially offsetting 5.6% lower departing passenger numbers.

The Group has made progress in the acceleration of its Tour Operations transformation evident in its change in passenger mix; 19% decline in commoditised hotel packages 'Stays' and a 15.4% and 7.1% increase in the Group's differentiated River Cruise and Escorted Tours propositions, respectively. The impact of this mix change is reflected in a 2.8% increase in average revenue per passenger.

Gross margins have declined to 17.6% (H1 2018: 20.0%) reflecting competitive pricing across the sector, a decline in overall passenger numbers and fixed cost commitments on the Group's River Cruise proposition. Underlying Profit Before Tax was £4.2m (H1 2018: £8.4m) largely driven by the factors outlined above, partially offset by overhead cost efficiencies. Gross margins in the second half are expected to improve given our visibility over forward bookings together with strong cost control and targeted marketing.

Forward Travel sales

Trading to week ended 14 September 2019

	2019/20 departures			2020/21 departures		
	2019/20	**Growth**	**2018/19**	**2019/20**	**Growth**	**2018/19**
Tour operations revenue (£m)	324.6	(5.0%)	341.8	108.7	(4.3%)	113.5
Tour operations passengers ('000)	157.4	(8.9%)	172.7	43.6	(9.6%)	48.2

% of full year target revenue booked	**Spirit of Discovery**	**Spirit of Adventure**
2019/20 departures	99.3%	n/a
2020/21 departures	56.0%	43.3%

Emerging Businesses and Central Costs

	6m to July 2019				6m to July 2018 (restated)		
£m	**Emerging Businesses**	**Central costs**	**Total**	***Growth***	**Emerging Businesses**	**Central costs**	**Total**
Revenue:							
Personal Finance	3.8	0.0	3.8	*(7.3%)*	4.1	0.0	4.1
Healthcare	3.0	0.0	3.0	*0.0%*	3.0	0.0	3.0
Media, mailing and printing	7.6	0.0	7.6	*(10.6%)*	8.5	0.0	8.5
Other	0.0	0.9	0.9	*50.0%*	0.0	0.6	0.6
Total revenue	**14.4**	**0.9**	**15.3**	***(5.6%)***	**15.6**	**0.6**	**16.2**
Gross profit	**5.3**	**1.7**	**7.0**	***(11.4%)***	**6.8**	**1.1**	**7.9**
Operating expenses	(3.7)	(15.4)	(19.1)	*(22.4%)*	(4.7)	(10.9)	(15.6)
Non-trading items	0.0	0.0	0.0	*100.0%*	0.0	(0.9)	(0.9)
IAS19R pension charge	0.0	(0.1)	(0.1)	*50.0%*	0.0	(0.2)	(0.2)
Net finance costs	0.0	(6.4)	(6.4)	*(4.9%)*	0.0	(6.1)	(6.1)
Underlying Profit/(Loss) Before Tax	**1.6**	**(20.2)**	**(18.6)**	***(24.8%)***	**2.1**	**(17.0)**	**(14.9)**

The Group's Emerging Businesses includes Personal Finance, Healthcare Services and Media, Mailing and Printing businesses. The Group continues to review the provision of these products and services in a rational way to deliver differentiated propositions and service excellence whilst optimising capital efficiency.

Underlying Profit Before Tax decreased 24.8% due to competitive pressures impacting margins in the Group's Printing business and lower sales in Personal Finance due to the cessation of third-party lead generation.

Central operating expenses increased to £15.4m (H1 2018: £10.9m) reflecting investment in our brand and data capabilities, which are shared assets held centrally that benefit the Group and its trading divisions.

Cash flow and liquidity

Available operating cash flow[2] is made up of the unrestricted cash flows from Retail Broking, Emerging Businesses and Central Costs, plus any dividends paid by restricted businesses, AICL and Travel. As well as a regulatory restriction on the cash within the Travel business, all instalments for the *Spirit of Discovery* and the initial instalments for the *Spirit of Adventure* have been funded from Travel cash. Therefore, until both ships are delivered, Travel is not expected to contribute to the Group's available operating cash flow.

Group operating cash flow was £24.9m for the first half of the current year, 28.6% of Trading EBITDA[1]. Operating cash flow decreased by £65.3m compared to the previous year, due to a reduction in broking earnings and a decrease in dividends from AICL, as well as two non-recurring effects with a combined impact of £40m:

- The reversal of a £15m positive working capital inflow from the prior year.
- A £25m subordinated loan to the Travel business in February 2019 to maintain its regulatory solvency capital and fund the third instalment for the Group's second new cruise ship, the Spirit of Adventure.

These items were referenced in the Group's full year results and hence were fully expected. Excluding these two one-offs, Group operating cash would have been around 75% of Trading EBITDA for the first half. As indicated at the investor day in April, the Group is targeting a ratio of above 85% for the 2020/21 financial year, supported by the expected repatriation of Cruise profits above debt service requirements.

As a result of the reduction in underwriting profitability, AICL dividends decreased from £50m in the year to 31 January 2019 to £16m in the current financial year. Although AICL's solvency II coverage remains strong at 144% (31 January 2019: 148%), reduced levels of reserve releases will lead to a reduction in future dividend pay-outs.

Available Operating Cash Flow

£m	**6m to July 2019**	***Growth***	**6m to July 2018 (restated)**
Retail Broking Trading EBITDA	53.5	*(22.6%)*	69.1
Underwriting Trading EBITDA	21.9	*(52.5%)*	46.1
Travel Trading EBITDA	18.8	*(32.6%)*	27.9
Emerging Businesses and Central Costs Trading EBITDA	(7.1)	*(>100.0%)*	(2.0)
Group Trading EBITDA[2, 7]	**87.1**	***(38.3%)***	**141.1**
Less Trading EBITDA relating to restricted businesses	(40.6)	*45.2%*	(74.1)
Intra-Group transfers (paid to) / released from restricted businesses	(9.0)	*(118.0%)*	50.0
Working capital and non-cash items [8]	(4.2)	*74.9%*	(16.7)
Capital expenditure funded with available cash	(8.4)	*16.8%*	(10.1)
Available operating cash flow	**24.9**	***(72.4%)***	**90.2**
Available operating cash flow %	*28.6%*		*63.9%*

[7] Trading EBITDA includes the line item impact of IFRS 16 with the corresponding impact to net finance costs included in net cash flows used in financing activities.

[8] Adjusted to exclude IAS19R pension current service costs.

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

£m	**6m to July 2019**	**6m to July 2018 (restated)**
Net cash flow from operating activities (reported)	71.0	88.1
Exclude cash impact of:		
Trading of restricted divisions	(55.6)	(65.8)
Non-trading costs	3.4	4.3
Interest paid	7.4	6.8
Tax paid	16.1	16.9
	(28.7)	(37.8)
Cash (paid to)/released from restricted divisions	(9.0)	50.0
Include capital expenditure funded from available cash	(8.4)	(10.1)
Available operating cash flow	**24.9**	**90.2**

Trading EBITDA reconciles to profit after tax as follows:

£m	**6m to July 2019**	***Growth***	**6m to July 2018 (restated)**
Trading EBITDA[2, 7]	**87.1**	***(38.3%)***	**141.1**
Depreciation & amortisation (excluding acquired intangibles)	(24.8)		(24.5)
Non-trading costs	0.0		(0.9)
Amortisation of acquired intangibles	(1.6)		(1.9)
Pension charge IAS19R[8]	(0.1)		(0.2)
Net finance costs[5]	(7.8)		(6.1)
Underlying Profit Before Tax[2]	**52.8**	***(50.9%)***	**107.5**
Net fair value gains on derivatives	2.3		2.2
Impairment on PPE	(0.3)		0.0
Restructuring costs	(2.2)		0.0
Profit before tax	**52.6**	***(52.1%)***	**109.7**
Tax expense	(6.8)	*68.1%*	(21.3)
Profit after tax	**45.8**	***(48.2%)***	**88.4**

Balance Sheet

Investment portfolio

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

The amount held in invested funds has remained broadly stable at £390.2m (31 January 2019: £392.8m), whilst derivative assets have decreased by £16.8m to £16.6m (31 January 2019: £33.4m) due to foreign exchange forward contracts associated with the purchase of the *Spirit of Discovery* maturing in the period and being transferred to the carrying value of property, plant and equipment. As at 31 July 2019, 98% of the financial assets held by the Group were invested with counterparties with a risk rating of BBB or above, which is broadly in line with the previous year and reflects the stable credit risk rating of the Group's counterparties.

