Saga plc

ANNUAL REPORT AND
ACCOUNTS 2020

SAGA

Our purpose is to help our customers lead the life they want

6
A note from our Chairman

4
Highlights of the year

7
A note from our Group CEO

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

FIND OUT MORE
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FINANCIAL HIGHLIGHTS

Underlying Profit Before Tax[1]

£109.9m

2019: £180.1m

Loss before tax

£(300.9m)

2019: £(134.8m)

Dividend per share

1.3p

2019: 4.0p

Available operating cash flow[1]

£92.7m

2019: £182.3m

Basic loss per share

(27.9p)

2019: (14.5p)

Underlying Earnings Per Share[1]

8.9p

2019: 13.1p

Debt ratio (adjusted net debt to adjusted Trading EBITDA[1])

2.4x

2019: 1.7x

OPERATIONAL HIGHLIGHTS

Euan Sutherland appointed as Group Chief Executive Officer effective 6 January 2020

"I am hugely excited to join Saga. This is a unique British brand that has a strong heritage, great people and significant potential. I look forward to working with the Board and the whole of the Saga team to further unlock this potential and deliver for our customers and shareholders."

Continued progress in our relaunched Insurance strategy

320k

three-year fixed-price policies sold since the product was launched

Pleasing progress in our direct to consumer insurance strategy

Over **57%**

of new Home and Motor business is coming to us on a direct basis

Delivery of Spirit of Discovery on time and on budget was a major milestone for Saga

Cruise transformation programme due to complete with the arrival of Spirit of Adventure

Cruise bookings for 2020/21 of

80%

of full year revenue target as at 31 January 2020 pre COVID-19 implications

Saga Possibilities

1.0m

Saga Possibilities members

Saga Possibilities

6,200

Travel customers booking through our Membership programme

Notes:
1 Alternative Performance Measure (APM) – refer to the Glossary on page 201 for definition and explanation

Saga is a specialist provider of products and services for people aged 50 and over. For over 65 years our customers have been at the heart of everything we do

Insurance

The Insurance business is the largest part of the Saga Group. It provides tailored products that include the three-year fixed-price product we launched during the year.

- Insurance Retail Broking
- Insurance Underwriting

Retail Broking Underlying Profit Before Tax[1]

£90.2m

(2019: £105.8m; (14.7%))

Core Saga branded Home and Motor policy count

1,600k

(2019: 1,647k; (2.9%))

Underwriting Underlying Profit Before Tax[1]

£40.6m

(2019: £86.7m; (53.2%))

Underlying reported COR[2]

83.0%

(2019: 62.0%; +21.0ppt)

READ MORE PAGES 36

Travel

The Travel business is at the heart of the Saga brand and it is from these origins that the business evolved. We take passengers all over the world on specialist escorted tours, river cruises, and boutique ocean cruises.

- Saga Cruises
- Tour Operations

Underlying Profit Before Tax[1]

£19.8m

(2019: £21.6m; (8.8%))

Passengers – Tour Operations

161k

(2019: 176k; (8.5%))

Passengers – Cruise

32k

(2019: 26k; +23.1%)

READ MORE PAGES 39

Notes:
1 Alternative Performance Measure (APM) – refer to the Glossary on page 202 for definition and explanation
2 Please refer to page 38 of the Operating and Financial Review for how this measure is calculated and defined

Other businesses

Other businesses include:

- Saga Personal Finance
- Healthcare Services
- Media, Mailing and Printing

Underlying Profit Before Tax[1]

£4.6m

(2019: £3.1m; +48.4%)

READ MORE PAGES 41

Saga Possibilities

Saga Possibilities is Saga's Membership programme. The programme was launched in September 2017. It now has over one million members and is becoming an increasingly important part of Saga's business. Saga Possibilities offers its members access to exclusive experiences, unique events and curated offers and it is fast becoming a way for us to engage with our most loyal customers.

Number of members

1.0m

(2019: 1.1m; (1.3%))

Highlights of our year

For over 65 years our customers have been at the heart of everything we do

Saga is a trusted brand which achieves over 89% recognition from the UK's over 50s

1,700

branded restaurants are now part of Saga's Dining Possibilities offering for Possibilities' members

Insurance

320k

fixed price policies

Successfully launched our innovative three-year fixed-price product in May with 320k policies sold and 65% of direct new business customers choosing this product

57%

direct sales

Shift towards direct model continued with increase in customers coming to see us directly

75%

retention in motor and home

Reflecting a range of initiatives including our change in approach to renewal pricing

Possibilities becoming an important route to market for our Cruise business

6,200

cruise passenger bookings sold to Possibilities members in the year

68%

of those customers were first time bookers with Saga

Spirit of Discovery launched in 2019 and Spirit of Adventure due in 2020. Together the new ships will complete the transformation of our Cruise business

Our Membership programme, Saga Possibilities, launched in 2017

1.0m

members

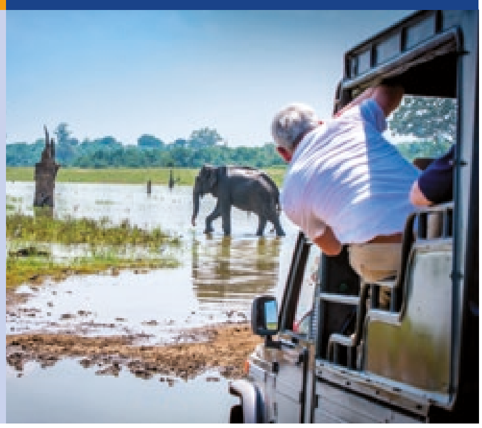
Drove engagement with the launch of a Possibilities app and a digital edition of the Saga magazine exclusive to Possibilities' members

Launch of two new savings products, with Marcus by Goldman Sachs

Announced the build of Spirit of the Rhine – Saga's bespoke new build river cruise ship

Delivered against our business priorities set out in April 2019

READ MORE PAGES 16-17



Patrick O'Sullivan
Chairman

Now more than ever, we must serve our customers well, so that the service we provide reflects the trust they place in Saga

The 2019/20 year was a turnaround year for our Company. From the restructuring of our Insurance business, and appointment of a new Executive Team, to the launch of our first ever purpose built ship, Spirit of Discovery, our Board has been determined to return Saga to its heritage of providing exceptional products and services to our customers.

Since the year end, like all other companies, we have been addressing the unprecedented environment created by COVID-19. The actions implemented last year to restructure Insurance and rebase its earnings, are succeeding with on-target profitability and strong cash flows. From these lower, but sustainable earnings levels we can begin to grow our Insurance business again. This will allow us to withstand the exceptional pressure on our Travel business.

We have been focused on protecting our financial position to ensure we have the resources to see us through this year, should the current crisis persist that long. The Board has taken action to preserve cash as we move through this year and has made the decision to suspend dividend payments until further notice.

Through all of this, the Board has restructured the Executive Management team, with the arrival of Euan Sutherland as Group CEO and Cheryl Agius as CEO of Insurance. Euan arrived at the beginning of the year and is already making a significant impact across the entire business.

I wish to thank our former CEO, Lance Batchelor, for his six years of service to the Group and wish him well for the future. I also welcome Gareth Hoskin to the Board and thank Ray King and Gareth Williams for their years of excellent service as Chairs of the Audit and Remuneration Committees. Ray is not seeking re-election and will retire at the 2020 Annual General Meeting (AGM) and Gareth will retire at the end of December 2020.

The current environment is making the future highly uncertain, but it is clear that with our strong brand and re-vamped Insurance business, we have the resources to weather the current crisis and to emerge from it stronger. On behalf of the Board, I wish to thank our dedicated colleagues and all our stakeholders for your support during these times.

Patrick O'Sullivan
Chairman
8 April 2020

I joined Saga because it is a unique British brand with a strong heritage

Everything I have seen since I joined in January has confirmed this view and I believe there is huge potential to return Saga to growth after many years of underperformance.

Good progress has been made since April 2019 in delivering against the priorities that were laid out for both the Insurance and Cruise businesses, against challenging external markets. We have also made good progress in deleveraging, with the sale of two non-core businesses expected to generate an additional £37m of cash in the first half of 2020/21.

Our Insurance business has seen a fantastic response to the three-year fixed-price policy with around 320,000 sales between launch and the end of January 2020 and we are tracking well against the direct share and margin goals we set in April. Whilst the business has largely been performing as we expected, we have taken a £370m non-cash write down of the Insurance goodwill due to a technical reassessment of the discount rate used in the valuation.

The launch of Spirit of Discovery in June was a significant step in our Cruise transformation programme. She has received considerable praise from the industry and our customers and we generated EBITDA of more than £20m in the second half of last year. This is in line with our run rate target of £40m per annum.

The progress we have made during the year has been overshadowed by the ongoing concerns about COVID-19 and its impact on the whole of the travel industry. We have taken action to protect our customers and colleagues, including suspending our Cruise business and Tour business. We have also increased our operational resilience by accelerating our 'smarter working' programme for our colleagues to ensure we have the operational flexibility to react to disruption within the UK.

We have taken immediate action to protect our balance sheet with the suspension of our dividend. I understand this is a painful decision for our shareholders but one that is necessary in the current environment.

While we believe there will continue to be significant disruption to the travel market, our Insurance business remains resilient. We have the flexibility to trade through the challenges in Travel and continue to deliver against our strategic objectives in Insurance. This will undoubtably be a tough year but I remain confident in the long term potential for the Group.

Simplifying the organisation and investing in capabilities

There have been a number of important additions to strengthen the Executive Team in recent months: Cheryl Agius joined as CEO of Insurance and will for the first time bring together all aspects of our Insurance business; Jane Storm joined as Chief People Officer; and Nick Stace as our Group Strategy Director.

With the strengthened Executive Team in place, we launched Simpler Saga in January with the goal of increasing the pace of execution and efficiency across the business. We have reviewed all areas of the business with a focus on flattening our structures to become closer to our customers and ensuring we are being as efficient as possible. This unfortunately impacted some colleagues from across the Group but we were able to minimise this by offering a voluntary redundancy programme. Simpler Saga is expected to deliver £15m of run rate savings for a one-off cost of £10m in the current year.

The Group has historically underinvested in brand, data and digital and these savings will be used to start the process of building these capabilities across the business.

Accelerating deleveraging

Our focus during the year has been on ways to accelerate the deleveraging of the Group, with a focus on the repayment of the term loan and revolving credit facilities in 2022 and 2023. Once these are repaid, the Group will have a long term capital structure comprising the two shipping facilities (both 10-year amortising facilities with fixed interest rates) and the corporate bond (due in 2024). This will provide the Group with strong liquidity to deliver against our strategic objectives over the coming years.

During the year we initiated several transactions expected to generate £60m of available cash:

- As part of Saga's annual licensing of our Tour business with the Civil Aviation Authority (CAA), we completed an internal reorganisation of our Travel business on 31 January 2020. The Group has been successful in removing the non-regulated Cruise business from the CAA ring fenced Group. The result is the transfer of £23m cash from restricted to available.
- On 17 February 2020 we reached agreement for the sale of Bennetts, an insurance broker for motorcycles, for an enterprise value of £26m, with net proceeds of £23m. Completion is expected in H1 2020/21.
- On 3 March 2020 we completed the sale of Patricia White's and Country Cousins for an enterprise value of £14m.

Good progress in the year

Insurance

Within Insurance, we successfully launched our innovative three-year fixed-price product in May. We have sold 320,000 policies during the year to 31 January and this now comprises more than 20% of our policy book. Our shift back towards direct has continued with over 57% (2018/19: 51%) of customers coming to us directly and over 60% of these have chosen our three-year fixed-price policy.

Saga branded home and motor policies are down 2.9% to 1,600k as we adopted a disciplined approach to new business, partially offset by a 2.2ppt increase in retention. The lower new business volume supported average home and motor margins, which at £74 per policy were at the top end of our expectations.

AICL, our underwriter, has achieved an Underlying Reported COR (excluding quota share) of 83.0% (2018/19: 62.0%), generating profit before tax of £40.6m (2018/19: £86.7m). Total reserve releases of £40.0m were driven by favourable experience on large bodily injury claims. In line with other insurers, we are seeing higher inflation on third party damage and theft costs, with overall inflation in Q4 running at around 7% compared with longer term expectations of around 5%.

Travel

Notwithstanding the current situation, the first six months of Spirit of Discovery's inaugural year were a success and she delighted our customers. Importantly, we are also achieving our financial expectations with £20m of EBITDA in the second half of the year. While there is uncertainty over the delivery date for Spirit of Adventure as a result of the COVID-19 crisis, our expectation is that this will be completed within the next 12 months. This will complete the transformation of our Cruise business.

The Tour business has had a more challenging year with weak customer demand, which has accelerated due to the impact of COVID-19. We have continued the repositioning of the business to focus on differentiated products, but we now need to accelerate this transformation.

Possibilities and brand

I believe there is huge latent potential in the Saga brand and Possibilities, our Membership and rewards programme, can be an important way for us to engage with our customers. We have invested in the brand and Possibilities this year, but we have not seen the step change that we need in important metrics; brand consideration and engagement with Possibilities is largely flat from a year ago. Net promoter score also fell during the year and while partly due to one off factors it is clear that we have much more to do here.

We are currently working on a relaunch of Membership and on a range of activities to improve how we interact with our customers.

Despite prompted brand awareness for the Group remaining at 89%, we have seen improvements in areas where we have launched truly differentiated products, for example our three-year fixed-price policy and Spirit of Discovery.

In April we laid out our goals to drive engagement with our Membership scheme. We launched the new Possibilities App and a digital only version of the Saga Magazine during the year; both have driven an improvement in digital engagement. The Membership proposition has been strengthened with offerings from Mitchells and Butlers, and Accor Hotels. This digital strategy has driven the number of emailable members to 500,000, approximately 50% of the total. We have used this to drive cross-sell activity and are pleased to have booked 6,200 travel passengers through Possibilities, passing our goal of 4,000.

The future

During the year we have made good progress but there remains much to do to continue to improve our capabilities in all areas of the business and to respond to changing customer behaviours, across both Insurance and Travel. Our priorities for delivery in 2020/21 are as follows:

- Continue to strengthen our operational and financial resilience as the COVID-19 impacts emerge.
- Complete the pricing and underwriting rebuild in Insurance.
- The reset of our Saga Holidays business to address the long term challenges we have faced.
- Completion of the Cruise transformation with the delivery of Spirit of Adventure.
- Refocus Membership and brand to truly drive engagement.
- To accelerate cultural change through the introduction of new values and behaviours in service of colleagues, customers and the community in which we serve.

I joined Saga because this is a unique British brand with a strong heritage, great people and a significant latent potential. Since joining I am all the more excited about what we can do and how we can accelerate the turnaround to unlock potential for colleagues, customers and investors. It is too early for me to give a detailed view of how we will unlock this potential and the future strategy, but I plan to give a full update on our strategy with our interim results in the autumn.

Euan Sutherland
Group Chief Executive Officer
8 April 2020

Saga operates in a dynamic environment across multiple sectors to meet the needs of its target demographic

Saga regularly reviews the trends and factors influencing our customers and markets to identify opportunities and risks.

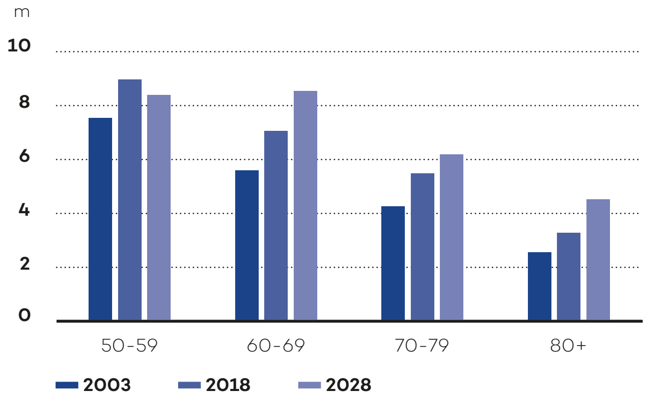
The Saga customer

Whilst Saga's target market is the over 50s, its core customers are often over 70. This segment of the over 50s market is large, affluent and will continue to grow. In 2019 this segment totalled 8.8m people, representing 13% of the entire UK population with total disposable wealth of £1.8 trillion (23% of the UK's disposable wealth). As the wealthy baby boomer generation reaches 70+, the segment is estimated to grow by 22% to 10.7m people by 2028, representing 15% of the UK's population.

Saga investment in strengthening its customer insight and ability to stay abreast of changing sentiments and behavioural traits of its core target market has supported its strong presence in this segment; 74% of Saga's Travel customers and 52% of Insurance customers are aged 70+.

Saga continues to invest in building its insight and systems capabilities to ensure that as a business it continues to evolve to ensure its relevance amongst today's over 70s.

Growth of UK over 50s by age



Vulnerable customers

Saga recognises that some of our customers need more attention than others. There are dedicated teams throughout the business to ensure that vulnerable customers are identified and given what help they need.