			Risk rating			
At 31 July 2019	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Unrated £m**	**Total £m**
Underwriting investment portfolio:						
Deposits with financial institutions	0.0	30.6	0.0	18.4	0.0	49.0
Debt securities	13.1	101.5	65.4	82.2	0.0	262.2
Money market funds	72.8	0.0	0.0	0.0	0.0	72.8
Loan funds	0.0	0.0	0.0	0.0	6.2	6.2
Total invested funds	85.9	132.1	65.4	100.6	6.2	390.2
Hedging derivative assets	0.0	0.0	10.1	6.5	0.0	16.6
Total financial assets	**85.9**	**132.1**	**75.5**	**107.1**	**6.2**	**406.8**

			Risk rating			
At 31 January 2019	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Unrated £m**	**Total £m**
Underwriting investment portfolio:						
Deposits with financial institutions	0.0	50.8	0.0	18.5	0.0	69.3
Debt securities	14.8	140.3	41.2	83.9	0.0	280.2
Money market funds	37.1	0.0	0.0	0.0	0.0	37.1
Loan funds	0.0	0.0	0.0	0.0	6.2	6.2
Total invested funds	51.9	191.1	41.2	102.4	6.2	392.8
Hedging derivative assets	0.0	0.0	32.6	0.8	0.0	33.4
Total financial assets	**51.9**	**191.1**	**73.8**	**103.2**	**6.2**	**426.2**

Insurance reserves

Analysis of insurance contract liabilities at 31 July 2019 and 31 January 2019 is as follows:

	At 31 July 2019			At 31 January 2019		
£m	**Gross**	**Reinsurance Assets[9]**	**Net**	**Gross**	**Reinsurance Assets[9]**	**Net**
Reported claims	277.2	(68.2)	209.0	280.4	(73.5)	206.9
Incurred but not reported[10]	89.1	(9.8)	79.3	103.0	(17.7)	85.3
Claims handling provision	9.1	0.0	9.1	9.2	0.0	9.2
Total claims outstanding	375.4	(78.0)	297.4	392.6	(91.2)	301.4
Unearned premiums	114.5	(4.2)	110.3	98.0	(5.6)	92.4
Total	489.9	(82.2)	407.7	490.6	(96.8)	393.8

[9] Excludes funds-withheld quota share agreement (please refer to note 15 for further detail)

[10] Includes amounts for reported claims that are expected to become periodical payment orders

The Group's total insurance contract liabilities net of reinsurance assets have increased by £13.9m in the six months to 31 July 2019, due to a higher unearned premium reserve resulting from AICL's increased share of the motor panel. Total gross claims outstanding reduced by £17.2m during the first half due to several large case settlements and reserve releases (in part due to the reduction in the Ogden discount rate from -0.75% to -0.25%).

Financing

The Group's net debt[3] has increased by £251.6m to £642.9m since the previous year end due to the additional £245m borrowed to fund the purchase of the Spirit of Discovery.

Excluding the impact of debt and earnings relating to the new cruise ship, the Group's leverage ratio was 2.2x as at 31 July 2019 (H1 2018: 1.8x). This is well within the 3.5x covenant applicable to the Group's term loan and revolving credit facility. Net debt continues to track in line with expectations. Reducing leverage is a key priority for the Group.

Net debt	**Maturity date[11]**	**31 July 2019 £m**	**31 January 2019 £m**
Corporate bond	May 2024	250.0	250.0
Term loan	May 2022	160.0	160.0
Ship loan	June 2031	245.0	0.0
Revolving credit facility	May 2023	20.0	30.0
Less available cash[12]		(32.1)	(48.7)
Net debt		642.9	391.3

Pensions

The Group's defined benefit pension deficit as measured on an IAS19R basis increased from £2.8m to £7.4m during the first six months of the year.

Saga Scheme	**31 July 2019 £m**	**31 January 2019 £m**
Fair value of scheme assets	356.4	312.4
Present value of defined benefit obligation	(363.8)	(315.2)
Defined benefit scheme liability	(7.4)	(2.8)

The increase in the deficit is due to a £44.0m increase in the fair value of the scheme assets to £356.4m (31 January 2019: £312.4m) offset by a £48.6m increase in the present value of defined benefit obligations, both of which movements can be attributed to a fall in bond yields.

Net assets

Since 31 January 2019, total assets and liabilities have increased by £276.3m and £249.3m respectively, resulting in an overall increase in net assets of £27.0m.

The increase in total assets is driven by a £242.5m increase in the carrying value of property, plant and equipment due to the delivery of the *Spirit of Discovery*, coupled with a £35.7m increase in cash and short-term deposits. The increase in total liabilities reflects a £234.4m increase in financial liabilities due to additional borrowings related to the new cruise ship.

Regulation

The Group operates within an evolving regulatory landscape. Aspects of this, such as GDPR, cover all of Saga's business. Other aspects cover the Group's Insurance, Travel and Personal Finance operations.

For the Insurance business in particular, the last year has been very active. The UK Financial Conduct Authority (FCA) has implemented new requirements relating to how retail general insurance products are sold and has launched an extensive market study into industry pricing practices.

[11] Maturity date represents the date that the principle must be repaid, other than the ship loan, which is repaid at a rate of £20m a year for the next twelve years, and the term loan, which requires minimum repayments of principle at a rate of £20m p.a.
[12] Refer to note 13 of the financial statements for information as to how this reconciles to a statutory measure of cash

As other insurers have noted, the insurance market is very competitive with high levels of switching and significant introductory discounts which lead to people shopping around for the best deal. For those customers who don't shop around it is crucial that insurers have active pricing processes. Saga has had these measures in place for several years and increasing numbers of long-standing customers have seen their renewal premium either frozen or reduced as a result.

Saga welcomes the approach of the FCA and expects this to lead to a significant change across the industry in the coming years. As a business which is focused on direct distribution channels, with a higher number of older customers, and with a strategy that is increasingly focused on rewarding customer loyalty, the Group has implemented changes on a proactive basis during the period.

The FCA is expected to produce a preliminary report on the findings from the market study in the next month. Once published Saga will evaluate the potential impact of this report.

Brexit

At the date of finalising this report there is considerable uncertainty as to how - and even whether - the UK will exit from the EU, or at least as to when Brexit will take effect and on what terms. There is corresponding uncertainty as to the impact on Saga. The potential impacts on the Group of Brexit, and more specifically a hard Brexit, have been considered.

Working groups have been held throughout the year to identify, assess and - where possible - implement mitigations for the risks of a hard Brexit. The range of scenarios considered include the additional administration processes and costs associated with running a travel tour operating business, supply chain delays for motor repairs and prolonged disruption to local roads caused by delays at the Port of Dover and Eurotunnel.

The immediate impact has been a decline in forward bookings in our Tour Operations business as Brexit uncertainty impacts consumer willingness to commit to holidays in 2020/21. The Group will continue to monitor political developments, and adapt mitigation plans accordingly.

Dividends

The Board of Directors has considered the early progress made in the implementation of the Group's revised strategy and is confident in the ability of Saga to achieve the full year target for Underlying Profit Before Tax of between £105m and £120m.

Subject to the two risk factors outlined above and potential actions to reduce leverage, the Board remains of the view that a medium-term pay-out ratio of around 50% of underlying earnings after tax is appropriate. This balances an attractive dividend for investors, while reducing both absolute levels of leverage and leverage ratios over the next few years.

The Board has declared an interim dividend per share of 1.3p (H1 2018: 3.0p), in line with the rebased dividend policy.

The dividend will be paid on 22 November 2019 to shareholders of ordinary shares on the register as at the close of business on 11 October 2019.

Condensed consolidated income statement for the period ended 31 July 2019

	Note	**Unaudited 6m to Jul 2019 £'m**	Unaudited 6m to Jul 2018 (restated) £'m	12m to Jan 2019 (restated) £'m
Revenue	3	395.9	431.9	841.5
Cost of sales	3	(211.4)	(198.9)	(405.0)
Gross profit		**184.5**	**233.0**	**436.5**
Administrative and selling expenses		(125.6)	(120.0)	(244.5)
Impairment of assets		(1.2)	-	(315.9)
Investment income		0.4	0.6	0.7
Finance costs		(7.8)	(6.1)	(12.6)
Finance income		2.3	2.2	1.0
Profit/(loss) before tax		**52.6**	**109.7**	**(134.8)**
Tax expense	4	(6.8)	(21.3)	(27.4)
Profit/(loss) for the period		**45.8**	**88.4**	**(162.2)**
Attributable to:				
Equity holders of the parent		45.8	88.4	(162.2)
Earnings per share:				
Basic	6	4.1p	7.9p	(14.5p)
Diluted	6	4.1p	7.9p	(14.5p)

Revenue of £395.9m (July 2018: £431.9m) is stated net of ceded reinsurance premiums earned on business underwritten by the Group of £70.3m (July 2018: £68.7m).

For details on the restatement, please see notes 2.3 and 19.

Condensed consolidated statement of comprehensive income for the period ended 31 July 2019

	Unaudited 6m to Jul 2019 £'m	Unaudited 6m to Jul 2018 (restated) £'m	12m to Jan 2019 (restated) £'m
Profit/(loss) for the period	**45.8**	**88.4**	**(162.2)**
Other comprehensive income			
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Net gains on hedging instruments during the period	24.0	17.5	0.5
Recycling of previous gains to income statement on matured hedges	(1.4)	(2.6)	(2.9)
Recycling of previous gains to property, plant and equipment on matured hedges	(32.2)	-	-
Total net (losses)/gains on cash flow hedges	(9.6)	14.9	(2.4)
Associated tax effect	1.6	(2.5)	0.4
Net gains/(losses) on fair value financial assets	7.2	(1.3)	(1.3)
Recycling of previous gains to income statement on sale of fair value financial assets during the year	-	-	-
Total net gains/(losses) on fair value financial assets	7.2	(1.3)	(1.3)
Associated tax effect	(1.2)	0.2	0.2
Total other comprehensive (losses)/gains with recycling to income statement	(2.0)	11.3	(3.1)
Other comprehensive income not to be reclassified to the income statement in subsequent periods			
Re-measurement (losses)/gains on defined benefit plans	(7.3)	9.3	2.1
Tax effect	1.2	(1.6)	(0.4)
Total other comprehensive (losses)/gains without recycling to income statement	(6.1)	7.7	1.7
Total other comprehensive (losses)/income	**(8.1)**	**19.0**	**(1.4)**
Total comprehensive income/(losses) for the period	**37.7**	**107.4**	**(163.6)**
Attributable to:			
Equity holders of the parent	**37.7**	**107.4**	**(163.6)**

For details on the restatement, please see notes 2.3 and 19.