Competition for customers

Saga competes for business with many providers within the sectors in which it operates. Whilst our brand as the over 50s specialist in the UK is particularly strong, Saga does not have a monopoly. Competition for customers continues to increase notably in the more commoditised parts of the insurance and travel markets, where customers can buy simple and cheap products very easily online. In this landscape, it is increasingly important that Saga offers differentiated products and services that will give its customers and Possibilities members a compelling reason to come to us and stay with us.

Regulatory and legislative developments

Saga operates within an evolving regulatory landscape. Aspects of this, such as the Data Protection Act 2018, cover all of Saga's business. Other aspects cover the Group's Insurance, Travel and Personal Finance operations.

The Insurance business is regulated by both the Financial Conduct Authority (FCA) and the Gibraltar Financial Services Commission and the Travel business by the Civil Aviation Authority (CAA). The Travel businesses are also members of the Association of British Travel Agents (ABTA).

The FCA continues to focus on pricing practices generally, including its Market Study on general insurance pricing practices. We are supportive of the FCA Market Study and believe that, over the long term, it will be positive for Saga's customers and our place in the market. While the outcome of the study has now been delayed beyond the planned publication date of June 2020, it is noted that the FCA will aim to deliver its final findings and proposed remedies in the summer. The FCA has continued to focus on good customer outcomes – through its work on culture and governance, operational resilience, vulnerable customers and product value – and Saga's three lines of defence activities continue to align to these.

Political developments

Brexit

During the year, the Group's established Brexit working groups focused on identifying, assessing, and where possible, implementing mitigations for the risks of a disruptive Brexit. At the end of January 2020, the UK left the EU with an agreed deal and entered into a transition period, which is due to end in December 2020. Whilst there is uncertainty around the terms of any future trading agreements between the UK and the EU and other countries, Saga is not currently anticipating any material adverse impacts arising from the end of the transition period. The Brexit working groups will continue to monitor and respond to the negotiated terms of the exit, as they become more certain

COVID-19

At the year end, Saga mobilised its crisis management team to plan for and manage the impact on Saga of the global spread of COVID-19. Whilst at 31 January the impact was limited to a few geographical locations overseas, since then the situation has evolved rapidly into a global pandemic with far reaching societal and market consequences.

In line with the quickly escalating threat, Saga has rapidly developed its operational resilience plans to ensure the safety of our customers and colleagues, and to enable the Insurance business to continue to deliver against its objectives.

To protect our customers, in January, our Cruise business introduced robust health and travel screening for all visitors to our ships pre-boarding, and enhanced cleaning procedures onboard, which exceeded the standards set by industry bodies. Following the UK government's health advice for over 70s issued in March 2020, the Cruise business was suspended. Throughout this period the Tour Operations business closely followed the Foreign and Commonwealth Office's advice on overseas travel. Saga laid on charter planes to repatriate customers as European countries introduced social distancing measures and more recently has suspended trading.

To protect our colleagues and to ensure that the Insurance business continues to operate without interruption or reduction in its services, Saga accelerated the roll out of the 'smarter working' programme, from 200 customer facing colleagues to 1,058. This means that the Insurance business can continue to support existing and new customers through Saga's call centres, and all back office functions can continue as usual. As at 31 March, full home working has been enabled for over 2,300 colleagues.

To ensure the financial stability of Saga, the business has assessed the impact of a prolonged suspension of Travel operations on budgeted Underlying PBT, cashflow and adherence to banking covenants. Further details of the scenarios modelled and results are shown in the Operating and Financial Review on pages 46-47. The conclusions are that Saga has significant available cash resources. The Insurance business is cash generative and is expected to be largely unaffected by COVID-19. In the severe but plausible scenarios modelled, the Group assessed that it was possible that covenants in the Group's short term bank debt could be breached temporarily in the later part of the current financial year. Therefore as a precautionary measure, the Group entered into discussions with lending banks to amend its bank debt in early March 2020. These discussions were concluded on 1 April 2020, with amendments to banking covenants that provide the Group with much greater financial flexibility in the event of a prolonged suspension of the travel business

Saga will continue to adapt the Group's operational resilience plans and review the financial stress tests, as the impact of COVID-19 develops.

Our purpose is to help our customers lead the life they want

STRATEGIC PRIORITIES PAGES 14-15
CORPORATE RESPONSIBILITY PAGES 18-31
PRINCIPAL RISKS AND UNCERTAINTIES PAGES 32-33

OUR PURPOSE

OUR SOURCES OF VALUE

Brand strength
In a highly competitive environment, the Saga brand can be a key differentiator. We recognise that the strength of our brand supports our direct marketing model, drives purchases and improves retention.

Our people
Our people are core to our brand. We continue to invest in building a high-performance and high-support culture. We encourage our people to be brave and to challenge each other to deliver service excellence to our customers.

Our customers
At the heart of our business model is our drive to know more about our customers' wants and needs so we are best placed to serve them.

Membership
We continue to invest in our Membership programme, Possibilities, strengthening our ability to gain unique insights into the evolving traits of our demographic, while deepening our relationship with them.

Proprietary data and technology
We continue to invest in renewing and refreshing our systems capabilities and in strengthening our ability to capture insights at every point of contact with our customers. Our Membership programme enables us to develop our understanding of our target demographic and their changes in behaviour over time. This helps us tailor our offering to existing and potential customers.

Supplier partnerships
Our supplier relationships are fundamental to our business model. Our partners benefit from our brand, customer knowledge and access to an attractive demographic. Access to specialist skills, knowledge and capital help us deliver the best outcome for our customers.

Financial strength
Saga's capital efficient business model means we are highly cash generative as much of our profit after tax is converted into cash. This provides the flexibility to balance investment in the brand and core businesses and debt reduction.

UNDERPINNED BY OUR PEOPLE, CULTURE AND VALUES

Our purpose is to help our customers lead the life they want. Our values are who we are and how we work – they are brought to life every day by our people. We believe every interaction – whatever form it takes – should reflect our values.

DELIVERED THROUGH THE SAGA MODEL →

A great brand
Saga is a trusted brand which achieves over 89% recognition from the UK's over 50s.

Differentiated products
We listen to our customers and our Possibilities members to design and deliver high-quality, differentiated products and services that resonate with our customers; giving them a compelling reason to come to Saga and to stay.

Unique route to market
Saga's proprietary database, Membership programme, marketing model and compelling direct propositions provide direct access to both existing and new customers across multiple channels.

Outstanding service
Our customers and Possibilities members know what good service looks like, expect the best, and recognise it when they get it. We monitor feedback and the quality of customer service provided by our in-house and third party teams.

CREATING VALUE FOR OUR STAKEHOLDERS

Saga is committed to maximising value for our key stakeholders.

Customers and Possibilities members
Our customers and members of Saga Possibilities are at the heart of everything we do. We design bespoke products and services that help them lead the life they want to lead. Supported by our exceptional service, we seek to develop multi-decade relationships with our customers.

Measurement:

- NPS
- Number of customers holding more than one product

Employees
Our success relies on having highly engaged employees who are committed to delivering exceptional service to our customers. We invest in building the capabilities of our people and embedding a positive, high-performance, high-support culture across our organisation.

Measurement:

- Employee engagement score

Community
Saga is committed to supporting the communities in which it operates through charitable giving, employee volunteer programmes and minimising the negative impact our operations have on the environment. We are proud to represent and campaign on behalf of our customers on a range of issues that affect the UK's over 50s.

Measurement:

- Refer to investing in our communities on pages 24-25 for further details

Shareholders
Saga aims to enhance long term value to shareholders by fixing its core businesses, returning to sustainable growth and accelerating deleveraging.

The Board of Directors will assess the Group's Dividend Policy for current and future years as the COVID-19 situation becomes more certain.

Our values can be summarised as 'The Saga Way':

- We must see the world through our customers' eyes, so we can exceed expectations.
- Nothing is too much trouble for our customers.
- We work as one team to serve the needs of our customers.
- We trust and challenge each other to be brave and to do the right thing.

To support the successful delivery of our strategy, we are committed to building a high-performance and cohesive culture across the organisation which promotes talent, diversity and ongoing development.

Saga's disciplined execution of the stated objectives set out in April 2019 supports its strategy to return Saga to its heritage as a company that delivers high-quality, differentiated products and services that resonate with its core customers.

1 RELAUNCH RETAIL BROKING WITH A COMPELLING DIRECT PROPOSITION

Stated objectives

To relaunch Saga's Insurance strategy to focus on direct channels and products that offer attractive, innovative features to give customers a reason to come to Saga direct and to stay.

Strategic delivery

- Sold 320k three-year fixed-price policies, with 65% of direct new business choosing the premium product since it was launched
- Around 57% of new business customers are now coming to us on a direct basis, compared with 51% in 2018/19
- Increased customer retention across home and motor business by 2ppts to 75%
- Saga branded home and motor policies declined by 2.9% as the Group maintained pricing discipline in a highly competitive market
- Home and motor gross margins (less marketing costs) of £74.3 were slightly ahead of the indicative range of £71-£74 reflecting the lower new business strain
- Achieved overhead savings of £1.8m reflecting cost saving initiatives, improvements in capabilities and focus on operational efficiencies

2 COMPLETE THE TRANSFORMATION OF CRUISE

Stated objectives

To become a great British boutique cruise line with the delivery of two new purpose built cruise ships in July 2019 and 2020 which create luxury and value to customers and sets the bar for the industry.

Strategic delivery

- Launched Spirit of Discovery on time and on budget in July 2019
- Spirit of Discovery achieved £20m in EBITDA for the second half, in line with guidance of £40m EBITDA per ship per annum
- Spirit of Adventure is due for delivery in 2020
- As at 31 January 2020, forward bookings for 2020/21 were at 80% of the full year target. For further details on current forward sales refer to page 40 of the Operating and Financial Review

3 ACCELERATE THE TRANSFORMATION OF OUR TOUR OPERATIONS BUSINESS

Stated objectives

To redefine Tour Operations as a specialist travel company, focusing on higher margin escorted touring and river cruises.

Strategic delivery

- Continued to focus on areas of the business where our customer proposition is truly differentiated; progress made evident in change in passenger mix and increase in average revenue per passenger
- Margins improved in the second half due to a focus on differentiated propositions and improved management of commitments
- Continued to invest in high-quality, differentiated propositions with investment in the of Spirit of the Rhine, Saga's bespoke new build river cruise ship designed for customers who want a luxurious river cruise experience

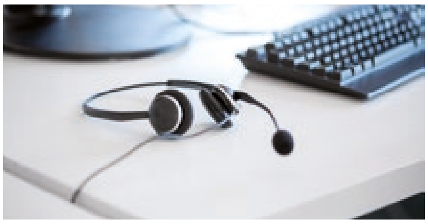
READ MORE

- **KEY PERFORMANCE INDICATORS** PAGES 16-17
- **SUSTAINABILITY STRATEGY** PAGE 18
- **PRINCIPAL RISKS AND UNCERTAINTIES** PAGES 32-33

4 INCREASE USAGE OF AND ENGAGEMENT WITH OUR MEMBERSHIP PROGRAMME, SAGA POSSIBILITIES

To grow member engagement and multiple product holdings and support Saga Possibilities becoming the main route to Saga's customers.

- Membership base of 1.0m
- Prompted brand awareness flat at 89%, however we have seen improvements where we have truly differentiated products e.g. our three-year fixed-price policy and Spirit of Discovery
- Shareholders were invited to join Saga Possibilities
- Achieved full year target of 4,000 direct passenger bookings through Travel Possibilities, contributing £19m to travel revenues
- Growth in the number of emailable members supporting the Group's digital strategy
- Saga Possibilities supported cross-sell activities with the Travel business booking 6,200 Travel passengers passing our goal of 4,000



5 BECOME MORE EFFICIENT

Support the delivery of operational and cost efficiencies across the Group.

- Enhanced Saga's ability to personalise and target communications to our customers through the completion of the rollout of Adobe Marketing Cloud and the optimisation of the 'MySaga' digital customer journey
- Continued the Guidewire implementation in Retail Broking with the motor product now fully on the platform. The migration of the home product is due in 2020/21
- Started the Tigerbay implementation in Tour Operations with completion expected in 2020/21
- Simpler Saga is expected to deliver £15m of run rate savings for a one-off cost of £10m in the current year.

6 DEVELOP OUR PEOPLE

Increase colleague engagement and build a culture which promotes talent, diversity and fosters high performance.

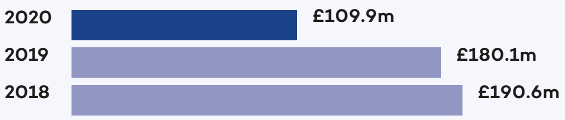
- Improved the sustained engagement score from 70% in 2018/19 to 73% in 2019/20
- Enhanced our engagement through the People Committee, our workforce advisory panel. The Committee gathered the views and opinions of our people and provided feedback to the plc Board
- Saga continued to be a member of the 30% Club. This commitment was supported through annual reporting to address the gender pay gap and supporting the increase in female representation in our 1-2 year pipeline

In 2019/20, the Group used the following key performance indicators (KPIs) to track and measure the financial and operating performance of the business and its strategy

Underlying Profit Before Tax

£109.9m

2019: £180.1m



Definition
Refer to the Glossary on page 202 for definition and explanation.

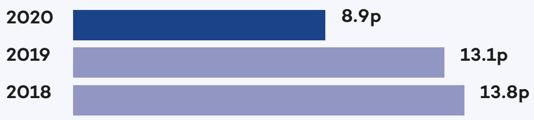
Purpose
This measure is a meaningful representation of the Group's underlying trading performance as it excludes non-cash derivative adjustments and one-off financial impacts that are not expected to recur.

Performance
Refer to the Operating and Financial Review on page 36.

Underlying Earnings Per Share

8.9p

2019: 13.1p



Definition
Refer to the Glossary on page 202 for definition and explanation.

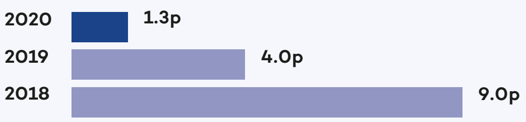
Purpose
This measure is linked to the Group's KPI, Underlying Profit Before Tax, and represents what management considers to be the underlying shareholder value generated in the period.

Performance
Refer to the Operating and Financial Review on page 36.

Dividend per share (pence)

1.3p

2019: 4.0p



Definition
Calculated as cash returns per ordinary share.

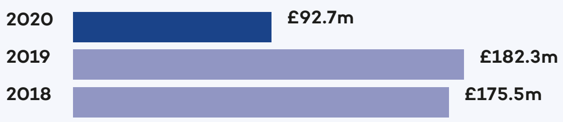
Purpose
This measure highlights an element of shareholders' return.

Performance
Refer to the Operating and Financial Review on page 47.

Available operating cash flow

£92.7m

2019: £182.3m



Definition
Refer to the Glossary on page 202 for definition and explanation.

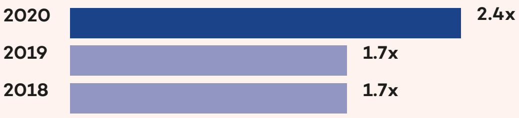
Purpose
This measure indicates the cash generation of the business.

Performance
Refer to the Operating and Financial Review on page 41.

Debt ratio

2.4x

2019: 1.7x



Definition
The ratio of adjusted net debt to adjusted Trading EBITDA.

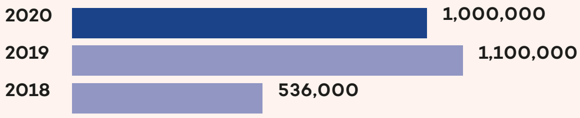
Purpose
This measure represents the Group's financial flexibility.

Performance
Refer to the Operating and Financial Review on page 45.

Saga Possibilities members

1.0m

2019: 1.1m



Definition
Number of members in the Saga Possibilities Membership programme.

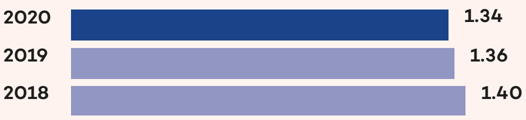
Purpose
This metric is an important measure to track the Group's plan to grow its membership base.

Performance
Number of members in line with Membership strategy to grow engagement on a stable base.

Average products held

1.34

2019: 1.36



Definition
Calculated as the total number of core Saga products held per customer.

Purpose
This metric indicates how the Group is tracking against its aim to increase multiple product holdings within its customer base.

Performance
Despite a slight decrease in the number of addresses and those with multi product holdings there has been a positive take up of the three-year fixed-price product, launched in May 19. This supports the Group's focus on improving retention and rewarding customer loyalty.

Brand net promoter score

20

2019: 25

Definition
Calculated based on customer survey responses weighted by business units to be representative of the Saga Group.

Purpose
This metric is an index that measures the willingness of customers to recommend products or services to others.

Performance
Brand NPS declined to 20 partly due to one-off factors including the closure of the Group's credit card provided through Saga Personal Finance. The Group remains committed to investing in the brand and improving its perception with customers.

Our sustainability strategy

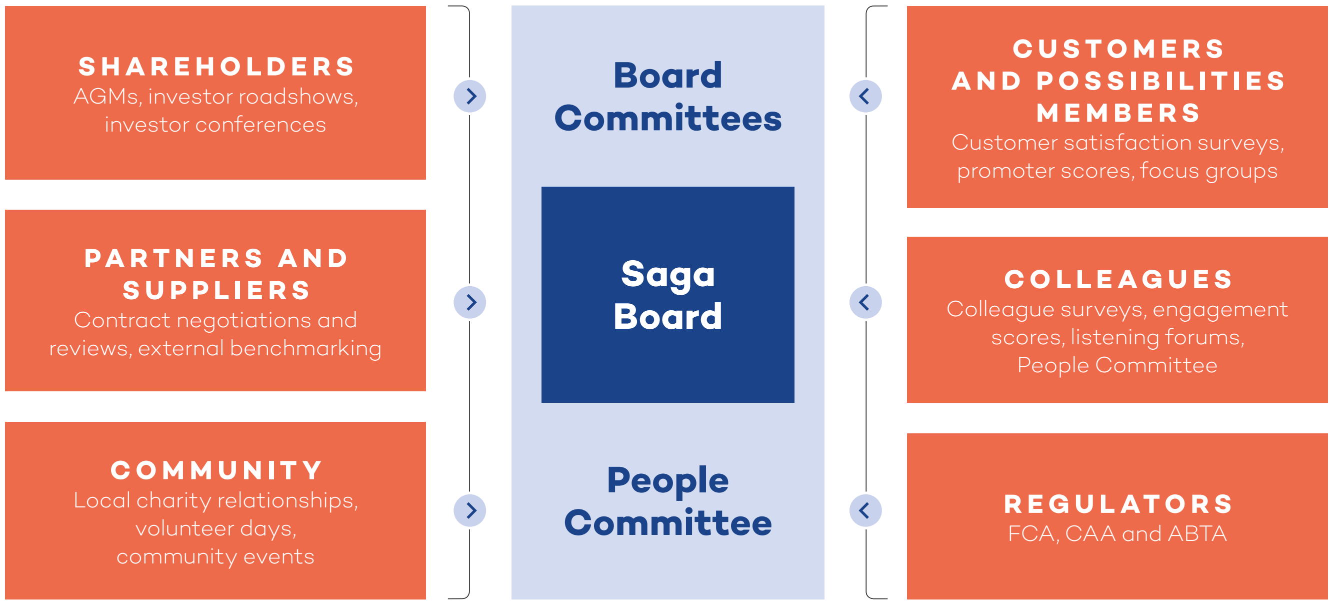
We have made considerable efforts to move our responsible business agenda forward with support from our membership of Business In The Community and through participation in its Responsible Business tracker. Our activities have been broken down into four key areas, each led by a member of Saga's Group Executive, and align to the Sustainable Development Goals.

Environmental, Social and Governance – at a glance

	Environmental	Social		Governance
Strategic pillars for sustainability	**Safeguarding the environment**	**People and culture**	**Investing in our communities**	**Responsible business practices**
Executive management sponsor, reporting to the Board	Robin Shaw, CEO Saga Travel	Jane Storm, Chief People Officer	Jane Storm, Chief People Officer	Stuart Beamish, Group Chief Customer Officer
Priorities and targets	**Promoting high standards of environmental stewardship**	**Our customers are at the heart of everything we do; nurturing and developing our talent to create rewarding careers for all; supporting our communities and wider society**		**Promoting and committing to high standards of transparency and governance**
Focus areas and page references	• Emissions • Waste • Single-use plastics	• Diversity, inclusion and belonging • Gender pay gap • Employee engagement • Rewards and recognition	• National Charity Partner • Volunteer days • Ships and partner site fundraising • Local project funding • Payroll giving • Workplace lottery • Charity awards • Community meetings/ interaction • Community garden (Enbrook)	• Customer satisfaction • Financial crime • Human rights and Modern Slavery • Our suppliers • Responsible investments
Links to our strategic objectives	2 3 4 6	5 6	6	1 2 3 4

Engaging with our stakeholders

The Board engages with its stakeholders throughout the year through a variety of means, including those listed below:



Gaining feedback through stakeholder engagement

The Board is committed to understanding the views of the Company's key stakeholders through its active and regular engagement with them, as outlined in the graphic above which highlights the key methods by which engagement is conducted and feedback collected.

Stakeholder mapping

The Group undertook a comprehensive stakeholder mapping exercise whereby customers, suppliers and colleagues were asked what was important to them and what they felt should be important to Saga with regards to responsible business practices. We aim to incorporate the top issues into 'business as usual', linking to the Company strategy, touchstones, emerging and principal risks and uncertainties and our customer strategy. A summary of the survey findings can be found on page 21.

Considering stakeholder interests in Board decision making

The Board has put in place processes designed to ensure that stakeholder interests are considered in Board discussions and in the principal decisions it takes.

The Board's duties under section 172(1)(a)-(f) of the Companies Act 2006 include the need to foster the Company's business relationships with suppliers, customers and others.

These processes are described in more detail in the introduction to our Section 172 statement on page 50 and further evidence is shown in our stakeholder engagement overview on page 20.

Engaging with our stakeholders – an overview

Regular engagement with our stakeholders is extremely important to us. In 2019, we worked with Business In The Community to undertake a responsible business survey with our colleagues, customers and suppliers to better understand the issues important to them and which they think should be important to Saga. This feedback will help to steer our responsible business strategy. Details of how the Board engaged with our stakeholders is provided on page 60.

Stakeholder group	Activity	Alignment with purpose, values and culture	Board discussion and principal decision making	Examples of outcomes for stakeholders
Customers	• A responsible business survey to enhance our understanding of what these key stakeholders think should be our focus areas	• Being responsive to the views of stakeholders	• Statutory duties for directors under the Companies Act • Group Executive sponsors with overall responsibility for stakeholder mapping • plc Board representative sponsor • Non-Executive Director acts as 'Customer Champion'	• See the summary of the top issues opposite
Colleagues	• See detailed colleague engagement overview on page 22 for details • A responsible business survey to enhance our understanding of what these key stakeholders think should be our focus areas	• See detailed colleague engagement overview on page 22 for details • Being responsive to the views of stakeholders	• Group Executive sponsors with overall responsibility for stakeholder mapping • Chief People Officer attends plc Board, Nomination Committee and Remuneration Committee meetings • Direct feedback to Board members through the People Committee	• See detailed colleague engagement overview on page 22 for details • See the summary of the top issues opposite
Community	• Active engagement with the community close to Saga's HQ in Folkestone through community meetings hosted by Saga's Group CEO and Chief People Officer	• Commitment to an efficient process, carefully monitored and evolved through ongoing learnings • Supporting the community where our colleagues live and work • Being responsive to the views of stakeholders	• Hosted by Saga's Group CEO and Chief People Officer • Day to day activity is managed by the charity team	• Open communication between business and community to maximise opportunities and understanding of how the business has supported the Community
Partners and suppliers	• A responsible business survey to enhance our understanding of what these key stakeholders think should be our focus areas	• Being responsive to the views of stakeholders	• Supplier Risk Committee reports to Group Executive Committee • Subsidiary boards monitor supplier risk management • Key partnerships monitored at all levels and subject to annual due diligence	• See the summary of the top issues opposite

Stakeholder group	Activity	Alignment with purpose, values and culture	Board discussion and principal decision making	Examples of outcomes for stakeholders
Shareholders	• Active engagement with shareholders by Group CEO, Group CFO and Investor Relations team	• Commitment to strong strategic rationale and cultural alignment around remuneration related issues	• Statutory duties for directors under the Companies Act • Considered as part of all Board discussions and decisions	• Shareholders have a detailed understanding of the Group strategy and financial performance
Regulators	• Proactive engagement and open levels of communication with all regulatory bodies	• Being responsive to changes in the regulatory landscape whilst maintaining a customer focus	• Group Executive sponsors • Considered and discussed at all Board and subsidiary board meetings	• See pages 10-11 for details of issues discussed in the year

Top issues from stakeholder mapping
The stakeholder mapping survey was carried out among three key stakeholder groups – Customers, Colleagues and Suppliers.

The results of the survey showed us the following:

The top issues for our colleagues related to the Saga brand and its growth and profitability

76%

of our surveyed customers think Saga is a responsible business and environmental issues are a key concern for them

Whilst our suppliers surveyed felt it is important for Saga to be a responsible business, the vast majority believe we already are

Colleagues and culture

Diversity, inclusion and belonging

Building a diverse and inclusive culture, where colleagues feel a sense of belonging, continues to be a key focus for us. We continue to understand what's important to our colleagues, as well as ensuring we have actions in place to further embed this into everything we do, whether that's recruitment, training, performance management or rewarding our people. We also encourage our colleagues to speak up, even when it may be uncomfortable to do so.

Mental health is central to our wellbeing strategy and in 2019 we launched our mental health first aider and mental health champion programme to colleagues at all levels as another way of supporting our colleagues who may need someone to talk to. Wellbeing is also a central pillar to our internal communication strategy, using national campaigns and awareness days to help our colleagues to talk about wellbeing and highlight the support and benefits we have in place.

Gender pay gap

We support the commitment to address the gender pay gap, and like many organisations we are working hard to reduce ours but acknowledge that this may take some time. This year, we have focused on ensuring our leaders are accountable and understand their role in improving diversity. We have continued partnering with organisations; we are delighted to be part of the 30% Club's mentoring programme.

Colleague engagement

We are committed to building exceptional colleague engagement. We plan to communicate openly and clearly with our colleagues, recognising that effective communication is key to building engagement. Every week, we share business updates, news and achievements with our colleagues. We look to build on this and improve our communication further, and in 2020, we will launch a new communications platform.

This will enable us to provide simple, engaging and important information to all colleagues, on the device they prefer, and in a way that enables them to be part of the conversation.

	Male		Female		Total
	Actual	%	Actual	%	
Board[1]	7	64%	4	36%	11
Senior managers[2]	108	64%	61	36%	169
Colleagues[3]	1,671	44%	2,124	56%	3,795
All	1,786	45%	2,189	55%	3,975

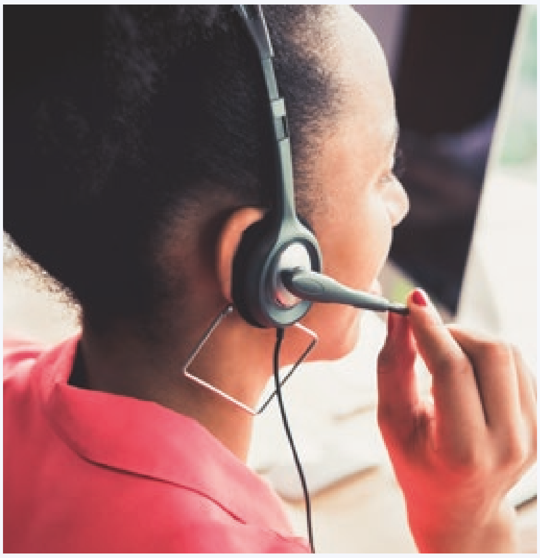
Notes:
1 Directors of the Company including Executive and Non-Executive
2 All divisional directors, and employees with strategic input and influence
3 All Saga employees (excluding Directors and senior managers)

Our overall colleague engagement scores have increased from 70% in 2018/19 to 73% in 2019/20. The key actions taken in 2019 centred around:

- being able to work flexibly through the introduction of smart working; i.e. enabling some colleagues to have real choice in how and where they work, whether that be office based, home based or a combination of both.
- investment in new technology and equipment (for example dual screens for all contact centre agents).
- being clear about the health benefits and support available (to include mental health first aiders).
- clarity on our vision for the future (through leadership events and roadshows hosted by our Group Executive team).

In January 2019, we set up a People Committee, with the aim of gathering the views and opinions of all colleagues and providing feedback to the Board. Meetings continue to be held bi-monthly, with representatives from across the business attending. Topics covered have included remuneration, reward and recognition, employment, engagement and communication.

Since the arrival of our new Group CEO, Euan Sutherland in January 2020, we have also launched 'Tell Euan About' sessions. These sessions enable colleagues to have an open channel of communication with the Group CEO and Chief People Officer (CPO), Jane Storm, and facilitate discussion around how we can all move the business forward towards excellence everywhere.



Investing in our communities

Being a good corporate citizen is extremely important to Saga. Our activities have focused on supporting our charity partner, The Silver Line, as well as the communities we operate in.

Social

Saga's three-year charity partnership with The Silver Line, the UK's 24-hour helpline for older people, ended in September 2019. Fundraising in 2019 included an auction held onboard the Spirit of Discovery's shakedown cruise. The event was attended by Dame Esther Rantzen, The Silver Line's founder. Our colleagues also took part in a variety of fundraising activities in our 'Silver September' month, raising over £40,000 for the charity. This meant throughout the partnership, we gave £918,000 of support to this extremely worthy cause and we wish them every success for the future.

An additional £25,000 has been raised for other good causes by our partner businesses and onboard our ocean cruise ships.

Our workplace lottery continues to be well supported with an average of 750 colleagues playing each week. The lottery has raised over £38,000 for good causes throughout the year, the majority of which has been donated to The Silver Line.

We have been proud to support the Saga Charitable Trust since 1985. During this time, the Trust has supported a number of projects in developing countries visited by Saga holiday's guests. However, as we move our responsible business strategy forward, the board of Trustees decided to close the Trust. Our focus will be on our charity partner and colleagues' engagement in having a role in society.

We are proud of our local grant scheme which enables charities located within a 20-mile radius of a Saga office location to apply for a grant. In 2019/20, we gave £7,300 to support good causes within our local community. In addition, in December 2019 we introduced a reverse advent calendar, donating £2,400 to a variety of local charities during the 12 days of Christmas.

Colleague Match Funding is a great way for us to be able to support our colleagues with their fundraising. In 2019/20, we increased the number of available grants, and have given £5,750 of match funding during the financial year. Colleagues were also able to nominate themselves or others for a charity award which celebrated a fundraiser and volunteer of the year. The winner of each category received a £500 donation for their charity.

In March 2019, we worked with the local community to create a Community Garden at our office in Folkestone, Kent. This is an area which is available for all to use and has brought members of the community together to grow fresh produce for themselves and others. The Community Garden has been a great success and we hope to be able to introduce beehives to the garden in 2020.

The launch of Spirit of Discovery gave us an exciting opportunity to engage with our local primary schools. We collaborated with the Port of Dover to run a 'When I grow up, I'd like to be....' project educating the children on the job roles required on a cruise ship and at the port. The children were given a tour of the ship so they could see some of the roles in action and an insight into what they could achieve in the future.

Employability is a key focus for our People team. They work with a variety of local schools, colleges and universities to help students in our community become ready for work.

As a signatory to the Armed Forces Corporate Covenant, we have policies that support colleagues who are members of the reserve forces or whose spouses serve in our armed forces. To mark Armed Forces Day, we made donations to: SSAFA, The Gurkha Welfare Trust, The Royal British Legion and the Royal Navy and Royal Marines charity. We also sponsored a Red Arrow at Folkestone's Armed Forces Day event.

Creating an open dialogue with our community is incredibly important to us. We hold regular meetings offering members of the local community the opportunity to meet our Group CEO to discuss the issues affecting the community and any opportunities where Saga can support.

VOLUNTEERING IN THE COMMUNITY

Using our colleagues' expertise is a great way to support the community and we will continue to promote volunteering opportunities in 2020.

In January 2019, we launched our Employer Supported Volunteering Day. During the year our colleagues have given over 400 hours of volunteer time to support the local community. This has included a workshop for charities on internet security using our colleagues' expertise, one colleague has travelled to West Africa to help build a school and others have used their day to support local charity events, local conservation projects and help to renovate charity spaces.

Safeguarding the environment

New 30% CO_2 emissions target

During 2019 we undertook a review of our Scope 1 direct and Scope 2 indirect emissions. Following this review, we set a 30% reduction target in these emissions by 2030. This sets out our ambition for hitting well below the 2°C temperature rise global target by 2050.

Saga is working closely with Carbon Credentials to monitor our Scope 1 and 2 emissions. The work already underway includes efficient route planning of our cruise ships. With reducing pollution being an important part of our future and being a key topic in the industry we hope to continue, encourage and produce more ways to keep emissions as low as possible. We have applied energy efficient measures to our offices such as solar film on external windows, helping to better control the heat and light within our offices. We are also communicating ways our colleagues can help us to reduce our impact on the environment, investigating renewable energy for our office sites and keeping abreast of new innovations as they become available.