Condensed consolidated statement of financial position as at 31 July 2019

Assets	Note	**Unaudited As at Jul 2019 £'m**	Unaudited As at Jul 2018 (restated) £'m	As at Jan 2019 (restated) £'m
Goodwill	8	1,175.0	1,485.0	1,175.0
Intangible assets	9	62.3	60.7	62.8
Retirement benefit scheme surplus	14	-	4.6	-
Property, plant and equipment	10	426.2	175.5	183.7
Right of use assets	11	27.8	23.5	20.3
Financial assets	12	406.8	461.5	426.2
Deferred tax assets		16.8	13.0	14.9
Reinsurance assets	15	82.2	99.3	96.8
Inventories		4.7	5.7	4.0
Trade and other receivables		239.1	229.1	216.6
Assets held for sale		-	6.8	-
Cash and short-term deposits	13	158.6	120.3	122.9
Total assets		**2,599.5**	**2,685.0**	**2,323.2**
Liabilities				
Retirement benefit scheme obligations	14	7.4	-	2.8
Gross insurance contract liabilities	15	489.9	536.5	490.6
Provisions		7.6	3.1	10.0
Financial liabilities	12	716.1	486.1	481.7
Current tax liabilities		9.3	20.8	17.2
Deferred tax liabilities		6.7	18.3	7.8
Contract liabilities		181.3	174.8	144.7
Trade and other payables		193.3	181.3	207.5
Total liabilities		**1,611.6**	**1,420.9**	**1,362.3**
Equity				
Issued capital		11.2	11.2	11.2
Share premium		519.3	519.3	519.3
Retained earnings		429.7	691.0	401.4
Share-based payment reserve		14.0	12.5	13.3
Fair value reserve		4.2	(1.8)	(1.8)
Hedging reserve		9.5	31.9	17.5
Total equity		**987.9**	**1,264.1**	**960.9**
Total liabilities and equity		**2,599.5**	**2,685.0**	**2,323.2**

For details on the restatement, please see notes 2.3 and 19.

Condensed consolidated statement of changes in equity for the period ended 31 July 2019

	Attributable to the equity holders of the parent						
	Issued capital £'m	Share premium £'m	Retained earnings £'m	Share-based payment reserve £'m	Fair value reserve £'m	Hedging reserve £'m	Total equity £'m
Unaudited							
At 1 February 2019 (as reported)	**11.2**	**519.3**	**404.8**	**13.3**	**(1.8)**	**17.5**	**964.3**
Effect of adoption IFRS 16	-	-	(3.4)	-	-	-	(3.4)
At 1 February 2019 (restated)	**11.2**	**519.3**	**401.4**	**13.3**	**(1.8)**	**17.5**	**960.9**
Profit for the period	-	-	45.8	-	-	-	45.8
Other comprehensive income/(losses) excluding recycling	-	-	(6.1)	-	6.0	19.9	19.8
Recycling of previous gains to income statement	-	-	-	-	-	(1.2)	(1.2)
Recycling of previous gains to property, plant and equipment	-	-	-	-	-	(26.7)	(26.7)
Total comprehensive income/(losses)	-	-	39.7	-	6.0	(8.0)	37.7
Dividends paid	-	-	(11.2)	-	-	-	(11.2)
Share-based payment transactions	-	-	-	1.1	-	-	1.1
Exercise of share options	-	-	(0.2)	(0.4)	-	-	(0.6)
At 31 July 2019	**11.2**	**519.3**	**429.7**	**14.0**	**4.2**	**9.5**	**987.9**
Unaudited							
At 1 February 2018 (as reported)	**11.2**	**519.3**	**664.8**	**11.4**	**(0.7)**	**19.5**	**1,225.5**
Effect of adoption IFRS 16	-	-	(3.2)	-	-	-	(3.2)
At 1 February 2018 (restated)	**11.2**	**519.3**	**661.6**	**11.4**	**(0.7)**	**19.5**	**1,222.3**
Profit for the period (restated)	-	-	88.4	-	-	-	88.4
Other comprehensive income/(losses) excluding recycling (restated)	-	-	7.7	-	(1.1)	14.5	21.1
Recycling of previous gains to income statement	-	-	-	-	-	(2.1)	(2.1)
Total comprehensive income/(losses) (restated)	-	-	96.1	-	(1.1)	12.4	107.4
Dividends paid	-	-	(67.3)	-	-	-	(67.3)
Share-based payment transactions	-	-	-	2.3	-	-	2.3
Exercise of share options	-	-	0.6	(1.2)	-	-	(0.6)
At 31 July 2018 (restated)	**11.2**	**519.3**	**691.0**	**12.5**	**(1.8)**	**31.9**	**1,264.1**
At 1 February 2018 (as reported)	**11.2**	**519.3**	**664.8**	**11.4**	**(0.7)**	**19.5**	**1,225.5**
Effect of adoption IFRS 16	-	-	(3.2)	-	-	-	(3.2)
At 1 February 2018 (restated)	**11.2**	**519.3**	**661.6**	**11.4**	**(0.7)**	**19.5**	**1,222.3**
Loss for the year (restated)	-	-	(162.2)	-	-	-	(162.2)
Other comprehensive income/(losses) excluding recycling (restated)	-	-	1.7	-	(1.1)	0.4	1.0
Recycling of previous gains to income statement	-	-	-	-	-	(2.4)	(2.4)
Total comprehensive income/(losses) (restated)	-	-	(160.5)	-	(1.1)	(2.0)	(163.6)
Dividends paid	-	-	(100.9)	-	-	-	(100.9)
Share-based payment transactions	-	-	-	3.8	-	-	3.8
Exercise of share options	-	-	1.2	(1.9)	-	-	(0.7)
At 31 January 2019 (restated)	**11.2**	**519.3**	**401.4**	**13.3**	**(1.8)**	**17.5**	**960.9**

Condensed consolidated statement of cash flows for the period ended 31 July 2019

	Note	**Unaudited 6m to Jul 2019 £'m**	Unaudited 6m to Jul 2018 (restated) £'m	12m to Jan 2019 (restated) £'m
Profit/(loss) before tax		52.6	109.7	(134.8)
Depreciation, impairment and loss on disposal of property, plant and equipment and right of use assets		21.1	16.0	35.7
Amortisation and impairment of intangible assets		9.5	10.3	329.6
Share-based payment transactions		1.1	2.2	3.6
Profits on assets held for sale		-	-	(3.8)
Finance costs		7.8	6.1	12.6
Finance income		(2.3)	(2.2)	(1.0)
Interest income from investments		(0.4)	(0.5)	(0.7)
Movements in other assets and liabilities		5.0	(30.1)	(44.5)
		94.4	111.5	196.7
Interest received		0.4	0.5	0.7
Interest paid		(7.7)	(7.0)	(14.3)
Income tax paid		(16.1)	(16.9)	(34.8)
Net cash flows from operating activities		**71.0**	**88.1**	**148.3**
Investing activities				
Proceeds from sale of property, plant and equipment		4.9	0.1	0.1
Purchase of property, plant and equipment and intangible assets		(263.9)	(30.1)	(63.0)
Net disposal/(purchase) of financial assets		45.6	(44.3)	(36.9)
Net cash flows used in investing activities		**(213.4)**	**(74.3)**	**(99.8)**
Financing activities				
Payment of finance lease liabilities		(9.2)	(7.2)	(12.3)
Proceeds from borrowings	16	269.0	20.0	58.0
Repayment of borrowings	16	(34.0)	(15.0)	(63.0)
Debt issue costs		(1.3)	-	-
Dividends paid		(11.2)	(67.3)	(100.9)
Net cash flows from/(used in) financing activities		**213.3**	**(69.5)**	**(118.2)**
Net increase/(decrease) in cash and cash equivalents		**70.9**	**(55.7)**	**(69.7)**
Cash and cash equivalents at the start of the period		157.3	227.0	227.0
Cash and cash equivalents at the end of the period	**13**	**228.2**	**171.3**	**157.3**

For details on the restatement, please see notes 2.3 and 19.

Notes to the condensed consolidated interim financial statements

1 Corporate information

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

The interim condensed consolidated financial statements of Saga plc and the entities controlled by the Company (its subsidiaries, collectively 'the Group') for the six months ended 31 July 2019 were authorised for issue in accordance with a resolution of the Directors on 19 September 2019.

2.1 Basis of preparation

These condensed financial statements comprise the interim financial statements of the Group for the six month period to 31 July 2019.

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

The condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) and in accordance with IAS 34 'Interim Financial Reporting'. The significant accounting policies applied by the Group are set out in note 2.3 and 2.4. The Group has applied all IFRS standards and interpretations adopted and endorsed by the EU effective for the period ending 31 January 2020. The condensed consolidated interim financial statements have been reviewed by KPMG LLP and include their review conclusion.