Greenhouse gas emissions

This section of the annual report has been prepared in accordance with our regulatory obligation as a listed company to report greenhouse gas emissions pursuant to Section 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Our total greenhouse gas emissions have increased by 2% during the 2019-20 financial year compared with the year before. Saga plc has emitted a total of 102,770 tCO_2e from fuel combustion (Scope 1 direct) and electricity purchased for our own use (Scope 2 indirect). This is equivalent to 85.8 tCO_2e per £m customer spend.

The overall increase in emissions is largely due to an increase in marine fuel due to the purchasing of a new ship, 'Spirit of Discovery'. The emissions per passenger have reduced in this financial year from 3.52 tCO_2e to 2.91 tCO_2e.

The table below shows our greenhouse gas (GHG) emissions for the year ended 31 January 2020.

Greenhouse gas emissions in tonnes of carbon dioxide (tCO_2) or carbon dioxide equivalent (tCO_2e)

Emissions source	2019/20 Emissions**	2018/19 Emissions
Scope 1	100,066 tCO_2e	97,497 tCO_2e
Scope 2 (location-based)	2,705 tCO_2e	3,260 tCO_2e
Total Scope 1 and 2	102,770 tCO_2e	100,757 tCO_2e
tCO_2e per £m customer spend	85.8	83.7
Scope 2 (market-based)*	58 tCO_2	260 tCO_2
Scope 3	1,852 tCO_2	1,825 tCO_2

* Emissions from the consumption of electricity outside the UK and emissions from purchased electricity calculated using the market-based approach using supplier-specific emission factors are reported in tCO_2 rather than tCO_2e due to the availability of emission factors

** 2018-19 emissions have been verified to ISO 14604-3 standard by our sustainability partner Carbon Intelligence. Our 2019-20 emissions will be verified in the coming quarter

Methodology

We quantify and report our organisational greenhouse gas emissions in alignment with the GHG Protocol, which includes alignment with the Scope 2 Guidance (reporting Scope 2 purchased electricity using both the location-based and the market-based methodology).

The 2019 UK Government GHG Conversion Factors for Company Reporting have been applied to calculate Scope 1, Scope 2 (location-based) and Scope 3 emissions from corresponding activity data. Supplier-specific emissions factors have been applied for the calculation of Scope 2 market-based emissions.

Single-use plastics

Single-use plastic has been a focus for us in 2019; we have introduced a Single-Use Plastic Policy and will be working closely with our suppliers to support us in our aim of becoming single-use plastic free.

Our initial focus has been to reduce the amount of single-use plastic used within our office delis, resulting in a reduction of more than 1.2m items of single-use plastics. We are also trialling a paper wrap option for use on our travel and Saga Magazine mailings which we aim to roll out during 2020.

Project Ocean has been launched onboard our ocean cruise ships, Saga Sapphire and Spirit of Discovery. The aim of Project Ocean is to promote awareness onboard, reduce waste, decrease CO_2 emissions and to promote a greener future for our vessels.

Waste management

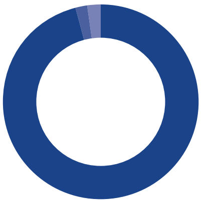
We are working in collaboration with our new waste disposal provider to reduce our waste and improve recycling. The new process will enable us to more accurately split our office waste into three clear waste streams and continue our nil to landfill for our Saga branded office sites. The data we receive will help us to identify opportunities for us to further improve.

On our new ships we have advanced waste treatment systems increasing recycling, reducing waste offload and minimising our impact on the environment. Our ships have adopted Saga's Single-Use Plastic Policy and have banned all single use plastic on our new ships from August 2020.

Estate management

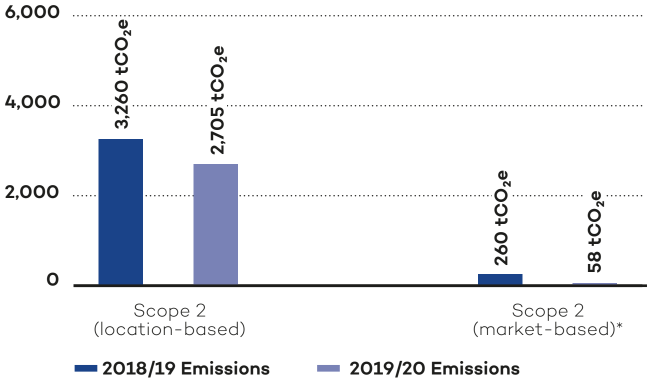
A third of Saga's company car fleet is either electric or hybrid vehicles. During the year we continued to encourage company car drivers to select more environmentally friendly options. Additional electric charging points have been installed in our office car parks to support this. We have continued to upgrade our office lighting to LED light bulbs which will be completed by 2021. Our offices are fitted with building management system controls to run our sites as efficiently as possible.

Figure 1: Total location-based emissions (2019/20)



Scope 1	96%
Scope 2	2%
Scope 3	2%

Figure 2: Total location-based emissions (2019/20)



Reporting boundaries and limitations

We consolidate our organisational boundary according to the operational control approach and have adopted a materiality threshold of 5% for GHG reporting purposes.

The GHG sources that constitute our operational boundary for the 2019-20 reporting period are:

- Scope 1: Natural gas combustion within boilers, marine fuel combustion within ships, road fuel combustion within vehicles, fuel combustion within non-road mobile machinery, and fugitive refrigerants from air-conditioning equipment.
- Scope 2: Purchased electricity consumption for our own use.
- Scope 3: Business travel from grey fleet and from taxis, transmission and distribution losses associated with electricity consumption.

Saga plc is now in the fourth year of disclosing diesel used in non-road machinery and the second year of disclosing business travel in taxis and transmission and distribution losses associated with electricity consumption. As in previous years, Scope 3 business travel emissions from rail and air have been identified, but not included in our disclosure. Emissions from energy paid for in service charge have been excluded due to lack of data and immateriality.

Assumptions and estimations

In some instances, where data is missing, values have been estimated using either an extrapolation of available data from the reporting period or data from 2018-19 as a proxy.

Energy procurement decisions

The graph above shows Saga plc's Scope 2 emissions from purchased electricity, which have been calculated using both the location-based and the market-based methodologies.

Saga plc purchases 95% of its electricity from a 100% renewable supply from Haven Power. As in previous years, the dual reporting of our emissions in this way demonstrates that we are making efforts to reduce our climate impact through the purchase of electricity generated from cleaner sources.

Carbon Disclosure Project (CDP)

Saga plc made the decision in 2015 to respond to the CDP Climate Change Questionnaire to better understand and manage our climate-related impacts, risks and opportunities. In 2019 Saga plc scored an A – which is categorised as the leadership category.

The Board acknowledges Saga's duty to proactively and consciously manage and mitigate, where possible, the impact of its business on the environment. Saga supports the ongoing integration of risk identification and management across the Saga Group, including the proactive, pre-emptive identification and mitigation of new and emerging risks. Key climate-related risks are assessed both top down and bottom up, as part of the risk assessment process that takes place annually. All risks are assessed against the Saga Group risk scoring matrix, ensuring they are measured in a homogeneous way so that Saga focuses on its most material risks.

In addition, as part of strategic planning, Saga Group Risk performs internal and external analysis to identify the key emerging risks, which are assessed against several dimensions including:

- the pace of emergence
- scale of impact
- control effectiveness
- risk of recurrence

Our cruise ships

Saga proudly took ownership of its first brand new cruise ship, Spirit of Discovery, in July 2019 and she will be followed with a sister ship, Spirit of Adventure, in 2020. These luxury ships provide high-end cruising for Saga's customers whilst also being kinder to the environment, emitting less CO_2 emissions per passenger than our older ships. Spirit of Discovery also has an onboard water treatment plant enabling the use of reusable water containers for guests and has removed plastic straws and drinks stirrers from its operation, assisting with Saga's aim to reduce the use of single-use plastics across the business.

Saga's commitment to safeguarding the environment extends via a marine conservation project undertaken by the ORCA charity. ORCA believes that the only way to protect our whales and dolphins is to identify areas where they are vulnerable and study their habitats. That way, we can protect these places by changing the way we use them. The ocean faces so many threats including shipping, fishing, noise pollution and marine litter, and by supporting ORCA's data collection. Saga can help to provide a local solution to a global problem and play an important part in safeguarding the ocean for the future. The charity's trained volunteers frequently travel on our ocean cruise ships to carry out valuable conservation work. Here's what they have said about our support: "Saga is integral to our conservation work. With a team of four Marine Mammal Surveyors being on a forward facing platform onboard the Saga ships means we can collect high-quality data which is actively fed back to Government and key policy and legislation decision makers."

Safeguarding the environment is extremely important to us and in a recent survey, it was one of the top five concerns for our customers. That's why in 2019 we established an Environment Committee at Saga and have set a 30% reduction target in our Scope 1 and 2 emissions by 2030.

Responsible business practices – an overview

	Activity	Alignment with purpose, values and culture	Board discussion and principal decision making	Examples of outcomes
Customer Satisfaction	• Brand NPS was established in 2018 and currently measures at 20. The Group aims to increase NPS scores across the business and for Saga as a whole	• This metric is an index that measures the willingness of customers to recommend products or services to others	• The business has the responsibility to drive up NPS in their respective areas • A Group Executive sponsor has overall responsibility for Saga's responsible business practices	• Calculated based on customer survey responses weighted by business units to be representative of the Saga Group
Financial Crime	• Supplier risk questionnaire process will include further questions regarding financial crime, modern slavery, corporate responsibility and Environmental, Social and Governance (ESG) factors	• Promoting integrity and openness	• A Group Executive sponsor has overall responsibility for Saga's responsible business practices	• Constant review and testing of Group supply chain, ensuring alignment with Group objectives and policies • New suppliers to undergo rigorous due diligence and evaluation prior to selection
Responsible Investments	• Our approach to investments has been updated during the year to ensure more robust Environmental, Social and Governance (ESG) factors are considered when placing investments	• Promoting integrity and openness • We trust and challenge each other to be brave and do the right thing	• Subsidiary boards and committees consider all investment decisions • plc Board considers and approves all material investments	• On reinvestment of funds, key ESG factors will be considered
Human Rights and Modern Slavery	• The Group is committed to transparency within our supply chain. We have carried out risk assessments and conducted due diligence on our material suppliers • In respect of our Travel operations, we have continued to strongly encourage hotel suppliers to apply for membership with the independent sustainability audit programme, 'Travelife', and to work towards obtaining Gold certification which demonstrates compliance with international standards on human rights • We aim to continue to increase our portfolio of GOLD membership hotels and will proudly state in our brochures which hotels have this certification	• Promoting integrity and openness	• A Group Executive sponsor has overall responsibility for Saga's responsible business practices • UK Modern Slavery Act 2015	• Saga conducts business in an ethical and transparent way. Policies to support recognised human rights principles include those on non-discrimination, health and safety and environmental issues

How the Board assesses and monitors culture

The Board regularly reviews a range of information to actively monitor Group culture. The table below shows the key sources of data the Board tracks to monitor culture with a view to taking action, as required, where adjustments or remedial action are required.

	Cultural priorities				
Cultural identifier	**Promoting integrity and openness**	**Valuing diversity**	**Being responsive to the views of stakeholders**	**Culture aligned to purpose and values**	**Culture aligned to strategy**
Employee survey data	✓	✓	✓	✓	✓
People Committee feedback	✓	✓	✓	✓	✓
Reports on progress on diversity and inclusion	✓	✓	✓	✓	✓
Whistleblowing reports	✓		✓	✓	
Gender pay gap progress	✓	✓	✓	✓	✓
Training investment per head			✓	✓	✓
Absenteeism rates					✓
Health and Safety performance	✓		✓		✓
Internal Audit reports and findings	✓		✓	✓	✓
Stretching environmental targets	✓		✓	✓	✓

The Board has agreed systems, controls and processes to govern our approach to risk management

Risk governance
This encompasses ensuring that an effective risk framework is in place and incorporates having an understanding of the Group's risk appetite; agreeing the emerging and principal risks and uncertainties it faces in pursuit of its strategic objectives, and ensuring that a suitable risk culture is embedded throughout Saga. Our approach is set out in more detail in the Audit, Risk and Internal Control section of the Corporate Governance Statement on pages 70-73.

Risk appetite and tolerances
Our risk appetites, reviewed at least annually, define the amount and sources of risk we are willing to accept in pursuit of our objectives. Risk appetites are created for each of our operating companies and are expressed against the following risk categories:

Appetite risk category	Definition
Credit	The risk of a change in value due to actual credit losses deviating from expected credit losses due to the failure to meet contractual debt obligations.
Liquidity	The inability to meet short term cash demands.
Insurance	The risk of adverse deviation from predicted outcomes in respect of insurance liabilities for which a fixed premium has been received.
Operational	Loss arising from the failure in people, process, systems or from external events.
Market	The risk of loss arising from the adverse movement in asset values over time.
Commercial performance	Trading performance of the business and the associated strategies deployed to meet that trading performance.
Conduct risk	The risk that the culture, integrity and ethical behaviour of Saga, its employees and representatives (e.g. suppliers) towards customers, or in the markets in which it operates, leads to adverse customer outcomes.
Information security and cyber threat	The risk of loss arising from a cyber-attack on one or more parts of Saga or any third party with whom Saga share information with who themselves suffer a successful cyber-attack.
Regulatory compliance	The risk of loss, sanction and/or reputational damage arising from failure to comply with our regulatory obligations.
Legislative compliance	The risk of loss or reputational damage arising from failure to comply with our legislative obligations.
Operational resilience	The risk of material disruption to key systems, access to our buildings or availability of staff that could affect our ability to service customers or meet strategic objectives.

Within the Operational risk category, there are separate appetite statements relating to colleague engagement, execution risk, one-off financial loss, third party risk, reputational risk, business change, health and safety, internal fraud and data protection.

Consideration of our risk appetites and our risk tolerances are central to our decision making processes and are a point of reference for all significant investment decisions.

Page 33 indicates the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, and also include the actions taken to manage these risks. The principal risks reflect the strategy of the Company and reflect a balance of internal and external risks.

Key

1 Relaunch Retail Broking with a compelling direct proposition	4 Increase usage of and engagement with our Membership programme, Saga Possibilities
2 Complete the transformation of Cruise	5 Become more efficient
3 Accelerate the transformation of our Tour Operations business	6 Develop our people

PRU category	Strategic priorities	Risk and mitigation	Change
COVID-19 pandemic	1 2 3 4 5 6	**Risk** Global pandemic results in large scale disruption to the workforce, and the implementation of global travel restrictions. **Mitigation** Implementation of pandemic-specific operational resilience plans to protect colleagues and public health by enabling extensive remote working capability throughout the workforce. Resilience activity continues to prioritise maintaining fair customer outcomes across sales, service and claims. Travel operations suspended until May and customers given the choice of either cash refunds or discount vouchers to be used against future bookings. Extensive scenario analysis completed to ensure financial resilience. See pages 11 and 46 for further details.	↑
Cybercrime	2 3 4 5 6	**Risk** Cybercrime attacks may result in significant loss of business or sensitive data assets, financial loss and reputational damage. **Mitigation** Continued investment in industry leading tools and technologies to mitigate cyber-attacks, industry benchmarking and external penetration tests.	↔
Travel landscape	2 3	**Risk** Inability to drive demand to deliver the growth of core customers and first time buyers. **Mitigation** Enhanced brand strategy with continued focus on trading, marketing efficiency and customer propositions. New cruise ships to increase capacity and first time buyers.	↑
Third-party management	1 2 3 5	**Risk** Reputational impact and financial losses arising from failure to manage third parties effectively. **Mitigation** Strengthening of third-party risk management to ensure an appropriate risk-based approach for selecting third-party partners and overseeing their operational and financial resilience.	↔
Culture and capability	1 2 3 5 6	**Risk** Saga's culture and resource capability do not support the strategic initiatives and ensure fair customer outcomes. **Mitigation** Talent management and succession planning. Continued development of culture assessments. Pay and reward system focused on risk management and customer outcomes.	↑
Macro-economic climate	1 2 3 4 5	**Risk** Slow economic growth, reduced consumer spend and claims inflationary effects. **Mitigation** Group and business strategies are adapted to changes in macro-economic outlook.	↑
Insurance landscape	1 4 5 6	**Risk** Inability to compete effectively with insurance competitors. **Mitigation** Three-year fixed-price product launched providing a differentiated insurance solution. Panel model operated to ensure competitive net rates. Pricing and data capability subject to continued improvement.	↔
Operational efficiency/ change/ innovation	1 2 3 4 5 6	**Risk** The volume and complexity of business changes and priorities across the Saga Group are not managed effectively. **Mitigation** Board and Group Executive ensure clarity on strategic priorities. Group Change Management oversees the allocation of change resources. External and internal independent assurance reviews of key projects.	↔
Operational resilience	1 2 3 5	**Risk** The ability of an organisation to deliver its strategy and maintain critical operations in the face of adverse events. **Mitigation** Continued development of business continuity, disaster recovery, operational risk and third party risk management processes aligned to regulation.	↑
External legislative	1 2 3	**Risk** The landscape of legislation faced by Saga is extensive, increasing the risk of non-compliance with laws and changes to laws. **Mitigation** Three lines of defence risk management model in place across Saga combined with dedicated legal team that can access external expertise where necessary.	↑
Regulatory landscape	2 3 4 6	**Risk** Increasing financial services and environmental regulation results in greater cost to comply and scope for non-compliance. **Mitigation** Strong compliance culture, increasing focus on conduct risk, cruise ships built in line with latest emissions regulation.	↑

The Group has reported Underlying Profit Before Tax for the 2019/20 financial year of £109.9m. This is in line with the full year target range of £105m to £120m and reflects:

- Resilient trading in the Insurance business with both the Retail Broking and Underwriting businesses continuing to make good progress in the execution of the strategy set out in April.
- The successful launch of Spirit of Discovery and her first six months in operation.
- Challenging conditions for the Tour operations business.

Notwithstanding the strategic progress made during the year, the significant impact of COVID-19 on the travel industry has led the Group to refocus its short term priorities. Specifically, the Group has assessed financial resilience in scenarios ranging from a short period of dislocation to an extended closure of both Cruise and Tour Operations over the next six months. Based on this analysis the Board of Directors is recommending that no final dividend should be paid for the 2019/20 financial year. In addition, amendments to short term debt covenants have been agreed with the Group's banks that will provide additional financial flexibility in the event of prolonged disruption to the travel market.

The Group remains in a strong financial position with significant available liquidity. As at 31 March 2020 the Group had available cash resources of £92m, increased from £33m at the end of February, and significantly higher than the level needed to cover short term cash outflows. The increase in cash resources in March is primarily due to the receipt of £14m from the sale of two introductory healthcare businesses and a precautionary £50m drawdown on the Group's revolving credit facility (with a further £50m undrawn), partially offset by a £7m cash injection to the ST&H travel ring fenced group.

Given the good starting point and structurally favourable cash flow generation of the Insurance business, the Group expects to be able to continue to meet all debt service obligations as they fall due. This includes ship debt and term loan repayments of around £40m in each of the next two years. As previously indicated, the Group expects to be able to repay all short term banking facilities ahead of maturity in 2022 and 2023.

The Group will assess its Dividend Policy for current and future years as the COVID-19 situation becomes more certain.

The Group is required to test all goodwill for impairment on at least an annual basis. For the Insurance business, excluding Bennetts, the underlying forecast cash flows for the Insurance business used in this calculation are broadly unchanged from the prior year. Both years take a prudent view of the outlook, specifically as regards to taking benefit from planned business improvement initiatives. However, as a result of the fall in Saga's market capitalisation and an associated increase in risk premium, the Group is required to discount these cash flows at a materially higher discount rate than was previously the case.

As a result, the Group has determined that the recoverable amount of the goodwill allocated to the Insurance business, excluding Bennetts, is below the previous carrying value. The final results for 2019/20 include an impairment of £370m, of which £320m relates to an increase in the post-tax discount rate from 8.55% to 10.7%.

For the Destinology business, lower forecast cash flows have been assumed in the latest plan which results in an impairment of the Destinology goodwill of £13m and an impairment of intangible assets of £7m. This is due to the challenging operating environment for travel agency businesses, which has been exacerbated by COVID-19.

Operating Performance

Group Income Statement

£m	12m to Jan 2020	Change	12m to Jan 2019 (restated)[1]
Revenue[3]	**797.3**	***(5.2%)***	**841.5**
Underlying Profit Before Tax[2]			
Total Retail Broking (earned)	90.2	*(14.7%)*	105.8
Underwriting	40.6	*(53.2%)*	86.7
Total Insurance	130.8	*(32.1%)*	192.5
Travel	19.8	*(8.3%)*	21.6
Other Businesses and Central Costs	(27.0)	*(26.8%)*	(21.3)
Net finance costs[4]	(13.7)	*(7.9%)*	(12.7)
	109.9	***(39.0%)***	**180.1**
Net fair value (losses)/gains on derivatives	(1.1)		1.0
Impairment of assets	(16.9)		(5.9)
Thomas Cook insolvency	(3.9)		0.0
Restructuring costs	(5.9)		0.0
Impairment of goodwill	(383.0)		(310.0)
Loss before tax	**(300.9)**	***(123.2%)***	**(134.8)**
Tax expense	(11.9)	*56.6%*	(27.4)
Loss after tax	**(312.8)**	***(92.8%)***	**(162.2)**
Basic Earnings Per Share:			
Underlying Earnings Per Share[2]	8.9p	*(32.1%)*	13.1p
Earnings Per Share	(27.9p)	*(92.4%)*	(14.5p)

1 The Group has adopted IFRS 16 Leases and is reporting its performance for the 12 months to 31 January 2020 against a restated comparative period for the 12 months to 31 January 2019 under this new standard. For further details see note 39
2 Alternative performance measures – refer to the Glossary on page 201 for definition and explanation
3 Revenue is stated net of ceded reinsurance premiums earned on business underwritten by the Group of £145.7m (2019: £136.0m)
4 Net finance costs exclude ship debt interest costs, net fair value gains/(losses) on derivatives and IAS19R pension interest costs

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 Operations and Cruising. Other Businesses is principally comprised of Personal Finance and Healthcare Services.

Revenue

Revenue decreased by 5.2% to £797.3m (2019: £841.5m) due to lower Retail Broking revenues as a result of a disciplined approach to new business, partially offset by an increase in the number of policies renewing. Revenue in Tour Operations decreased 4.1% reflecting lower demand across the whole of the travel market. Cruise revenue increased following Spirit of Discovery's maiden voyage in July, partially offset by Saga Pearl's exit from service in April 2019.

Total customer spend[2] was broadly stable at £1,198.0m (2019: £1,210.1m). This includes gross written premiums and insurance premium tax.

Total customer spend reconciles to revenue as follows:

£m	12m to Jan 2020	Change	12m to Jan 2019
Total customer spend[2]	**1,198.0**	***(1.0%)***	**1,210.1**
Net premiums paid to insurance underwriters	(331.6)		(296.6)
Insurance premium tax	(69.1)		(72.0)
Revenue[3]	**797.3**	***(5.2%)***	**841.5**

Underlying Profit Before Tax[2]
Underlying Profit Before Tax decreased by 39% to £109.9m (2019: £180.1m).

This was primarily due to a £46.1m reduction in Underwriting profitability, largely resulting from lower reserve releases, and a £15.6m decrease in Retail Broking, which is mainly due to reduced gross margins per policy. These changes were expected and are in line with our previous guidance.

Net finance costs in the year were £13.7m (2019: £12.7m), an increase of 7.9% largely due to the additional debt issue costs incurred to amend the Group's leverage covenants in April 2019.

Loss before tax
Loss before tax was £300.9m for the year, mainly resulting from the £370m impairment of goodwill relating to the Group's Insurance operations.

During 2019/20 the Group impaired the value of property, plant and equipment relating to the printing business by £3m, recognised a £7m impairment of the value of the Saga Sapphire and a further £7m impairment of intangible assets relating to the Destinology business.

The Group recognised £4m of one-off costs in relation to the administration of Thomas Cook and £6m of restructuring costs, mainly relating to planned redundancies and the now exited healthcare business.

Tax expense
The Group's tax expense for the year was £11.9m (2019: £27.4m) representing an effective tax rate of 14.5% before the impairment of goodwill and release of associated deferred tax (2019: 19.4%). The decrease in the effective tax rate is due to corporation tax credits received and a reversal of tax provisions. Underlying tax expense for the year is £15.3m (2019: £34.2m), representing an effective tax rate of 18.6% (2019:19.5%).

Earnings Per Share
The Group's underlying Earnings Per Share were 8.9p (2019: 13.1p). The Group's Earnings Per Share were a loss of 27.9p (2019: loss of 14.5p).

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, Acromas Insurance Company Limited (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 £91.1m from £106.6m, and on an earned basis (which includes the impact of the written to earned adjustment) reduced to £90.2m from £105.8m.

The reduction in profit before tax on a written basis was due to a £17.4m reduction in written gross profit, after also deducting marketing expenses. The reduction in written gross profit after marketing expenses is due mainly to home insurance (£13.1m), with a lower impact from motor insurance (£4.7m).

The lower gross margin, after marketing expenses, on home and motor insurance is primarily due to a £4.4m decline in Saga branded new business profitability, and a £13.0m 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 £74.30, compared with £80.30 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 the prior year and a reduction in pricing for certain long tenured home customers. The change in new business profitability is mainly due to a highly competitive market and an increase in acquisition costs. These changes are consistent with the expectations set out in April 2019 and the overall gross margin per policy of £74.30 was at the upper end of the targeted range.

The Insurance business has shown good progress following the change in strategy in April 2019:

- 320k three-year fixed-price policies were sold between launch in April and 31 January 2020 with 65% of direct new business customers choosing this product.
- Over 57% of new business customers came to us on a direct basis, compared with 51% in the prior year, consistent with our goal to move back to a more direct focused model.
- Customer retention of 75% across home and motor was two percentage points higher than the prior year, reflecting a range of initiatives including a change in renewal approach launched in July 2019.

Written profit and gross margin per policy for home and motor are after allowing for deferral of part of the revenues from three-year fixed-price policies, recognising inflation risk inherent in this product. As at 31 January 2020, £4.9m of income had been deferred in relation to three-year fixed-price policies written in the year.

	12m to Jan 2020					12m to Jan 2019			
£m	**Motor Broking**	**Home Broking**	**Other Broking**	**Total**	*Change*	Motor Broking	Home Broking	Other Broking	Total
GWP									
Broked	124.8	154.1	113.2	392.1	*(6.0%)*	132.9	161.4	123.0	417.3
Underwritten	224.0	0.0	3.6	227.6	*2.0%*	219.0	0.0	4.1	223.1
	348.8	154.1	116.8	619.7	*(3.2%)*	351.9	161.4	127.1	640.4
Broker revenue	43.6	32.4	47.1	123.1	*3.6%*	30.7	43.7	44.4	118.8
Instalment revenue	8.1	3.0	0.0	11.1	*5.7%*	7.5	2.9	0.1	10.5
Add-on revenue	17.9	10.0	0.1	28.0	*(27.5%)*	27.9	10.6	0.1	38.6
Other revenue	36.8	17.1	20.7	74.6	*(12.4%)*	43.7	17.3	24.2	85.2
Written revenue	**106.4**	**62.5**	**67.9**	**236.8**	***(6.4%)***	**109.8**	**74.5**	**68.8**	**253.1**
Written gross profit	**103.6**	**62.5**	**55.0**	**221.1**	***(7.1%)***	**107.6**	**74.5**	**55.9**	**238.0**
Marketing expenses	(21.6)	(8.2)	(7.5)	(37.3)	*(1.4%)*	(20.9)	(7.1)	(8.8)	(36.8)
Other operating expenses	(53.1)	(21.2)	(18.4)	(92.7)	*2.0%*	(51.9)	(22.3)	(20.4)	(94.6)
Written Underlying PBT	**28.9**	**33.1**	**29.1**	**91.1**	***(14.5%)***	**34.8**	**45.1**	**26.7**	**106.6**
Written to earned adjustment	(0.9)	0.0	0.0	(0.9)	*(12.5%)*	(0.8)	0.0	0.0	(0.8)
Earned Underlying PBT	**28.0**	**33.1**	**29.1**	**90.2**	***(14.7%)***	**34.0**	**45.1**	**26.7**	**105.8**
Thousands									
Number of policies sold ('000)									
Core	1,153	682	232	2,067	*(6.2%)*	1,237	683	284	2,204
Add-ons	1,537	537	9	2,083	*1.2%*	1,488	560	10	2,058
	2,690	1,219	241	4,150	*(2.6%)*	2,725	1,243	294	4,262
Core policies sold ('000)									
Core Saga branded	918	682	232	1,832	*(5.1%)*	964	683	284	1,931
Core non-Saga branded	235	0	0	235	*(13.9%)*	273	0	0	273
	1,153	682	232	2,067	*(6.2%)*	1,237	683	284	2,204
Third party panel share[5]	24.6%				*0.9%*	23.7%			

5 Third party Underwriter share of the motor panel for Saga branded policies

Motor Broking
Gross written premiums decreased by 0.9% due to a 4.8% reduction in core policies, partially offset by an increase in average gross written premiums reflecting a higher contribution from the renewal book and the launch of the three-year fixed-price product. Gross written premiums from business underwritten by AICL increased by 2.3% to £224.0m (2019: £219.0m).

Add-on revenue declined £10.0m to £17.9m reflecting the inclusion of add-on features into the Group's new three-year fixed-price product; this is now reflected in broker revenue.

Written gross profit minus marketing expenses was £82.0m (2019: £86.7m), contributing £71/policy (2019: £70/policy). This metric increased as a result of net rate reductions and mix changes, with a 15% decline in the number of new business policies and an increase in renewal volumes, partially offset by a higher cost of acquisition for direct new business.

Overall written Underlying Profit Before Tax has decreased by 17.0% to £28.9m (2019: £34.8m).

Home Broking
Gross written premiums decreased by 4.5% due to the competitive pricing environment on a stable base of core policies.

Written gross profit minus marketing expenses was £54.3m (2019: £67.4m), on a per policy basis this was £80/policy (2019: £99/policy). The decline was expected and is due to lower margins on the renewal book as a result of less profitable new business written in the previous year, lower pricing for long tenured customers and an increased cost of acquisition per policy.

Written marketing expenses have increased by 15.5% to £8.2m, 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 8.1% as higher premiums on PMI have been offset by a 26.5% decline in travel insurance volumes.

Travel insurance profitability and policy count declined, mainly due to lower new business volumes in a highly competitive market. PMI profitability in the prior year was impacted by a one-off loss due to the impact of adverse claims experience on profit share arrangements.

Insurance underwriting

		12m to Jan 2020				12m to Jan 2019		
£m		**Reported**	**Quota share**	**Underlying**	*Change*	Reported	Quota share	Underlying
Net earned premium		63.1	(133.1)	196.2	*(4.2%)*	80.8	(124.0)	204.8
Other revenue		6.0	6.7	(0.7)	*(131.8%)*	12.5	10.3	2.2
Revenue	**A**	**69.1**	**(126.4)**	**195.5**	***(5.6%)***	**93.3**	**(113.7)**	**207.0**
Claims costs	**B**	(57.3)	120.2	(177.5)	*2.3%*	(73.1)	108.6	(181.7)
Reserve releases	**C**	29.6	(10.4)	40.0	*(48.7%)*	71.1	(6.8)	77.9
Other cost of sales	**D**	(2.4)	15.3	(17.7)	*0.6%*	(6.3)	11.5	(17.8)
	E	(30.1)	125.1	(155.2)	*(27.6%)*	(8.3)	113.3	(121.6)
Gross profit		**39.0**	**(1.3)**	**40.3**	***(52.8%)***	**85.0**	**(0.4)**	**85.4**
Operating expenses	**F**	(2.4)	4.6	(7.0)	*(2.9%)*	(2.5)	4.3	(6.8)
Investment return		4.0	(5.4)	9.4	*(5.1%)*	4.2	(5.7)	9.9
Quota share net cost		0.0	2.1	(2.1)	*(16.7%)*	0.0	1.8	(1.8)
Underlying Profit Before Tax		**40.6**	**0.0**	**40.6**	***(53.2%)***	**86.7**	**0.0**	**86.7**
Reported loss ratio	**(B+C)/A**	40.1%		70.3%	20.2%	2.1%		50.1%
Expense ratio	**(D+F)/A**	6.9%		12.6%	0.7%	9.4%		11.9%
Reported COR	**(E+F)/A**	47.0%		83.0%	21.0%	11.6%		62.0%
Pure COR	**(E+F-C)/A**	89.9%		103.4%	3.7%	87.8%		99.7%
Number of earned policies				817k	(2.6%)			839k

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 premiums decreased by 4.2% to £196.2m (2019: £204.8m) in line with the decline in broking policy volumes underwritten by AICL.

Also excluding the impact of the quota share, the Underwriting business saw an increase in the pure combined operating ratio to 103.4% (2019: 99.7%). This was due to higher than average returns on profit and loss sharing agreements in the prior year. In line with other insurers, the Group has observed higher inflation on third party damage and theft costs than typically expected, with overall inflation in Q4 running at around 7% compared with longer term expectations of around 5%.

Reserve releases of £40.0m (2019: £77.9m) have resulted in a reported combined operating ratio of 83.0% (2019: 62.0%), excluding the impact of the quota share treaty. The Group retains 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.

	12m to Jan 2020				12m to Jan 2019		
£m	**Reported**	**Quota share**	**Underlying**	*Change*	Reported	Quota share	Underlying
Motor insurance	29.5	(9.8)	39.3		68.0	(6.8)	74.8
Home insurance	(1.1)	(1.1)	0.0		0.2	0.0	0.2
Other insurance	1.2	0.5	0.7		2.9	0.0	2.9
	29.6	(10.4)	40.0	*(48.7%)*	71.1	(6.8)	77.9

Reserve releases reflect continued favourable experience on large bodily injury claims.