These condensed consolidated interim financial statements do not comprise statutory financial statements within the meaning of Section 435 of the Companies Act 2006. Statutory financial statements for the year ended 31 January 2019 have been delivered to the Registrar of Companies. The auditor's report on those financial statements:

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

2.2 Basis of consolidation

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

Notes to the condensed consolidated interim financial statements

2.3 Summary of significant accounting policies

The condensed set of interim financial statements for the period ended 31 July 2019 have been prepared applying the same accounting policies that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 January 2019, except for changes required as a result of the transition to a new accounting standard for lease accounting, IFRS 16 *Leases* and the impact on our revenue accounting policy as a result of the introduction of our new three-year fixed-price insurance policies.

IFRS 16 Leases

The Group has adopted IFRS 16 Leases for the first time in the year ended 31 January 2019. The Group has elected to apply the fully retrospective approach to IFRS 16 and has therefore restated comparative information to include the impact of adopting the new standard. A practical expedient has been applied where a single discount rate has been applied to a portfolio of leases with similar characteristics.

Details of the new accounting policy for Leases is disclosed below, with note references corresponding to the financial statements for the year ended 31 January 2019:

m. Leases

The Group leases various river cruise ships, offices, warehouses, equipment and vehicles. The contract length of the lease varies considerably and may include extension or termination options as described below.

Leases are initially recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Where it is reasonably certain that an extension option will be triggered in a contract, lease payments to be made in respect of the option will be included in the measurement of the lease liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset, in a similar economic environment, with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the present value of future lease payments plus any initial direct costs and restoration costs. Right-of-use assets are depreciated over the lease term on a straight-line basis except for the Group's river cruise ships. The unit of production method is used to depreciate river cruise ships in order to accurately reflect the expected usage of the asset, which is seasonal.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture with an individual item value of US$ 5,000 or less.

Extension and termination options are included in a number of property and river cruise ship leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Notes to the condensed consolidated interim financial statements

2.3 Summary of significant accounting policies (continued)

Three-year fixed-price insurance policies

The Group has introduced new three-year fixed-price motor and home insurance policies during the period which has necessitated an update to the insurance revenue accounting policy as follows:

a. Revenue recognition
i) Insurance

Twelve-month insurance policies with no option to fix the premium at renewal:

Insurance premiums received for risks underwritten by the Group are recognised on a straight-line time-apportioned basis over the period of the policy. Any changes to premium arising as a result of adjustments to the underlying risk notified by the policyholders are recognised over the remaining period of the policy from the effective date of notification.

Brokerage revenue received in connection with insurance policies not underwritten by the Group is recognised on inception of the policy when the obligation to arrange insurance for the customer has been satisfied. The portion of insurance premiums received for risks which are not underwritten by the Group that is passed to a third-party insurer is not recognised in the income statement.

Insurance premiums and sales revenues received in advance of the inception date of a policy are treated as advance receipts and included as contract liabilities in the statement of financial position.

Premiums in respect of insurance policies underwritten by the Group that are live at the reporting date and which relate to the period after the reporting date are treated as unearned and included in insurance contract liabilities in the statement of financial position.

Changes to premiums are recognised on the effective date of a mid-term adjustment. For those policies that are underwritten by the Group, these changes are recognised on a straight-line time-apportioned basis over the period remaining on the policy. Reduction in premiums from mid-term cancellations are recognised on the effective date of the cancellation. Fee income from mid-term adjustments and cancellations is recognised on the date which the mid-term adjustment or cancellation occurs.

Twelve-month insurance policies with the option to fix the premium over three years ("three-year fixed-price policies"):

Insurance premiums received over the duration of three-year fixed-price policies underwritten by the Group are recognised over the three years of cover. Premiums allocated to each of the three policy years are recognised on a straight-line time-apportioned basis within each policy year. The carrying value of the revenue deferred in this instance is recognised as unearned premium within gross insurance contract liabilities in the statement of financial position.

Brokerage revenue received in connection with three-year fixed-price policies not underwritten by the Group is allocated to the performance obligations of the contract, being the arrangement of the insurance in each year and the option to fix the customer price at renewal. The revenue allocated to the option to renew at a fixed price is recognised when either the customer exercises the option at the first and second renewal dates, or sooner if the customer cancels the policy mid-term or makes a claim that releases the Group from its obligation to fix the customer price. The carrying value of the revenue deferred in this instance is recognised within contract liabilities in the statement of financial position.

Full details of all other accounting policies of the Group can be found in the annual report and accounts for the year ended 31 January 2019 available at www.corporate.saga.co.uk.

Notes to the condensed consolidated financial statements (continued)

2.4 Standards issued but not yet effective

Standards and amendments to standards in issue but not effective or not adopted by the Group as at 31 January 2019 continue to be not yet effective or not adopted by the Group at 31 July 2019 and can be found in the annual report and accounts for the year ended 31 January 2019 available at www.corporate.saga.co.uk with the exception of IFRS 16 Leases which has been implemented from the beginning of the financial period.

The transition to IFRS 16 has reduced profit after tax by £0.2m for the period ended 31 July 2018 and £0.2m for the year ended 31 January 2019. Net assets have decreased by £3.4m as at 31 July 2018 and by £3.4m as at 31 January 2019.

Please refer to note 19 for a reconciliation of the impact on the financial statements arising from the transition to IFRS 16.

2.5 Significant accounting judgements, estimates and assumptions

Full details of significant accounting judgements, estimates and assumptions used in the application of the Group's accounting policies can be found in the annual report and accounts for the year ended 31 January 2019 available at www.corporate.saga.co.uk. There have been two changes to the principles or assumptions in these critical accounting estimate and judgement areas during the period as follows:

Items involving judgement	**Critical accounting judgement**
Leases – interest rate	Assessment of the interest rate used to discount the lease payments to present value.
Leases – extension and termination options	Assessment of whether it is probable that the Group will exercise any extension of termination options included within lease contracts.

Items involving estimation	**Sources of estimation uncertainty**
Revenue recognition – three-year fixed-price insurance policies	The stand-alone selling price of the option to fix within the Group's three-year fixed-price insurance policies has been estimated using the residual approach as set out in paragraph 79 (b) of IFRS 15. An allowance has also been made for the likelihood that the option will be exercised by factoring in the expected rate of renewal at the first and second renewal dates. The amount of revenue deferred upon initial recognition is therefore reduced to the extent that it is estimated that customers will not exercise the option due to the fact that they either decide not to renew or they make a claim.

2.6 Going concern

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

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

Notes to the condensed consolidated financial statements (continued)

3 Segmental information

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

- *Insurance*: the segment primarily comprises general insurance products. Revenue is derived primarily from insurance premiums and broking revenues. This segment is further analysed into four sub-segments:
    - Retail broking, consisting of:
        - Motor Broking
        - Home Broking
        - Other Insurance Broking
    - Underwriting

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

- *Emerging Businesses and Central Costs*: the segment comprises the Group's other businesses, its central cost base and membership scheme. The other businesses primarily include the financial services product offering, the domiciliary care services offering, sale of retirement village properties where the Group acts as an agent only, a monthly subscription magazine product and the Group's internal mailing house.

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

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

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

When the seasonalities of the various segments are considered in aggregate, the resultant half yearly Underlying Profit Before Tax is broadly consistent with half of the full year result.

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

Unaudited 6m to Jul 2019	Insurance								
	Motor Broking £'m	Home Broking £'m	Other Insurance Broking £'m	Under-writing £'m	Total £'m	Travel £'m	Emerging Businesses & Central Costs £'m	Adjust-ments £'m	Total £'m
Revenue	**53.5**	**32.7**	**38.0**	**37.4**	**161.6**	**219.0**	**18.7**	**(3.4)**	**395.9**
Cost of sales	(1.4)	-	(6.2)	(16.5)	(24.1)	(179.0)	(8.3)	-	(211.4)
Gross profit	**52.1**	**32.7**	**31.8**	**20.9**	**137.5**	**40.0**	**10.4**	**(3.4)**	**184.5**
Administrative and selling expenses	(37.1)	(15.8)	(14.4)	(1.4)	(68.7)	(38.0)	(22.3)	3.4	(125.6)
Reversal of / (impairment) of assets	-	-	-	-	-	3.0	(4.2)	-	(1.2)
Investment income	-	-	-	1.8	1.8	0.2	(1.6)	-	0.4
Finance costs	-	-	-	-	-	(1.4)	(6.4)	-	(7.8)
Finance income	-	-	-	-	-	2.3	-	-	2.3
Profit / (loss) before tax	**15.0**	**16.9**	**17.4**	**21.3**	**70.6**	**6.1**	**(24.1)**	**-**	**52.6**
Reconciliation to Underlying Profit / (Loss) Before Tax:									
Profit / (loss) before tax	**15.0**	**16.9**	**17.4**	**21.3**	**70.6**	**6.1**	**(24.1)**	**-**	**52.6**
Net fair value gain on derivative financial instruments	-	-	-	-	-	(2.3)	-	-	(2.3)
Reversal of / (impairment) of PPE	-	-	-	-	-	(3.0)	3.3	-	0.3
Restructuring costs	-	-	-	-	-	-	2.2	-	2.2
Underlying Profit / (Loss) Before Tax	**15.0**	**16.9**	**17.4**	**21.3**	**70.6**	**0.8**	**(18.6)**	**-**	**52.8**