The investment return decreased £0.5m to £9.4m (2019: £9.9m). 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

	12m to Jan 2020				12m to Jan 2019 (restated)		
£m	**Tour Operations**	**Cruising**	**Total Travel**	*Change*	Tour Operations	Cruising	Total Travel
Revenue	**346.1**	**118.0**	**464.1**	***1.5%***	**360.8**	**96.6**	**457.4**
Gross profit	**61.2**	**37.9**	**99.1**	***5.4%***	**70.6**	**23.4**	**94.0**
Marketing expenses	(18.3)	(13.6)	(31.9)	*(10.8%)*	(19.3)	(9.5)	(28.8)
Other operating expenses	(33.6)	(7.3)	(40.9)	*6.6%*	(36.7)	(7.1)	(43.8)
Investment return	0.3	0.1	0.4	*100.0%*	0.1	0.1	0.2
Finance costs	(0.4)	(6.5)	(6.9)	*(100.0%)*	0.0	0.0	0.0
Underlying Profit Before Tax	**9.2**	**10.6**	**19.8**	***(8.3%)***	**14.7**	**6.9**	**21.6**
Average revenue per passenger (£)	2,150	3,688	2,405	*6.2%*	2,050	3,715	2,264
Holidays passengers ('000)							
Stays	66		66	*(17.5%)*	80		80
Escorted tours	62		62	*(3.1%)*	64		64
River cruise	25		25	*13.6%*	22		22
Third party ocean cruise	8		8	*(20.0%)*	10		10
	161		161	*(8.5%)*	176		176
Cruise passengers ('000)		32	32	23.1%		26	26
Cruise passenger days ('000)		409	409	22.5%		334	334
Load factor		84%	84%	2.4%		82%	82%
Per diems (£)		259	259	(1.1%)		262	262

Cruise
Notwithstanding the current situation, the first six months of Spirit of Discovery's inaugural year were a success and she delighted customers. Importantly, the new ship also met financial expectations with EBITDA in the second half of the year of £20m. While there is uncertainty over the delivery date for Spirit of Adventure as a result of the COVID-19 crisis, the Group's expectation is that this will be completed within the next 12 months. This will complete the transformation of the Cruise business.

Tour Operations
The Tour Operations business has had a more challenging year with weak customer demand, which has accelerated due to the impact of COVID-19. The Group has continued the repositioning of the business to focus on differentiated products, with a need now to accelerate this transformation. Within this context, the Tour Operations business generated revenue of £346.1m (2019: £360.8m) with 4.9% higher average revenue per passenger, partially offsetting 8.5% lower departing passenger numbers.

Gross margins declined to 17.7% (2019: 19.6%) reflecting competitive pricing across the sector, a decline in passenger numbers and fixed cost commitments on River Cruise impacting margins in the first half of the year.

Forward Travel sales[6]
Bookings for Cruise have been resilient in the current situation, with forward bookings for the period from September to January 2021 and 2021/22 of 66% and 16% of our revenue target, respectively.

Cruise forward booked revenue for 2021/22 is £28.8m (2018/19: £44.0m) and corresponds to 111,738 (2018/19: 169,941) passenger days. The reduction from the same period last year is mainly due to an earlier launch of forward bookings in the prior two years, with 2020/21 departures on sale from September 2018. For the 2021/22 year, forward bookings have reverted back to typical dates, commencing in March 2020. In addition, marketing to new customers for the 2021/22 season has been put on temporary hold due to Covid-19.

The Tour business has experienced a larger impact with passenger bookings for 2020/21 down 34% versus the prior year. Despite this, our relatively low level of cost commitments and lower exposure to Northern Europe and Far East destinations enable the business to react to changes in demands.

Bookings from September 2020 to January 2021

	2020/21	*Change*	2019/20
Tour operations revenue (£m)	79	*(11.2%)*	89
Tour operations passengers ('000)	33	*(15.4%)*	39
Cruise ticket revenue (£m)	49.5	*12.5%*	44
Cruise passenger days ('000)	173	*4.2%*	166

6 % booked of revenue targets for the stated period

Other Businesses and Central Costs

£m	12m to Jan 2020 Other Businesses	12m to Jan 2020 Central Costs	12m to Jan 2020 Total	*Change*	12m to Jan 2019 (restated) Other Businesses	12m to Jan 2019 (restated) Central Costs	12m to Jan 2019 (restated) Total
Revenue:							
Personal Finance	7.4	0.0	7.4	*(9.8%)*	8.2	0.0	8.2
Healthcare	6.1	0.0	6.1	*1.7%*	6.0	0.0	6.0
Media	13.3	0.0	13.3	*(28.5%)*	18.6	0.0	18.6
Other	0.0	2.2	2.2	*69.2%*	0.0	1.3	1.3
Total revenue	**26.8**	**2.2**	**29.0**	***(15.0%)***	**32.8**	**1.3**	**34.1**
Gross profit	**10.3**	**3.6**	**13.9**	***(13.1%)***	**13.8**	**2.2**	**16.0**
Operating expenses	(5.7)	(35.2)	(40.9)	*(6.0%)*	(10.1)	(28.5)	(38.6)
Profit on sale of property	0.0	0.0	0.0	*(100.0%)*	0.0	3.9	3.9
Investment income	0.0	0.1	0.1	*100.0%*	0.0	0.0	0.0
Non-trading items	0.0	0.0	0.0	*100.0%*	(0.6)	(1.7)	(2.3)
IAS19R pension charge	0.0	(0.1)	(0.1)	*75.0%*	0.0	(0.4)	(0.4)
Net finance costs	0.0	(13.7)	(13.7)	*(8.7%)*	0.0	(12.6)	(12.6)
Underlying Profit/(Loss) Before Tax	**4.6**	**(45.3)**	**(40.7)**	***(19.7%)***	**3.1**	**(37.1)**	**(34.0)**

The Group's Other Businesses include Personal Finance, Healthcare Services and Media, Mailing and Printing businesses. After several years of operating a trial in Healthcare the Group has made the decision to exit these businesses. The non-Saga branded businesses of Patricia White's and Country Cousins were sold in March 2020 while the Saga businesses are in the process of being wound down with customers transferred to a third party with an outstanding Care Quality Commission rating.

Underlying Profit Before Tax increased as a result of the operating losses of Healthcare Services in the prior year, partially offset by ongoing competitive pressures on the Group's printing business. Losses incurred in the current year within the Group's live-in care proposition have been excluded from Underlying PBT following the Group's decision to exit the healthcare segment.

Central operating costs increased to £35.2m (2019: £28.5m) due to investment in IT systems to enhance the Group's brand, marketing and data capabilities and an increase in staff costs following the centralisation of Group functions including finance, membership and marketing. These costs reflect shared assets held centrally that benefit the Group and its trading divisions. For the 2020/21 financial year the intention is to recharge a higher level of these costs to the Insurance and Travel divisions, based on the consumption of these services. This change will have no net impact on Group results.

Cash flow and liquidity

Available Cash Flow

Available operating cash flow is made up of the unrestricted cash flows from Retail Broking, Other Businesses and Central Costs, plus any dividends paid by restricted businesses, AICL and Travel.

Group operating cash flow was £92.7m for the year ended 31 January 2020, 51% of Group Trading EBITDA, and 59% of Group Trading EBITDA adjusted to include the interest and capital repayments relating to the Spirit of Discovery.

Operating cash flow decreased by £89.6m compared with the previous year, due to a reduction in broking earnings and a planned decrease in dividends from AICL, as well as two expected non-recurring effects with a combined impact of £40m; the reversal of a £15m positive working capital inflow from the prior year and 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.

The Travel Group has ring fenced cash facilities to satisfy CAA requirements associated with ATOL regulated holidays. As part of amendments to the facilities that were implemented on 31 January 2020, the Cruise business now sits outside of the ring fenced Group. This move increased available cash by £23m. Cruise is now excluded from the restricted Travel Group and its cash generation will contribute towards the Group's available operating cashflow in the 2020/21 financial year.

While the Group continues to target an 85% conversion of EBITDA into available cash flow this is likely to be impacted by COVID-19 and short term working capital requirements in the current financial year.

£m	**12m to Jan 2020**	*Change*	12m to Jan 2019 (restated)
Retail Broking Trading EBITDA	98.4	(15.7%)	116.7
Underwriting Trading EBITDA	41.7	(52.2%)	87.2
Travel Trading EBITDA	58.3	15.2%	50.6
Other Businesses and Central Costs Trading EBITDA	(16.7)	27.5%	(11.9)
Group Trading EBITDA[7]	**181.7**	***(25.1%)***	**242.6**
Less Trading EBITDA relating to restricted businesses	(100.0)	27.5%	(137.9)
Intra-group transfers paid by restricted businesses	15.0	(80.9%)	78.5
Working capital and non-cash items[8]	(9.5)	147.7%	19.9
Cruise carve out	22.7	100.0%	0.0
Capital expenditure funded with available cash	(17.2)	17.3%	(20.8)
Available operating cash flow[2]	**92.7**	***(49.1%)***	**182.3**
Available operating cash flow %	51.0%		75.1%

7 Group Trading EBITDA includes the impact of IFRS 16 with the corresponding impact to payment of principal portion of lease liabilities included in net cash flows from 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	**12m to Jan 2020**	12m to Jan 2019 (restated)
Net cash flow from operating activities (reported)	91.9	148.3
Exclude cash impact of:		
Trading of restricted divisions	(46.5)	(77.9)
Non-trading costs	4.5	5.5
Interest paid	19.9	13.9
Tax paid	25.1	34.8
	3.0	(23.7)
Cash released from restricted divisions	15.0	78.5
Include capital expenditure funded from available cash	(17.2)	(20.8)
Available operating cash flow[2]	**92.7**	**182.3**

Trading EBITDA reconciles to loss after tax as follows:

£m	12m to Jan 2020	Change	12m to Jan 2019 (restated)
Trading EBITDA[2]	**181.7**	***(25.1%)***	**242.6**
Depreciation and amortisation (excluding acquired intangibles)	(48.0)		(43.5)
Non-trading costs	(0.0)		(2.3)
Amortisation of acquired intangibles	(3.0)		(3.6)
Pension charge IAS19R[9]	(0.1)		(0.4)
Net finance costs[4]	(20.7)		(12.7)
Underlying Profit Before Tax[2]	**109.9**	***(39.0%)***	**180.1**
Net fair value gains/(losses) on derivatives	(1.1)		1.0
Impairment of assets	(16.9)		(5.9)
Thomas Cook insolvency	(3.9)		0.0
Restructuring costs	(5.9)		0.0
Impairment of goodwill	(383.0)		(310.0)
Loss before tax	**(300.9)**	***(123.2%)***	**(134.8)**
Tax expense	(11.9)	*56.6%*	(27.4)
Loss after tax	**(312.8)**	***(92.8%)***	**(162.2)**

9 Pension charge IAS19R includes the additional non-cash pension service costs in excess of employer contributions made in the year and the non-cash pension interest cost that are both required under IAS19R

Adjusted Trading EBITDA is used in the Group's leverage calculation and reconciles to Trading EBITDA as follows:

£m	12m to Jan 2020
Trading EBITDA[2]	**181.7**
Impact of IFRS 16 Leases	**(13.5)**
Spirit of Discovery Trading EBITDA[10]	**(16.1)**
Adjusted Trading EBITDA	**152.1**

10 EBITDA per vessel includes central Cruise overheads

Balance Sheet

Goodwill

The Group has tested all goodwill for impairment at 31 January 2020. The impairment test compares the recoverable amount of the goodwill of each cash generating unit (CGU) with its carrying value. The goodwill associated with the Destinology business has been considered separately, as this business represents a separate CGU. The goodwill associated with the Bennetts business has been transferred to assets held for sale. Please see note 36 for further details.

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from the Group's five year plan to 2024/25, and after allowing for certain stress test scenarios. This stress testing has included a reasonable estimate of the impact of the COVID-19 crisis.

Based on this analysis, the Group remains comfortable that there is headroom over and above the carrying value of the goodwill allocated to the Cruise and Tour Operations excluding Destinology CGUs.

For the Insurance business, excluding Bennetts, the underlying forecast cash flows for the Insurance business used in this calculation are similar to those used last year. Both years take a prudent view of the outlook, specifically as regards to not taking the benefit from planned business improvement initiatives. However, as a result of the fall in Saga's market capitalisation and an associated increase in risk premium, the Group is required to discount these cash flows at a materially higher discount rate than was previously the case. As a result, the Group has determined that the recoverable amount of the goodwill of the Insurance business, excluding Bennetts, is below the previous carrying value. The Group's results therefore include an impairment of the insurance goodwill, excluding Bennetts, in the amount of £370m.

For the Destinology business, lower forecast cash flows have been assumed in the latest plan which results in an impairment of the Destinology goodwill of £13m, as well as an impairment of other intangible assets of £7m. This is due to the challenging operating environment for travel agency businesses, which has been exacerbated by COVID-19.

Investment in subsidiaries in the Saga plc parent entity
The Group has also tested the carrying value of the investment in subsidiaries held on the separate company balance sheet of Saga plc, as required by accounting standards due to the carrying value being higher than the Company's market capitalisation. As a result of this review, the Group considered it necessary to impair the balance by £518.0m, which reflects the updated valuation of the Insurance business as derived for the goodwill impairment review, combined with the impact of COVID-19 on the valuation of the Travel business and a higher discount rate applied to the remaining parts of the Group. This impairment only features in the separate company financial statements of Saga plc and so does not affect the consolidated results of the Group. Please refer to page 199 for further details of the review.

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

The amount held in invested funds decreased by £15.9m to £376.9m (2019: £392.8m), whilst derivative assets have decreased by £32.2m to £1.2m (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 January 2020, 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 January 2020	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Unrated £m**	**Total £m**
Underwriting investment portfolio:						
Deposits with financial institutions	0.0	30.4	0.0	18.6	0.0	49.0
Debt securities	15.3	117.5	54.1	87.3	0.0	274.2
Money market funds	45.9	0.0	0.0	0.0	0.0	45.9
Loan funds	0.0	0.0	0.0	1.6	6.2	7.8
Total invested funds	61.2	147.9	54.1	107.5	6.2	376.9
Hedging derivative assets	0.0	0.0	0.7	0.5	0.0	1.2
Total financial assets	**61.2**	**147.9**	**54.8**	**108.0**	**6.2**	**378.1**

	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 January 2020 and 31 January 2019 is as follows:

	At 31 January 2020			At 31 January 2019		
£m	**Gross**	**Reinsurance assets**[11]	**Net**	Gross	Reinsurance assets[11]	Net
Reported claims	250.5	(48.2)	202.3	280.4	(73.5)	206.9
Incurred but not reported[12]	79.9	(7.0)	72.9	103.0	(17.7)	85.3
Claims handling provision	7.9	0.0	7.9	9.2	0.0	9.2
Total claims outstanding	338.3	(55.2)	283.1	392.6	(91.2)	301.4
Unearned premiums	105.3	(6.9)	98.4	98.0	(5.6)	92.4
Total	443.6	(62.1)	381.5	490.6	(96.8)	393.8

11 Excludes funds-withheld quota share agreement (please refer to Note 26 for further detail)
12 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 decreased by £12.3m in the 12 months to 31 January 2020 from the previous year end due to a £4.6m reduction in reported net claims reserves and a £12.4m reduction in net IBNR claims reserves. This was partially offset by a £6.0m higher unearned premium reserve. Total gross claims outstanding reduced by £54.3m during the year due to several large case settlements and reserve releases.

Financing

The Group's net debt has increased by £202.6m to £593.9m since the previous year end due to the additional £245m borrowed to fund the purchase of the Spirit of Discovery, partially offset by repayment of £40m in bank debt and short term facilities.

Excluding the impact of debt and earnings relating to the new cruise ship, the Group's leverage ratio was 2.4x as at 31 January 2020 (2019: 1.7x), within the 3.5x covenant applicable to the Group's term loan and revolving credit facility.

Net debt	Maturity date	31 January 2020 £m	31 January 2019 £m
Corporate bond	May 2024	**250.0**	250.0
Term loan	May 2022	**140.0**	160.0
Ship loan	June 2031	**234.8**	0.0
Revolving credit facility	May 2023	**10.0**	30.0
Less available cash[13]		**(40.9)**	(48.7)
Net debt		**593.9**	391.3

13 Refer to note 23 of the financial statements for information as to how this reconciles to a statutory measure of cash

Adjusted net debt is used in the Group's leverage calculation and reconciles to net debt as follows:

	31 January 2020 £m
Net debt	593.9
Ship loan	(234.8)
Cruise available cash	2.6
Adjusted net debt	361.7

Pensions

The Group's defined benefit pension deficit as measured on an IAS19 basis increased to £5.5m at 31 January 2020 (2019: £2.8m).