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

Unaudited 6m to Jul 2018 (restated)	Insurance								
	Motor Broking £'m	Home Broking £'m	Other Insurance Broking £'m	Under-writing £'m	Total £'m	Travel £'m	Emerging Businesses & Central Costs £'m	Adjust-ments £'m	Total £'m
Revenue	**59.8**	**38.7**	**39.6**	**47.6**	**185.7**	**230.0**	**19.6**	**(3.4)**	**431.9**
Cost of sales	(1.1)	-	(5.1)	(3.4)	(9.6)	(181.0)	(8.3)	-	(198.9)
Gross profit	**58.7**	**38.7**	**34.5**	**44.2**	**176.1**	**49.0**	**11.3**	**(3.4)**	**233.0**
Administrative and selling expenses	(37.9)	(14.1)	(16.2)	(1.0)	(69.2)	(36.0)	(18.2)	3.4	(120.0)
Investment income	-	-	-	2.4	2.4	0.1	(1.9)	-	0.6
Finance costs	-	-	-	-	-	-	(6.1)	-	(6.1)
Finance income	-	-	-	-	-	2.2	-	-	2.2
Profit / (loss) before tax	**20.8**	**24.6**	**18.3**	**45.6**	**109.3**	**15.3**	**(14.9)**	**-**	**109.7**
Reconciliation to Underlying Profit / (Loss) Before Tax:									
Profit / (loss) before tax	**20.8**	**24.6**	**18.3**	**45.6**	**109.3**	**15.3**	**(14.9)**	**-**	**109.7**
Net fair value gain on derivative financial instruments	-	-	-	-	-	(2.2)	-	-	(2.2)
Underlying Profit / (Loss) Before Tax	**20.8**	**24.6**	**18.3**	**45.6**	**109.3**	**13.1**	**(14.9)**	**-**	**107.5**

For details on the restatement, please see notes 2.3 and 19.

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

12m to Jan 2019 (restated)	Insurance								
	Motor broking £'m	Home broking £'m	Other insurance broking £'m	Under-writing £'m	Total £'m	Travel £'m	Emerging Businesses & Central Costs £'m	Adjust-ments £'m	Total £'m
Revenue	**113.4**	**74.5**	**68.8**	**93.3**	**350.0**	**457.4**	**40.5**	**(6.4)**	**841.5**
Cost of sales	(2.2)	-	(12.9)	(8.4)	(23.5)	(363.3)	(18.2)	-	(405.0)
Gross Profit	**111.2**	**74.5**	**55.9**	**84.9**	**326.5**	**94.1**	**22.3**	**(6.4)**	**436.5**
Administrative and selling expenses	(77.2)	(29.4)	(29.2)	(2.5)	(138.3)	(72.7)	(39.9)	6.4	(244.5)
Impairment of assets	-	-	-	-	-	(5.9)	-	(310.0)	(315.9)
Investment income	-	-	-	4.3	4.3	0.2	(3.8)	-	0.7
Finance costs	-	-	-	-	-	-	(12.6)	-	(12.6)
Finance income	-	-	-	-	-	1.0	-	-	1.0
Profit / (loss) before Tax	**34.0**	**45.1**	**26.7**	**86.7**	**192.5**	**16.7**	**(34.0)**	**(310.0)**	**(134.8)**
Reconciliation to Underlying Profit / (Loss) Before Tax:									
Profit / (loss) before Tax	**34.0**	**45.1**	**26.7**	**86.7**	**192.5**	**16.7**	**(34.0)**	**(310.0)**	**(134.8)**
Net fair value gain on derivative financial instruments	-	-	-	-	-	(1.0)	-	-	(1.0)
Impairment of cruise ships	-	-	-	-	-	5.9	-	-	5.9
Impairment of goodwill	-	-	-	-	-	-	-	310.0	310.0
Profit / (loss) before tax	**34.0**	**45.1**	**26.7**	**86.7**	**192.5**	**21.6**	**(34.0)**	**-**	**180.1**

For details on the restatement, please see notes 2.3 and 19.

All revenue is generated solely in the UK.

Cost of sales within the insurance segment includes claims costs incurred on insurance policies underwritten by the Group (see note 3b).

Notes to the condensed consolidated financial statements (continued)

3a Disaggregation of revenue

Unaudited 6m to Jul 2019	Insurance			Travel	EB&CC	Total
	Earned premium on insurance underwritten by the Group	Other Revenue	Total Insurance			
Major product lines	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Gross earned premiums on insurance underwritten by the Group	111.8					
Less: ceded to reinsurers	(70.3)					
Net revenue on:						
- Motor broking	9.1	44.4	53.5			53.5
- Home broking	-	32.7	32.7			32.7
- Other broking	0.8	37.2	38.0			38.0
- Underwriting	31.6	5.8	37.4			37.4
Tour operations				176.9		176.9
Cruise				42.1		42.1
Personal finance					3.8	3.8
Healthcare					3.0	3.0
Media					7.6	7.6
Other					0.9	0.9
	41.5	120.1	161.6	219.0	15.3	395.9

Unaudited 6m to Jul 2018	Insurance			Travel	EB&CC	Total
	Earned premium on insurance underwritten by the Group	Other Revenue	Total Insurance			
Major product lines	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Gross earned premiums on insurance underwritten by the Group	123.2					
Less: ceded to reinsurers	(68.7)					
Net revenue on:						
- Motor broking	11.3	48.5	59.8			59.8
- Home broking	-	38.7	38.7			38.7
- Other broking	0.8	38.8	39.6			39.6
- Underwriting	42.4	5.2	47.6			47.6
Tour operations				182.4		182.4
Cruise				47.6		47.6
Personal finance					4.1	4.1
Healthcare					3.0	3.0
Media					8.5	8.5
Other					0.6	0.6
	54.5	131.2	185.7	230.0	16.2	431.9

Notes to the condensed consolidated financial statements (continued)

3a Disaggregation of revenue (continued)

Unaudited 12m to Jan 2019	Insurance			Travel	EB&CC	Total
	Earned premium on insurance underwritten by the Group	Other Revenue	Total Insurance			
Major product lines	£'m	£'m	£'m	£'m	£'m	£'m
Gross earned premiums on insurance underwritten by the Group	238.1					
Less: ceded to reinsurers	(136.0)					
Net revenue on:						
- Motor broking	19.9	93.5	113.4			113.4
- Home broking	-	74.5	74.5			74.5
- Other broking	1.4	67.4	68.8			68.8
- Underwriting	80.8	12.5	93.3			93.3
Tour operations				360.8		360.8
Cruise				96.6		96.6
Personal finance					8.2	8.2
Healthcare					6.0	6.0
Media					18.6	18.6
Other					1.3	1.3
	102.1	247.9	350.0	457.4	34.1	841.5

3b Analysis of Insurance cost of sales

	Unaudited 6m to Jul 2019 £'m	Unaudited 6m to Jul 2018 £'m	12m to Jan 2019 £'m
Gross claims incurred on insurance underwritten by the Group	79.7	63.5	129.1
Less: ceded to reinsurers	(62.7)	(59.8)	(120.1)
Net claims incurred on insurance underwritten by the Group			
- Motor broking	1.4	1.1	2.2
- Underwriting – current year claims	29.8	40.6	77.9
- Underwriting – prior year claims	(14.2)	(38.0)	(71.1)
	17.0	3.7	9.0
Other cost of sales	7.1	5.9	14.5
	24.1	9.6	23.5

Notes to the condensed consolidated financial statements (continued)

4 Tax

	Unaudited 6m to Jul 2019 £'m	Unaudited 6m to Jul 2018 (restated) £'m	12m to Jan 2019 (restated) £'m
Current income tax			
Current income tax charge	8.7	22.1	36.5
Adjustments in respect of previous years	(0.5)	0.4	0.4
	8.2	22.5	36.9
Deferred tax			
Origination and reversal of temporary differences	1.5	(1.2)	(8.9)
Adjustments in respect of previous years	(2.9)	-	(0.6)
Tax expense in the income statement	**6.8**	**21.3**	**27.4**

The Group's tax expense for the period was £6.8m (July 2018: £21.3m) representing a tax effective rate of 13.0% (July 2018: 19.4%). Adjustments in respect of prior years includes adjustments for the provision of the tax charge in previous years of £3.4m (July 2018: £0.8m).

Reconciliation of net deferred tax assets/(liabilities):

	Unaudited 6m to Jul 2019 £'m	Unaudited 6m to Jul 2018 (restated) £'m	12m to Jan 2019 (restated) £'m
At 1 February	**7.1**	**(2.6)**	**(2.6)**
Tax charge in the income statement	1.4	1.2	9.5
Tax charge in other comprehensive income	1.6	(3.9)	0.2
At the end of the period	**10.1**	**(5.3)**	**7.1**

For further detail on the tax impact of IFRS 16, see note 19.

Measures were enacted in the Finance Act 2015 to reduce the corporation tax rate from 20% to 19% from 1 April 2017, and to 18% from 1 April 2020. A further reduction to 17% from 1 April 2020 was announced on 16 March 2016 and has been enacted at the balance sheet date. As a result, the closing deferred tax balances have been reflected at 17%.

The Group has tax losses which arose in the UK of £4.2m (July 2018: £4.2m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group. They have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by £0.7m (July 2018: £0.7m).

5 Dividends

The Company paid an ordinary dividend of 1.0p per share during the period. The total dividend paid was £11.2m (July 2018: £67.2m).

Notes to the condensed consolidated financial statements (continued)

5 Dividends (continued)

The Directors have declared an interim dividend of 1.3p per share. The dividend will be paid on 22 November 2019 to shareholders of ordinary shares on the register at the close of business on 11 October 2019. Saga offers a share alternative in the form of a dividend re-investment plan (DRIP) for those shareholders who wish to elect to use their dividend payments to purchase additional shares in the Group, rather than receiving a cash payment. The last date for shareholders to elect to participate in the DRIP will be 28 October 2019.

6 Earnings per share

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

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

The calculation of basic and diluted EPS is as follows:

	Unaudited 6m to Jul 2019	Unaudited 6m to Jul 2018 (restated)	12m to Jan 2019 (restated)
	£'m	£'m	£'m
Profit attributable to ordinary equity holders	45.8	88.4	(162.2)
Weighted average number of ordinary shares	'm	'm	'm
Shares in issue at 1 February	1,119.1	1,118.1	1,118.1
IPO share options exercised	0.1	-	-
LTIP share options exercised	0.1	0.5	0.9
Deferred bonus plan options exercised	-	0.1	-
Other share options exercised	-	-	0.1
Weighted average number for Basic EPS	1,119.3	1,118.7	1,119.1
Dilutive options			
IPO share options not yet exercised	0.3	0.4	-
LTIP share options not yet vested	5.0	4.8	-
Deferred bonus plan share options not yet vested	0.4	0.3	-
Free shares options not yet vested	-	0.1	-
Weighted average number for Diluted EPS	1,125.0	1,124.3	1,119.1
Basic EPS	**4.1p**	**7.9p**	**(14.5p)**
Diluted EPS	**4.1p**	**7.9p**	**(14.5p)**

Notes to the condensed consolidated financial statements (continued)

7 Acquisitions

The Group made no acquisitions during the six month period ended 31 July 2019 or six month period ended 31 July 2018.

8 Goodwill

Goodwill acquired through business combinations has been allocated to CGUs for the purpose of impairment testing. The carrying value of goodwill by CGU is as follows:

	Unaudited 6m to Jul 2019 £'m	**Unaudited 6m to Jul 2018 £'m**	**12m to Jan 2019 £'m**
Insurance, excluding Bennetts	1,088.6	1,398.6	1,088.6
Insurance, Bennetts	13.6	13.6	13.6
Travel, excluding Destinology	59.8	59.8	59.8
Travel, Destinology	13.0	13.0	13.0
	1,175.0	1,485.0	1,175.0

The Group has tested all goodwill balances for impairment at 31 July 2019. The impairment test compares the recoverable amount of the goodwill of each CGU to its carrying value. The goodwill associated with the Bennetts and Destinology businesses have been considered separately, as these businesses represent separate CGUs.

The Group has used the same methodology as that applied for the financial year 31 January 2019, deriving a value-in-use for each of its CGUs based on its latest cash flow forecasts and applying a suitably risk-adjusted discount rate.

The impairment testing concluded that no impairment of the goodwill asset is required at 31 July 2019.

9 Intangible fixed assets

During the period, the Group capitalised £9.0m (July 2018: £9.8m) of software assets and charged £9.5m of amortisation to its intangible assets (July 2018: £10.3m).

The Group has performed a review for indicators of impairment of the acquired contracts, brands and customer relationships at 31 July 2019, and concluded that no indicators of impairment exist at that date.

Notes to the condensed consolidated financial statements (continued)

10 Property, plant and equipment

During the period, the Group capitalised assets with a cost of £263.8m (July 2018: £21.7m), disposed of assets with a net book value of £7.7m and charged £13.6m of depreciation and impairment to its property, plant and equipment (July 2018: £9.4m).

On 21 December 2015, the Group contracted with Meyer Werft GmbH & Co. KG to purchase Spirit of Discovery for delivery in July 2019, with an option to purchase a second similar cruise ship for delivery in 2021. On 24 April 2017, the Group signed an agreement with the shipyard to bring forward the delivery date by one month to June 2019. On 20 September 2017, the Saga plc Board approved the purchase of the second cruise ship, Spirit of Adventure, with an earlier delivery date of August 2020, and the Group exercised the option in December 2017.

Four stage payments for Spirit of Discovery were made between February 2016 and July 2018. The remaining element of the contract price was paid on delivery of the ship in June 2019, and the Group drew down on the financing for this in June 2019.

Three stage payments for Spirit of Adventure were made between December 2017 and February 2019. One further similar stage payment will be made during the construction period, 12 months prior to delivery funded via cash resources of the Group. The remaining element of the contract price is due on delivery of the ship, and the Group entered into appropriate financing for this on 20 September 2017.

As at 31 July 2019, capital amounts contracted for but not provided in the financial statements in respect of the ships amounted to £291.4m (July 2018: £562.8m).

11 Right of use assets

During the period, the Group capitalised assets with a cost of £15.0m (July 2018: £0.9m) and charged £7.5m of depreciation to its right of use assets (July 2018: £6.6m).

Notes to the condensed consolidated financial statements (continued)

12 Financial assets and financial liabilities

a) Financial assets

	Note	**Unaudited As at Jul 2019 £'m**	Unaudited As at Jul 2018 £'m	As at Jan 2019 £'m
Fair value through profit or loss				
Foreign exchange forward contracts		2.0	0.5	0.4
Fuel oil swaps		0.5	1.9	0.6
Loan funds		6.2	6.4	6.2
Money market funds	13	72.8	53.6	37.1
		81.5	**62.4**	**44.3**
Fair value through profit or loss designated in a hedging relationship				
Foreign exchange forward contracts		13.0	39.8	31.2
Fuel oil swaps		1.1	2.5	1.2
		14.1	**42.3**	**32.4**
Fair value through other comprehensive income				
Debt securities		262.2	282.7	280.2
		262.2	**282.7**	**280.2**
Amortised cost				
Deposits with financial institutions		49.0	74.1	69.3
		49.0	**74.1**	**69.3**
Total financial assets		**406.8**	**461.5**	**426.2**
Current		119.4	409.0	111.4
Non-current		287.4	52.5	314.8
		406.8	**461.5**	**426.2**

The Group's financial assets are analysed by Moody's rating on page 17 of the Operating and Financial Review.

Notes to the condensed consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

b) Financial liabilities

	Note	**Unaudited As at Jul 2019 £'m**	Unaudited As at Jul 2018 (restated) £'m	As at Jan 2019 (restated) £'m
Fair value through profit or loss				
Foreign exchange forward contracts		-	0.1	0.5
Fuel oil swaps		0.1	-	0.1
		0.1	**0.1**	**0.6**
Fair value through profit or loss designated in a hedging relationship				
Foreign exchange forward contracts		1.5	3.2	10.1
Fuel oil swaps		0.9	-	1.4
		2.4	**3.2**	**11.5**
Amortised cost				
Bank and bank loans	16	675.7	448.6	439.2
Finance leases and hire purchase obligations		34.7	31.6	27.7
Bank overdrafts	13	3.2	2.6	2.7
		713.6	**482.8**	**469.6**
Total financial liabilities		**716.1**	**486.1**	**481.7**
Current		80.1	20.8	54.9
Non-current		636.0	465.3	426.8
		716.1	**486.1**	**481.7**

c) Fair value hierarchy

	Unaudited As at Jul 2019				Unaudited As at Jul 2018 (restated)			
	Level 1 £'m	Level 2 £'m	Level 3 £'m	**Total £'m**	Level 1 £'m	Level 2 £'m	Level 3 £'m	**Total £'m**
Financial assets measured at fair value								
Foreign exchange forwards	-	15.0	-	**15.0**	-	40.3	-	**40.3**
Fuel oil swaps	-	1.6	-	**1.6**	-	4.4	-	**4.4**
Loan funds	6.2	-	-	**6.2**	6.4	-	-	**6.4**
Debt securities	262.2	-	-	**262.2**	282.7	-	-	**282.7**
Money market funds	72.8	-	-	**72.8**	53.6	-	-	**53.6**
Financial liabilities measured at fair value								
Foreign exchange forwards	-	1.5	-	**1.5**	-	3.3	-	**3.3**
Fuel oil swaps	-	1.0	-	**1.0**	-	-	-	**-**
Financial assets for which fair values are disclosed								
Deposits with institutions	-	49.0	-	**49.0**	-	74.1	-	**74.1**
Financial liabilities for which fair values are disclosed								
Bond and bank loans	-	675.7	-	**675.7**	-	448.6	-	**448.6**
Finance leases and hire purchase obligations	-	34.7	-	**34.7**	-	31.6	-	**31.6**
Bank overdrafts	-	3.2	-	**3.2**	-	2.6	-	**2.6**

Notes to the condensed consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

c) Fair value hierarchy (continued)

	As at Jan 2019 (restated)			
	Level 1	Level 2	Level 3	**Total**
	£'m	£'m	£'m	**£'m**
Financial assets measured at fair value				
Foreign exchange forwards	-	31.6	-	**31.6**
Fuel oil swaps	-	1.8	-	**1.8**
Loan funds	6.2	-	-	**6.2**
Debt securities	280.2	-	-	**280.2**
Money market funds	37.1	-	-	**37.1**
Financial liabilities measured at fair value				
Foreign exchange forwards	-	10.6	-	**10.6**
Fuel oil swaps	-	1.5	-	**1.5**
Financial assets for which fair values are disclosed				
Deposits with institutions	-	69.3	-	**69.3**
Financial liabilities for which fair values are disclosed				
Bond and bank loans	-	439.2	-	**439.2**
Finance leases and hire purchase obligations	-	27.7	-	**27.7**
Bank overdrafts	-	2.7	-	**2.7**

d) Other information

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

The Group operates a programme of economic hedging against its foreign currency and fuel oil exposures. During the period, the Group designated 604 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods and designated no fuel oil swaps as hedges of highly probable fuel oil purchases in future periods. As at 31 July 2019, the Group has designated 800 forward currency contracts and 120 fuel oil swaps as hedges.