Saga scheme	31 January 2020 £m	31 January 2019 £m
Fair value of scheme assets	**372.3**	312.4
Present value of defined benefit obligation	**(377.8)**	(315.2)
Defined benefit scheme liability	**(5.5)**	(2.8)

The increase in the deficit is due to a £59.9m increase in the fair value of the scheme assets to £372.3m (31 January 2019: £312.4m) offset by a £62.6m increase in the present value of defined benefit obligations, both of which movements can be attributed to a significant fall in bond yields.

Net assets

Since 31 January 2019, total assets have decreased by £228.4m and liabilities have increased by £144.3m respectively, resulting in an overall decrease in net assets of £372.7m.

The decrease in total assets is a result of a £383m impairment of goodwill, a decrease in financial assets of £48.1m and a reduction to reinsurance assets of £34.7m due to reinsurers paying their share of several large case settlements. This was partially offset by a £243.6m increase in the carrying value of property, plant and equipment due to the delivery of the Spirit of Discovery.

The increase in total liabilities reflects a £208.6m increase in financial liabilities due to additional borrowings related to the new cruise ship. This was partially offset by a reduction to gross insurance contract liabilities of £47.0m due to several large case settlements and reserve releases.

Regulatory and legislative developments

The Group operates within an evolving regulatory landscape. Aspects of this, such as the Data Protection Act 2018, cover all of Saga's business. Other aspects cover the Group's Insurance, Travel and Personal Finance operations.

The Insurance business is regulated by both the Financial Conduct Authority (FCA) and the Gibraltar Financial Services Commission and the Travel business by the Civil Aviation Authority (CAA). The Travel businesses are also members of the Association of British Travel Agents (ABTA).

The FCA continues to focus on pricing practices generally, including its Market Study on general insurance pricing practices. Saga has had measures in place for several years to address fairness in pricing and increasing numbers of long standing customers have seen their renewal premium either frozen or reduced as a result. We are supportive of the FCA Market Study and believe that, over the long term, it will be positive for Saga's customers and our place in the market. While the outcome of the study has now been delayed beyond the planned publication date of June 2020, it is noted that the FCA will aim to deliver its final findings and proposed remedies in the summer. The FCA has continued to focus on good customer outcomes – through its work on culture and governance, operational resilience, vulnerable customers and product value – and Saga's three lines of defence activities continue to align to these.

COVID-19

The Group's Insurance business remains largely unaffected by COVID-19, and the Group has successfully been able to maintain operational capability throughout this period, with almost all colleagues working from home. However, the Group's Travel businesses are currently experiencing a very high level of disruption from the impact of the COVID-19 virus. Following advice from the UK Government that people over 70 years old should avoid travel at the current time and given operational challenges in almost all countries, the Group took the decision on 12 March to suspend Cruising until May and on 16 March decided to suspend Tour Operations for a period of six weeks. While customer demand for future departures remains positive, both for Cruise and Tour Operations, there remains considerable uncertainty as to when travel services will resume. It is likely that the period of travel suspension will continue beyond May.

The Group has therefore considered several adverse scenarios and has built contingency plans around a central stress test assumption that the Cruise business could be suspended for a period of six months, from mid-March to mid-September, with a suspension of Tour Operations until the end of August. Within this scenario the Group has also assumed that departures in the second half of the year, once travel operations have restarted, would recover slowly.

In this scenario the Group would expect revenues for the full year to be reduced by around 65% for Tour Operations and Cruise, with a 'drop-through' from lower revenues to Underlying Profit Before Tax of 15%-20% for Tour Operations and 55%-60% for Cruise, relative to plan assumptions. The difference between the two drop through rates is due to the fact that the Group operates with relatively low commitments in Tour Operations, and does not own travel infrastructure, compared to the ownership model for the Cruise business.

In the event of a suspension of travel for an extended period, the Group will be exposed to changes in the value of hedges relating to oil and foreign currency. These hedges are put in place to protect cash flows, but it is now expected that the Group will not require the level of oil or currency previously anticipated. As of 31 March 2020, the mark to market on such open hedges was a net loss of around £2m.

The Group would also be exposed to working capital outflows as a result of the return of customer advance deposits on cancelled departures. As at 31 March, total advance receipts for the Cruise business were £41m, of which around £27m related to departures from mid-May to the end of the year and a further £7m related to departures in 2021. Total advance receipts for the Tour Operations business at the same date were £69m, of which around £45m related to departures between mid-March and the end of June.

The Group expects that a significant portion of Cruise advance receipts will be retained, in return for discount vouchers and offers on future departures. For the Tour Operations business, customer refunds will primarily be met from cash held in the ring-fenced Travel business, with a much smaller provision of cash support from the Group to ensure that full compliance with regulatory cash requirements is maintained.

While a working capital outflow is likely to impact on the Group's financial position over the next six months, it is expected that a significant portion would reverse in the second half of the year as Travel operations restart, albeit with reduced bookings compared with previously planned levels.

Even in a scenario with a full suspension of travel for six months, and with a slow recovery in demand into the 2021/22 year, the Group is expected to remain in a strong position, for the following reasons:

- As at 31 March 2020 the Group had available cash resources of £92m, increased from £33m at the end of February, and significantly higher than the level needed to cover short term cash outflows. The increase in cash resources in March is primarily due to the receipt of £14m from the sale of two introductory healthcare businesses and a precautionary £50m drawdown on the Group's revolving credit facility (with a further £50m undrawn), partially offset by a £7m cash injection to the ST&H travel ring fenced group.
- The Group expects to receive cash proceeds of around £23m from the sale of Bennetts Motorcycling Services. This disposal is expected to complete in June 2020.
- In addition to the available cash resources of £92m the Group has a further £55m of cash in the ST&H travel ring fenced group, supporting £69m of advance customer receipts. The Group is prudently holding a higher level of cash in the ring fence than is required by the CAA.

- The Insurance business is performing well and is cash generative. While COVID-19 may have an impact on sales of travel insurance and on the PMI product, the core Motor and Home business is not expected to be materially impacted.
- No repayments are due on the Group's term loan until 31 January 2021, when £20m is due to be repaid; in the current financial year, two instalments of £10m each are due to be repaid in relation to the Spirit of Discovery, with no repayments on the Spirit of Adventure until at least February 2021.
- The Group has accelerated cost saving plans and will take further mitigating actions to reduce the impact of COVID-19 on earnings and cash.
- Given the uncertainty around the trajectory of the COVID-19 virus the Board of Directors is not recommending the payment of a final dividend for the 2019/20 financial year.
- Within this scenario the Group has not included any benefits from various government initiatives, other than an allowance for reductions in staff costs relating to 'furloughing' of certain colleagues that are directly impacted by the suspension of travel.

The Group has also considered a further, more severe scenario that assumes the cessation of cruise and holidays trading until January 2021, including additional mitigating actions such as the deferral of capital payments on the debt facility used to fund the purchase the Spirit of Discovery, deferral of certain tax payments into the 2020/21 financial year and a further reduction in operating costs.

While the Group is expected to remain in a strong position, in the scenarios outlined above, the ratio of net debt to EBITDA (excluding Cruise debt and EBITDA) would likely in the short term exceed the 3.5x covenant included in term loan and revolving credit facilities.

As a result, the Group has agreed changes to its bank debt facilities that provide it with additional financial flexibility. The amended covenants in short term banking facilities are shown below.

	Ex-cruise leverage ratio	Group interest cover
July 2020	4.75x	2.5x
October 2020	4.75x	1.75x
January 2021	4.75x	1.25x
April 2021	4.75x	2.0x
July 2021	4.25x	3.0x
January 2022	4.00x	3.5x
July 2022 and onwards	3.00x	3.5x

The covenants in the bank facilities will be tested quarterly while leverage excluding Cruise is greater than 4.0x and no dividends can be paid while leverage is greater than 3.0x. The Group will apply for a waiver of the covenants in the ship debt and is likely to apply for a debt holiday for the period to 31 March 2021 under a package of proposals that are being put together for the cruise industry.

While the impact of the COVID-19 situation cannot be accurately predicted and it is not possible to assess all possible future implications for the company, with these steps the Group believes that it has a secure financial position that will enable it to trade through the current disruption of the travel market.

Dividends
Given the uncertain implications of COVID-19, the Board of Directors does not recommend the payment of a dividend for the 2019/20 financial year. While the Directors intend to resume dividend payments in the future, the Group will assess its Dividend Policy for current and future years as the COVID-19 situation becomes more certain.

Financial priorities for 2020/21
The Group's financial priorities for the current financial year are to preserve cash and reduce leverage, comply with amended banking covenants and to reduce costs, while continuing the progress in Insurance that started last year, completing Cruise transformation and repositioning the Tour Operations business. Given the uncertain impact from COVID-19 the Group is not able to provide any earnings guidance for the 2020/21 financial year.

Viability statement

The Directors have considered the viability of the Group over the five-year period to January 2025. The current COVID-19 situation has created an unprecedented challenge for businesses in making judgements regarding trading prospects. At Saga, we are focused on protecting the Group over the coming months and the key actions we are taking are outlined in the Going Concern disclosure on pages 130-131. On the assumption that the general business activities and the travel industry in particular can begin to recover at the start of 2021, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years. The Directors recognise that uncertainty increases over time and therefore future outcomes cannot be guaranteed.

The Directors have determined the five-year period to January 2025 to be an appropriate period over which to assess the Group's viability, as this period:

a) is consistent with the planning horizon over which the Directors normally consider the future performance, capital and solvency requirements of the business;
b) includes the delivery of the second new ship;
c) includes the refinancing of senior bank facilities which took place in 2017, maturing in three to five years; and
d) includes consideration of the COVID-19 pandemic.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but plausible scenarios, and the effect of any mitigating actions. The Directors have considered each of the Group's principal risks and uncertainties (PRUs) detailed on pages 32-33 and the potential impact of these risks on the business model, future performance, solvency and liquidity over the period. The Directors have also taken into account the availability of the Group's senior banking facilities, which do not mature until 2022 and 2023 and are considered to be sufficient to meet the Group's needs.

Our list of PRUs, derived from our robust review of risks, was reviewed by risk owners, Group Finance and Group Risk, to consider which risks might threaten the Group's ongoing viability. All of the PRUs have been considered and severe but plausible outcomes for each have been identified. An estimate of the potential financial impact of each outcome has been quantified along with their perceived likelihood of occurrence. Assessments of potential financial impact were derived from both internal calculation and examples of similar incidents in the public domain. In assessing the viability of the Group, the Directors have considered appropriate management actions that may be taken in order to manage the solvency of the Group in the event of severe but plausible downside scenarios. The assessment is also based on the assumption that the corporate bond will be refinanced when it matures in 2024.

The three largest sensitivities in terms of financial impact were identified as the following:

1. The impact of COVID-19 - as described within the Going Concern disclosure on page 49;
2. General insurance regulation - uncertain regulatory developments, notably the FCA market study;
3. A failure to deliver on our Insurance strategy – Insurance continues to perform in line with expectation and has demonstrated good progress over the last year. Nonetheless, the business is going through a period of significant change, from both a management and organisation perspective.

As set out in the Audit Committee Report on pages 74-77, the Directors have reviewed and discussed the rationale and conclusions of management's viability testing.

Going concern

The Directors continue to have a reasonable expectation that the Group has adequate resources to continue in operation for the next twelve months and that the going concern basis of accounting remains appropriate.

The Group's business activities, together with the factors likely to affect its future development and performance, its exposure to risk and its management of these risks, details of its financial instruments and derivative activities, and details of other financial and non-financial liabilities, are described throughout the annual report (see principal risks and uncertainties on pages 32-33; Operating and Financial Review on pages 34-47; audit, risk and internal control on pages 70-73; Audit Committee Report on pages 74-77; Risk Committee Report on pages 78-80; and notes on pages 130-200). As a consequence, the Directors believe that the Group is well-placed to successfully manage its business risks.

The COVID-19 outbreak has created a major challenge and a high level of uncertainty for all companies. Our Insurance division, being the largest operating segment in the Group, continues to perform well and cash generation is expected to be resilient, but we have had to pause trading in our Travel division. Where possible, we have equipped our staff to work from home and are focusing our efforts on protecting our people and giving strong support to our customers.

We have taken prompt action to protect the Group's cash flow including reducing costs, suspending dividends to shareholders, making a precautionary £50m drawdown on the revolving credit facility in March 2020 and we have renegotiated the net debt to EBITDA (excluding Cruise) covenant on our short term banking facilities from 3.5x to 4.75x.

The Group has undertaken stress testing that considered a range of potential impacts of the COVID-19 pandemic on its financial resilience. In a severe but plausible central scenario, the Directors have assumed: the cessation of cruises until mid-September, with a slow recovery of load factors beyond that date, from 30% initially in September 2020, increasing to 60% by January 2021, then increasing across the course of 2021 to a pre COVID-19 level of 87% by January 2022; a delay in the delivery of the new ocean cruise ship, the Spirit of Adventure, from August 2020 to the end of November 2020; the impact of a cessation of holidays trading for five months until August; with adverse impacts on cancellations and booking rates for both holidays and cruises continuing into 2021. The scenario also assumed trading stresses in relation to the Insurance business, namely an expected reduction in travel insurance broker sales during 2020 and a potential adverse impact on profits relating to Private Medical Insurance, with an estimated combined total profit impact on the Insurance business of a net £10m per annum in 2020/21 and 2021/22. The analysis also used prudent assumptions for refunds of customer bookings, made limited allowance for deferral of tax payments until the second half of the year and did not assume any deferral of capital payments on the debt facility for the Spirit of Discovery ship.

In addition to this, the Directors considered a further, more severe scenario that assumed the cessation of cruise and holidays trading until January 2021, including further mitigating actions such as the deferral of capital payments on the debt facility used to fund the purchase of the Spirit of Discovery, deferral of certain tax payments into the 2021/22 financial year and a further reduction in operating costs.

While the impact of the COVID-19 situation cannot be accurately predicted and it is not possible to assess all possible future implications for the company, based on this analysis and in the scenarios assessed, the Group believes that it has a secure financial position that will enable it to trade through the current disruption of the travel market.

Section 172 (1) statement
Duty to promote the success of the company

The directors have had regard for the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 when performing their duty under section 172. The directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with and are impacted by our business.

The table below indicates where the relevant information is in this annual report that demonstrates how we act in accordance with the requirements of s.172.

s172 matter	Further information incorporated into this statement by reference	
Likely consequences of any decision in the long term	Chairman's statement PAGE 6	Chairman's governance overview PAGES 52-54
	Group CEO's strategic report PAGES 7-9	Board leadership and Company purpose PAGES 58-60
	Market overview PAGES 10-11	Division of responsibilities PAGES 61-63
	Business model PAGES 12-13	Composition, succession and evaluation PAGES 64-67
	Strategic priorities PAGES 14-15	Nomination Committee report PAGES 68-69
	Corporate responsibility PAGES 18-31	Audit, risk and internal control PAGES 70-73
	Our principal risks and uncertainties PAGES 32-33	Audit Committee report PAGES 74-77
	Operating and financial review PAGES 34-47	Risk Committee report PAGES 78-80
	Viability statement PAGE 48	Directors' Remuneration Report PAGES 81-108
The interests of the Company's employees	Chairman's statement PAGE 6	Operating and financial review PAGES 34-47
	Group CEO's strategic report PAGES 7-9	Chairman's governance overview PAGES 52-54
	Market overview PAGES 10-11	Board leadership and Company purpose PAGES 58-60
	Business model PAGES 12-13	Composition, succession and evaluation PAGES 64-67
	Strategic priorities PAGES 14-15	Nomination Committee report PAGES 68-69
	Corporate responsibility PAGES 18-31	Directors' Remuneration Report PAGES 81-108
	Our principal risks and uncertainties PAGES 32-33	
The need to foster the Company's business relationships with suppliers, customers and others	Chairman's statement PAGE 6	Corporate responsibility PAGES 18-31
	Group CEO's strategic report PAGES 7-9	Our principal risks and uncertainties PAGES 32-33
	Market overview PAGES 10-11	Operating and financial review PAGES 34-47
	Business model PAGES 12-13	Chairman's governance overview PAGES 52-54
	Strategic priorities PAGES 14-15	Board leadership and Company purpose PAGES 58-60
Impact of the Company's operations on the community and environment	Chairman's statement PAGE 6	Strategic priorities PAGES 14-15
	Group CEO's strategic report PAGES 7-9	Corporate responsibility PAGES 18-31
	Market overview PAGES 10-11	Our principal risks and uncertainties PAGES 32-33
	Business model PAGES 12-13	Operating and financial review PAGES 34-47

s172 matter	Further information incorporated into this statement by reference	
The Company's reputation for high standards of business conduct	Chairman's statement PAGE 6	Chairman's governance overview PAGES 52-54
	Group CEO's strategic report PAGES 7-9	Board leadership and Company purpose PAGES 58-60
	Market overview PAGES 10-11	Division of responsibilities PAGES 61-63
	Business model PAGES 12-13	Composition, succession and evaluation PAGES 64-67
	Strategic priorities PAGES 14-15	Nomination Committee report PAGES 68-69
	Corporate responsibility PAGES 18-31	Audit, risk and internal control PAGES 70-73
	Our principal risks and uncertainties PAGES 32-33	Audit Committee report PAGES 74-77
	Operating and financial review PAGES 34-47	Risk Committee report PAGES 78-80
	Viability statement PAGE 48	Directors' Remuneration Report PAGES 81-108
The need to act fairly as between members of the Company	Chairman's statement PAGE 6	Board leadership and Company purpose PAGES 58-60
	Corporate responsibility PAGES 18-31	Directors' report PAGES 109-112
	Chairman's governance overview PAGES 52-54	