During the period, the Group recognised gains of £24.4m (July 2018: £16.7m) on cash flow hedging instruments through other comprehensive income into the hedging reserve, of which £13.3m (July 2018: £6.9m) of the gains relate to the specific hedging instrument for the acquisition of two new ships. The overall gains are partially offset by a £0.4m loss (July 2018: £0.8m gain) on forecast transactions recognised in the financial statements. The Group recognised a £0.1m loss (July 2018: £0.2m loss) through the income statement in respect of the ineffective portion of hedges measured during the period.

There has been no de-designation of hedges during the period as a result of cash flows forecast that are no longer expected to occur. During the period, the Group recognised a £1.4m gain (July 2018: £2.6m gain) through the income statement in respect of matured hedges and a £32.2m gain (July 2018: £nil) in property, plant and equipment in respect of matured hedges, both of which have been recycled from other comprehensive income.

Notes to the condensed consolidated financial statements (continued)

13 Cash and cash equivalents

	Unaudited As at Jul 2019 £'m	Unaudited As at Jul 2018 £'m	As at Jan 2019 £'m
Cash at bank and in hand	93.9	65.5	91.9
Short term deposits	64.7	54.8	31.0
Cash and short-term deposits	**158.6**	**120.3**	**122.9**
Money markets funds (note 12a)	72.8	53.6	37.1
Bank overdraft (note 12b)	(3.2)	(2.6)	(2.7)
Cash and cash equivalents in the cash flow statement	**228.2**	**171.3**	**157.3**

Included within cash and cash equivalents are amounts held by the Group's Travel and Insurance businesses which are subject to contractual or regulatory restrictions. These amounts held are not readily available to be used for other purposes within the Group and total £196.1m (July 2018: £151.0m). Available cash excludes these amounts and any amounts held by disposal groups.

14 Retirement benefit schemes

The Group operates a funded defined benefit scheme, The Saga Pension Scheme ("Saga Scheme") which is open to new members who accrue benefits on a career average salary basis. The assets of the scheme are held separately from those of the Group in independently administered funds.

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

	Unaudited As at Jul 2019 £'m	Unaudited As at Jul 2018 £'m	As at Jan 2019 £'m
Fair value of scheme assets	356.4	314.5	312.4
Present value of defined benefit obligation	(363.8)	(309.9)	(315.2)
Defined benefit scheme surplus/(liability)	**(7.4)**	**4.6**	**(2.8)**

The present values of the defined benefit obligation at 31 January 2019, the related current service cost and any past service costs were measured using the projected unit credit method. Liabilities at 31 July 2019 have been estimated by rolling forward from 31 January 2019, allowing for changes in market conditions and estimating the value of benefits accrued and paid out over the period.

During the period ended 31 July 2019, the net liability of the Saga Scheme has increased by £4.6m to a total scheme liability of £7.4m, driven by a fall in corporate bond yields.

Notes to the condensed consolidated financial statements (continued)

15 Insurance contract liabilities and reinsurance assets

Gross and net insurance liabilities are analysed as follows:

	Unaudited As at Jul 2019 £'m	Unaudited As at Jul 2018 £'m	As at Jan 19 £'m
Gross			
Claims outstanding	375.4	430.4	392.6
Provision for unearned premiums	114.5	106.1	98.0
Total gross liabilities	**489.9**	**536.5**	**490.6**
Recoverable from reinsurers			
Claims outstanding	78.0	95.2	91.2
Provision for unearned reinsurance premiums	4.2	4.1	5.6
Total reinsurers' share of insurance liabilities (as presented on the face of the condensed statement of financial position)	**82.2**	**99.3**	**96.8**
Amounts recoverable under funds withheld quota share agreements recognised within trade payables:			
Claims outstanding	127.0	115.9	118.6
Provision for unearned premiums	71.5	62.7	57.9
Total reinsurers' share of insurance liabilities after funds withheld quota share	**280.7**	**277.9**	**273.3**
Net			
Claims outstanding	297.4	335.2	301.4
Provision for unearned premiums	110.3	102.0	92.4
Total net insurance liabilities	**407.7**	**437.2**	**393.8**
Amounts recoverable under funds withheld quota share agreements recognised within trade payables:			
Claims outstanding	(127.0)	(115.9)	(118.6)
Provision for unearned premiums	(71.5)	(62.7)	(57.9)
Total net insurance liabilities after funds withheld quota share	**209.2**	**258.6**	**217.3**

The total loss on purchasing reinsurance recognised during the period was £3.5m (July 2018: £4.1m).

Notes to the condensed consolidated financial statements (continued)

16 Loans and borrowings

	Unaudited As at Jul 2019 £'m	Unaudited As at Jul 2018 £'m	As at Jan 2019 £'m
Bond	250.0	250.0	250.0
Bank loans	160.0	170.0	160.0
Ship loan	245.0	-	-
Revolving credit facility	20.0	30.0	30.0
Accrued interest payable	3.3	2.2	2.2
	678.3	452.2	442.2
Less: deferred issue costs	(2.6)	(3.6)	(3.0)
	675.7	448.6	439.2

The Group's bank facilities consist of a £250.0m seven-year senior unsecured bond, a £200.0m five-year term loan facility and a £100.0m five-year revolving credit facility with an option to extend. In March 2019, the Group's banks agreed to extend the term on the revolving credit facility by one year with expiry in May 2023. The bond is listed on the Irish Stock Exchange. In June 2019, the Group drew down its financing for its new cruise ship, the Spirit of Discovery, of £245m.

At 31 July 2019, the Group had drawn £20.0m of its £100.0m revolving credit facility and since the refinancing £40.0m of the term loan has been repaid.

Interest on the bond is incurred at an annual interest rate of 3.375%. Interest on the term loan and revolving credit facility is incurred at a variable rate of LIBOR plus a bank margin which is linked to the Group's leverage ratio.

During the period the Group charged £7.1m (July 2018: £5.4m) to the income statement in respect of fees and interest associated with the bond, term loan, ship loan and revolving credit facility. In addition, finance costs recognised in the income statement includes £0.7m (July 2018: £0.7m) relating to interest on finance lease liabilities, net finance expense on pension schemes and other interest costs. The Group recognised £2.3m of net fair value gains on derivatives (July 2018: £2.2m gain).

17 Share-based payments

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

a) On 11 July 2019, options over 564,695 shares were issued under the deferred bonus plan to Executive Directors reflecting their deferred bonus in respect of 2018/19, which vest and become exercisable on the third anniversary of the grant date.

b) On 17 July 2019, 2,035,246 shares were awarded to eligible staff on the fifth anniversary of the IPO and allocated at £nil cost; these shares become beneficially owned over a three-year period from allocation subject to continuing service.

The fair values of all awards are assessed using techniques based upon the "Black-Scholes" pricing model. The Group charged £1.1m during the period (July 2018: £2.3m) to the income statement in respect of equity-settled share-based payment transactions. Of this, £Nil (July 2018: £0.1m) is included within non-trading items, which represents the share based payment charge on options awarded at the IPO that are still vesting.

Notes to the condensed consolidated financial statements (continued)

18 Related party transactions

Related party transactions during the six months ended 31 July 2019 were consistent in nature, scope and quantum with those disclosed in the Group's annual report and accounts for the year ended 31 January 2019 available at www.corporate.saga.co.uk.

19 Transition to IFRS 16

	As reported 31 Jul 2018	IFRS 16 adjustment			As restated 31 Jul 2018
		Insurance	Travel	EB&CC	
	£'m	£'m	£'m	£'m	£'m
Revenue	431.9	-	-	-	431.9
Cost of sales	(199.2)	-	0.3	-	(198.9)
Gross profit	**232.7**	**-**	**0.3**	**-**	**233.0**
Administrative and selling expenses	(120.0)	-	(0.1)	0.1	(120.0)
Investment income	0.6	-	-	-	0.6
Finance costs	(5.6)	-	(0.2)	(0.3)	(6.1)
Finance income	2.2	-	-	-	2.2
Profit before tax	**109.9**	**-**	**-**	**(0.2)**	**109.7**
Tax expense	(21.3)	-	-	-	(21.3)
Profit for the period	**88.6**	**-**	**-**	**(0.2)**	**88.4**
Attributable to:					
Equity holders of the parent	88.6	-	-	(0.2)	88.4
Earnings per share:					
Basic	7.9p				7.9p
Diluted	7.9p				7.9p

The reported six months to 31 July 2018 income statement above has been restated to incorporate amendments to IFRS 15 adjustments identified during the audit of the year ended 31 January 2019. The impact of this was an increase to profit after tax of £0.7m.

Notes to the condensed consolidated financial statements (continued)

19 Transition to IFRS 16 (continued)

	As reported 31 Jan 19	IFRS 16 adjustment			As restated 31 Jan 19
		Insurance	Travel	EB&CC	
	£'m	£'m	£'m	£'m	£'m
Revenue	841.5	-	-	-	841.5
Cost of sales	(405.7)	-	0.7	-	(405.0)
Gross profit	**435.8**	**-**	**0.7**	**-**	**436.5**
Administrative and selling expenses	(244.5)	-	(0.3)	0.3	(244.5)
Impairment of assets	(315.9)	-	-	-	(315.9)
Investment income	0.7	-	-	-	0.7
Finance costs	(11.7)	-	(0.3)	(0.6)	(12.6)
Finance income	1.0	-	-	-	1.0
Loss before tax	**(134.6)**	**-**	**0.1**	**(0.3)**	**(134.8)**
Tax expense	(27.4)	-	-	-	(27.4)
Loss for the year	**(162.0)**	**-**	**0.1**	**(0.3)**	**(162.2)**
Attributable to:					
Equity holders of the parent	(162.0)	-	0.1	(0.3)	(162.2)
Earnings per share:					
Basic	(14.5p)				(14.5p)
Diluted	(14.5p)				(14.5p)

19 Transition to IFRS 16 (continued)

Assets	As reported 31 Jan 18 £'m	IFRS 16 adjustment £'m	As restated 31 Jan 18 £'m	As reported 31 Jul 18 £'m	IFRS 16 adjustment £'m	As restated 31 Jul 18 £'m	As reported 31 Jan 19 £'m	IFRS 16 adjustment £'m	As restated 31 Jan 19 £'m
Goodwill	1,485.0	-	1,485.0	1,485.0	-	1,485.0	1,175.0	-	1,175.0
Intangible assets	61.2	-	61.2	60.7	-	60.7	62.8	-	62.8
Retirement benefit scheme surplus	-	-	-	4.6		4.6	-	-	-
Property, plant and equipment	163.4	(0.2)	163.2	175.7	(0.2)	175.5	183.9	(0.2)	183.7
Right of use assets	-	29.7	29.7	-	23.5	23.5	-	20.3	20.3
Financial assets	513.5	-	513.5	461.5	-	461.5	426.2	-	426.2
Deferred tax assets	13.7	0.7	14.4	12.3	0.7	13.0	14.2	0.7	14.9
Reinsurance assets	100.2	-	100.2	99.3	-	99.3	96.8	-	96.8
Inventories	5.8	-	5.8	5.7	-	5.7	4.0	-	4.0
Trade and other receivables	215.1	-	215.1	229.1	-	229.1	216.6	-	216.6
Assets held for sale	6.8	-	6.8	6.8	-	6.8	-	-	-
Cash and short-term deposits	83.2	-	83.2	120.3	-	120.3	122.9	-	122.9
Total assets	**2,647.9**	**30.2**	**2,678.1**	**2,661.0**	**24.0**	**2,685.0**	**2,302.4**	**20.8**	**2,323.2**
Liabilities									
Retirement benefit scheme obligations	7.0	-	7.0	-	-	-	2.8	-	2.8
Gross insurance contract liabilities	581.4	-	581.4	536.5	-	536.5	490.6	-	490.6
Provisions	4.7	(0.2)	4.5	3.4	(0.3)	3.1	10.3	(0.3)	10.0
Financial liabilities	468.5	33.7	502.2	458.2	27.9	486.1	457.0	24.7	481.7
Current tax liabilities	15.2	-	15.2	20.8	-	20.8	17.2	-	17.2
Deferred tax liabilities	17.0	-	17.0	18.3	-	18.3	7.8	-	7.8
Other liabilities	142.7	-	142.7	174.8	-	174.8	144.7	-	144.7
Trade and other payables	185.9	(0.1)	185.8	181.5	(0.2)	181.3	207.7	(0.2)	207.5
Total liabilities	**1,422.4**	**33.4**	**1,455.8**	**1,393.5**	**27.4**	**1,420.9**	**1,338.1**	**24.2**	**1,362.3**

Notes to the condensed consolidated financial statements (continued)

19 Transition to IFRS 16 (continued)

Equity	As reported 31 Jan 18 £'m	IFRS 16 adjustment £'m	As restated 31 Jan 18 £'m	As reported 31 Jul 18 £'m	IFRS 16 adjustment £'m	As restated 31 Jul 18 £'m	As reported 31 Jan 19 £'m	IFRS 16 adjustment £'m	As restated 31 Jan 19 £'m
Issued capital	11.2	-	11.2	11.2	-	11.2	11.2	-	11.2
Share premium	519.3	-	519.3	519.3	-	519.3	519.3	-	519.3
Retained earnings	664.8	(3.2)	661.6	694.4	(3.4)	691.0	404.8	(3.4)	401.4
Share-based payment reserve	11.4	-	11.4	12.5	-	12.5	13.3	-	13.3
Fair value reserve	(0.7)	-	(0.7)	(1.8)	-	(1.8)	(1.8)	-	(1.8)
Hedging reserve	19.5	-	19.5	31.9	-	31.9	17.5	-	17.5
Total equity	**1,225.5**	**(3.2)**	**1,222.3**	**1,267.5**	**(3.4)**	**1,264.1**	**964.3**	**(3.4)**	**960.9**
Total liabilities and equity	**2,647.9**	**30.2**	**2,678.1**	**2,661.0**	**24.0**	**2,685.0**	**2,302.4**	**20.8**	**2,323.2**

The reported 31 July 2018 statement of financial position above has been restated to incorporate amendments to IFRS 15 adjustments identified during the audit of the year ended 31 January 2019. The impact of this was a decrease to total equity of £0.6m.

Principal Risks and Uncertainties

The Group is subject to a number of risks and uncertainties as part of its activities. The Board regularly considers these and seeks to ensure that appropriate processes are in place to manage, monitor and mitigate these risks. The Directors consider that the principal risks and uncertainties facing the Group during the period under review and for the remainder of the financial period have not materially changed from those outlined on pages 34 to 37 of the annual report and accounts for the year ended 31 January 2019 available at www.corporate.saga.co.uk. The Group has in place processes to monitor and mitigate these risks.

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules , being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Lance Batchelor
Chief Executive Officer
18 September 2019

James Quin
Chief Financial Officer
18 September 2019

INDEPENDENT REVIEW REPORT TO SAGA PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2019 which comprises condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA. As disclosed in note 2.1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

INDEPENDENT REVIEW REPORT TO SAGA PLC (continued)

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Stuart Crisp
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

18 September 2019

Alternative Performance Measures Glossary

The Group uses a number of Alternative Performance Measures (APMs), which are not required or commonly reported under International Financial Reporting Standards, the Generally Accepted Accounting Principles (GAAP) under which the Group prepares its financial statements, but which are used by the Group to help the user of the accounts better understand the financial performance and position of the business.

Definitions for the primary APMs used in this report are set out below. APMs are usually derived from financial statement items and are calculated using consistent accounting policies to those applied in the financial statements, unless otherwise stated.

APMs may not necessarily be defined in a consistent manner to similar APMs used by the Group's competitors. They should be considered as a supplement rather than a substitute for GAAP measures.

Underlying Profit Before Tax

Underlying Profit Before Tax represents profit before tax from continuing operations excluding unrealised fair value gains and losses on derivatives, the net impairment of the carrying value of property, plant and equipment and one-off restructuring costs. It is reconciled to statutory profit before tax within the Operating and Financial Review on page 6.

This measure is the Group's key performance indicator and is useful for presenting the Group's underlying trading performance, as it excludes non-cash derivative adjustments and one-off financial impacts that are not expected to recur.

Trading EBITDA

Trading EBITDA is defined as earnings before interest payable, tax, depreciation and amortisation, and excludes amortisation of acquired intangibles, non-trading costs and impairments. It also excludes the non-cash impact of IAS19R current service costs in line with the Group's debt covenants. It is reconciled to statutory profit before tax within the Operating and Financial Review on page 16.

This measure has been presented by the Group in every Annual Report since it became a listed Group in 2014. It is presented due to it being linked to the Group's debt covenants, being the denominator in the Group's leverage ratio calculation.

Underlying basic earnings per share from continuing operations

Underlying basic earnings per share from continuing operations represents basic earnings per share from continuing operations excluding the post-tax effect of unrealised fair value gains and losses on derivatives, the post-tax effect of the net impairment of the carrying value of property, plant and equipment and the post-tax effect of the one-off restructuring costs.

This measure is linked to the Group's key performance indicator Underlying Profit Before Tax and represents what management consider to be the underlying shareholder value generated in the period.

Alternative Performance Measures Glossary (continued)

Customer spend

Customer spend represents the total amount that customers spent on products provided by the Saga Group of companies, including gross written premiums, ancillary income and Insurance Premium Tax for all of the core policies and add-ons sold in the period. It is reconciled to statutory revenue within the Operating and Financial Review on page 7.

Available operating cash flow

Available operating cash flow is net cashflow from operating activities after capital expenditure but before tax, interest paid and non-trading items, which is available to be used by the Group as it chooses and is not subject to regulatory restriction. It is reconciled to statutory net cash flow from operating activities within the Operating and Financial Review on page 16.

Net debt

Net debt is the sum of the carrying values of the Group's debt facilities less the amount of available cash it holds. It is linked to the Group's debt covenants, being the numerator in the Group's leverage ratio calculation, and is analysed further within the Operating and Financial Review on page 18.