Non-financial information statement

Disclosures of non-financial information matters, including a description of policies, due diligence processes and outcomes, where applicable, are available as follows:

NFI matter	Further information incorporated into this statement by reference	
Environmental	Safeguarding the environment PAGES 26-29	
Company's employees	Colleagues and culture PAGES 22-23	Succession planning and talent development PAGE 69
	How the Board monitors culture PAGE 31	Diversity PAGE 69
	Culture PAGE 58	Fairness, diversity and wider workforce considerations PAGES 95-102
	Stakeholder engagement by the Board PAGE 60	
Social	Market overview PAGES 10-11	Stakeholder engagement by the Board PAGE 60
	Investing in our communities PAGES 24-25	
Respect for human rights	Human rights and modern slavery PAGE 30	
Anti-corruption and anti-bribery	Financial crime PAGE 30	Financial crime and whistleblowing PAGE 75
Business model	Business model PAGES 12-13	
Principal risks and uncertainties	Principal risks and uncertainties PAGES 32-33	
Non-financial KPIs	Relevant policies, codes and standards are available on https://corporate.saga.co.uk/about-us/governance/	

The Strategic Report was approved by the Board and signed on its behalf by Euan Sutherland, Group Chief Executive Officer on 8 April 2020

Patrick O'Sullivan
Chairman

Strong governance plays a vital part in driving the right behaviour and producing fair outcomes for our customers

Dear Shareholder,
This year has been a challenging year for many reasons, including the recent impact of COVID-19. It was crucial that our governance framework continued to support effective decision making as we dealt with the external factors that affected our strategy. We remain committed to our purpose of helping our customers lead the life they want to lead and believe that strong governance plays a vital part in driving the right behaviour and producing fair outcomes for our customers. I am proud of how the workforce is dealing with the disruption to our usual way of working and want to thank all colleagues for their hard work and passion during a difficult time.

The Board spent time considering how investment in the Saga brand would allow us to continue to offer specialist products and services that deliver good value and which would meet our customers' needs. Board discussion has focused on conduct, customer outcomes and how we can use our customer insight to gain a unique understanding of the behavioural traits and sentiments of our target demographic.

Our customers are responding well to what we are doing. It is clear that the Saga brand remains strong with our core target market.

We also enhanced the Membership proposition with the launch of the Possibilities app, Dining Possibilities and a digital edition of the Saga Magazine. I was pleased that we were able to extend our Possibilities offering to our shareholders during the year.

Details of Board activities during the year and how the governance structure supported key decisions, such as the decisions to invest further in our IT capabilities, charter new river cruise ships and launch new savings products, can be found on pages 59-63.

The Board Committees also played important roles throughout the year. The Risk Committee considered emerging and principal risks and uncertainties and risk tolerance thresholds. This analysis played an important part in the stress testing used in the formation of the viability statement (see page 48). The Audit Committee reviewed the viability statement itself, provided assurance that appropriate systems, controls and processes were in place and advised the Board that it supported the statement that the annual report is 'fair, balanced and understandable'. Details can be found in the Audit Committee Report on pages 74-77.

Board composition and changes
Throughout the year, the Nomination Committee discussed optimum Board composition and the skills required to take the business forward.

I am confident that we have the right leadership to make the right decisions in a challenging environment. We were able to attract strong candidates due to the strength of Saga as a unique British brand with a strong heritage.

Euan Sutherland succeeded Lance Batchelor as Group Chief Executive Officer in January 2020. Euan was selected due to his substantial experience heading major customer facing businesses, including financial services businesses, through periods of change. The Board was of the opinion that Euan's leadership would be invaluable as we continue the Saga transformation, with our customers at the heart of our strategy.

Gareth Hoskin was appointed to the Board as a Non-Executive Director on 11 March 2019. Gareth also took on the role of Chair of AICL and his experience in this sector has proved invaluable.

In November 2019, we announced that the Board had approved the Nomination Committee's recommendation to appoint Cheryl Agius as Chief Executive Officer of Insurance, a newly created role to lead all aspects of our insurance business and deliver our insurance strategy by building on the early success of our innovative three-year fixed-price product. Cheryl was selected due to her experience in insurance, retirement and pensions and strong track record of delivery in senior strategic roles.

For details of the processes for selection and appointment, see the Nomination Committee Report on pages 68 to 69.

In January 2020, we announced that Gareth Williams had advised us of his intention to step down as Chair of the Remuneration Committee with effect from 1 February 2020. Eva Eisenschimmel has been appointed in his place. Gareth will retire as a Non-Executive Director of the Company by the end of December 2020.

In April 2020, we announced that Ray King had confirmed his intention not to stand for re-election at the 2020 AGM. Gareth Hoskin will replace Ray King as Chair of our Audit Committee.

I would like to thank Lance for his six years of service to the Group. I also thank Gareth and Ray for their valued contribution to the Board and excellent service as Chairs of the Remuneration and Audit Committees respectively. I wish them all well for the future.

We comply with the recommendation in the UK Corporate Governance Code 2018 (Code) that at least half of our Board members, excluding the Chairman, are Non-Executive Directors whom the Board considers to be independent. The Board welcomes the fourth report of the Hampton-Alexander Review (published in November 2019) which seeks to improve Board and senior leadership diversity. The Company currently has four women on its Board (40%) and six in total across the combined Board and Group Executive Team (35%). The number of women in the combined group of Group Executive members and their direct reports is 34%. For full details of Board composition, see pages 64-65.

Key features of our governance procedures

- **Governance:** our governance framework works to support effective decision making.
- **Purpose:** we are working to articulate more explicitly and holistically our purpose and values and how they relate to our stakeholders.
- **Stakeholders:** a stakeholder mapping exercise ensured we focus on our key stakeholders are at the heart of the decisions we make.
- **Customers:** focused on customer outcomes and how we can use our customer insight to gain a unique understanding of the behavioural traits and sentiments of our target demographic – and give customers what they want.
- **Financial performance:** our governance processes help us assess and measure the impact of our decisions on financial performance, value for shareholders and impact on stakeholders.

People and culture

Our people make Saga what it is and are there to deliver on our purpose, which is why a strong culture is so important. We recognise that culture is a journey and is a key part of our competitive advantage. We focused on the following key drivers of culture:

- **Leadership.** We recognise the importance of ensuring we have the right talent in place to achieve our goals. Talent development and succession planning are discussed in detail by the Nomination Committee and the Board, including biannual formal reviews.
- **Purpose.** We are working to articulate more explicitly and holistically our purpose and values and how these relate to our stakeholders. The Board's focus was on opportunities to sharpen and make our purpose, culture and values more meaningful to add clarity and precision and improve stakeholder returns.

- **Approach to rewarding and managing people.** The Remuneration Committee was focused on ensuring that the Company had the right system of rewards not only at the senior level but also throughout the Group to ensure that our colleagues were being rewarded fairly for their work and we were able to retain the best talent. Further details can be found in our Remuneration Report on pages 81-108. We awarded eligible employees Free Shares for the fifth year running to reward their hard work and encourage a sense of ownership of the business.
- **Engagement.** We recognise that engagement with our colleagues is vital, particularly during difficult times. We received regular updates on the People Committee's activities. Gareth Williams continued to be the designated Non-Executive Director for employee-related matters and ensured that employee views and opinions were communicated to the Board as a whole.

Environmental, social and governance

Our governance framework is reviewed by the Board continuously against best practice and regulatory requirements. We consider a regulatory report at each Board meeting, which includes horizon scanning for future developments. There has been an increased focus on environmental issues during the year – details can be found on pages 26-29.

During the year, we advised our shareholders of our intention not to issue a paper proxy form as a matter of course. We explained that in 2018 we issued 53,000 paper proxies, only 17% of which were returned representing 1.65% of the issued share capital. We encourage electronic communication as this is more efficient and increases the speed of communication, and reduces print and distribution costs and the impact on the environment. We recognise that this does not suit everybody and so we have come up with what we believe is a fair compromise in that we have put in place a process where a paper proxy form will be issued upon request.

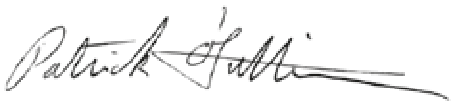
We conducted an interview-based, externally facilitated Board and Committee evaluation during the year. The review concluded that good progress had been made and that continued focus on brand awareness and customer needs was vital for delivery of the strategy. A full explanation of the evaluation exercise can be found on pages 66-67.

A summary of how we have applied the principles of the 2018 Code is set out overleaf. Our approach to Board leadership and Company purpose is detailed on pages 58-60, division of responsibilities on pages 61-63, composition, succession and evaluation on pages 64-67, stakeholder engagement by the Board on page 60, and audit, risk and internal control on pages 70-73.

Our shareholders and our AGM

Our Executive Directors, Chair of the Remuneration Committee and I met with key shareholders throughout the year, heard from our brokers and discussed how we could improve communication and explain our strategy. At our 2019 AGM, all resolutions were passed with a significant majority with the exception of the approval of the Directors' Remuneration Report. An explanation on how the Board engaged to seek feedback with those shareholders who voted against can be found on our corporate website (www.corporate.saga.co.uk/about-us/governance). All Directors standing for re-election were re-appointed.

Our AGM is scheduled to take place on 22 June 2020. We are considering how this will be held this year, in light of the impact of COVID-19 and will set out full details in the notice of the meeting.



Patrick O'Sullivan
Chairman
8 April 2020

Compliance statement	The Board is committed to high standards of corporate governance and manages Saga's operations in accordance with the Code. A full version of the Code can be found on the Financial Reporting Council's (FRC) website at www.frc.org.uk. The Company applied the principles and complied with the relevant provisions of the Code throughout the year as set out on pages 56-57. An explanation of non-compliance with Provision 38 is also provided.
Viability statement	The viability statement can be found in the Strategic Report on page 48.
Going concern	The going concern statement can be found in the Strategic Report on page 49.
Fair, balanced and understandable	In accordance with the principles of the Code, the Board has established arrangements to evaluate whether the information presented in the annual report is fair, balanced and understandable. Having taken advice from the Audit Committee, the Board considers the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
Assessment of risk	Through the risk cycle detailed on page 72, the Board is able to confirm that it has carried out a robust assessment of the emerging and principal risks facing the Company, including those which would threaten our business model, future performance, solvency or liquidity, in accordance with Provision 28 of the Code.
Statement of review	The risk management process detailed on pages 70-73 was in place for the year under review and up to the date of approval of this report. The Audit Committee, working closely with the Risk Committee and on behalf of the Board, carried out a review of the effectiveness of the systems of internal control and risk management covering all material controls, including financial, operational and compliance controls and the updated Group risk management framework. The conclusion was that the internal control environment remained effective, but that risk management maturity in the Group needs to be strengthened, notably in response to management and system changes over time. This is being addressed through a multi-year risk transformation programme commenced by Group Risk in 2019.
Section 172 (1)	The Section 172 (1) statement can be found in the Strategic Report on pages 50-51.

The Company applied the main principles of the Code as follows:

1. Board leadership and company purpose

A. Effective Board

The Board met formally 10 times during the year. The schedule of matters reserved for the Board (detailed on page 58) was reviewed on 18 September 2019. The governance structure in place sets out delegated authorities clearly. The Board considers progress against long term strategy at each Board meeting. More information on Company KPIs, strategic priorities, principal risks and uncertainties, and stakeholder engagement is provided in the Strategic Report.

READ MORE PAGES 1-51 STRATEGIC REPORT
PAGES 32-33 PRINCIPAL RISKS AND UNCERTAINTIES
PAGES 52-80 GOVERNANCE

B. Purpose, value, strategy and culture

The Company's purpose, value and strategy are defined in the Strategic Report. Culture plays an important part in delivery of strategy and operation of the business model. The Company is on a journey to embed and continuously focus on the right culture and initiatives were undertaken during the year to champion desired behaviours.

READ MORE PAGE 31 HOW THE BOARD ASSESSES AND MONITORS CULTURE
PAGES 58-60 BOARD LEADERSHIP AND COMPANY PURPOSE
PAGES 61-63 DIVISION OF RESPONSIBILITIES
PAGES 81-108 DIRECTORS' REMUNERATION REPORT

C. Resources and controls system

The Board and its principal Committees' focus was to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls. This enabled risk to be assessed and managed. The Board and Committee framework means that the Company's strategic aims were continually assessed and ensured that the necessary financial and human resources were in place for Group objectives to be met and to review management performance.

READ MORE PAGES 18-31 CORPORATE RESPONSIBILITY
PAGES 32-33 PRINCIPAL RISKS AND UNCERTAINTIES
PAGES 50-51 SECTION 172 (1) AND NON-FINANCIAL INFORMATION STATEMENTS
PAGES 70-73 AUDIT, RISK AND INTERNAL CONTROL
PAGES 74-77 AUDIT COMMITTEE REPORT

D. Stakeholder engagement

The Board is committed to understand the views of the Company's key stakeholders and consider their interest in Board discussion and decision making. During the year a Group-wide 'stakeholder mapping' exercise took place, to identify material stakeholders, their concerns and to ensure that the Group considered the impact on identified stakeholders when making decisions.

In addition, the Board actively engages with shareholders and values opportunities to meet with them.

The AGM is viewed as an important opportunity to meet shareholders and all Board members were available during and after the meeting. The importance of ongoing dialogue with shareholders is recognised and during the year the Chairman had direct contact with major shareholders and the Remuneration Chair consulted regarding changes to the Long Term Incentive Plan, reasons for the vote against the Remuneration Report and informed them of the action taken as a result. Details of the impact of the feedback received was published on the Company's website (www.corporate.saga.co.uk/about-us/governance).

The Chairman provided updates on shareholder opinion, formally at the Board meetings and informally where appropriate, via timely updates following each conversation. In addition, advisors attended Board meetings to provide feedback and analyst reports were circulated.

READ MORE PAGES 1-25 STRATEGIC REPORT
PAGES 18-31 CORPORATE RESPONSIBILITY
PAGES 50-51 SECTION 172 (1) AND NON-FINANCIAL INFORMATION STATEMENTS
PAGE 60 STAKEHOLDER ENGAGEMENT BY THE BOARD

E. Workforce policies and ability to raise concerns

Key policies are reviewed and submitted to the Board on an annual basis for discussion and approval. These are reviewed in the context of regulatory changes as well as best practice and to reflect the Company's values. Appropriate training programmes were rolled out to relevant colleagues (mainly via an eLearning platform). Training was prioritised to link to strategy and mitigate risk. Significant effort has been made to communicate the Company's robust Whistleblowing and Open Door Policy and process. During the year, the supervision of this process moved to the Group Risk and Compliance team, to ensure that there was an independent and effective second line review of the procedure in place. A whistleblowing report is considered at each Audit Committee meeting, with the Board made aware of material incidents. The Board also considers an annual whistleblowing report from the Audit Committee Chair as Whistleblowing Champion.

READ MORE PAGES 18-31 CORPORATE RESPONSIBILITY
PAGES 50-51 SECTION 172 (1) AND NON-FINANCIAL INFORMATION STATEMENTS
PAGES 58-60 BOARD LEADERSHIP AND COMPANY PURPOSE
PAGES 74-77 AUDIT COMMITTEE REPORT
PAGES 81-108 DIRECTORS' REMUNERATION REPORT

2. Division of responsibilities

F. Role of the Chairman

The Chairman sets the agenda for meetings, manages the meeting timetable (in conjunction with the Group Company Secretary) and facilitates open and constructive dialogue during the meetings, with particular focus on strategic issues. This year saw the appointment of new Executive and Non-Executive Directors and it was important that the Chairman promoted constructive relations between all Board members and also with senior colleagues throughout the Group. The Chairman ensured that the Directors received accurate, timely and clear information, with regular updates and discussions arranged in between formal meetings.

READ MORE PAGES 58-60 BOARD LEADERSHIP AND COMPANY PURPOSE
PAGES 61-63 DIVISION OF RESPONSIBILITIES

G. Board and its responsibilities

There is a clear division of responsibilities between the Chairman and the Group Chief Executive Officer. The Chairman is responsible for the leadership and effectiveness of the Board. The Group Chief Executive Officer is responsible for leading the day to day management of the Group within the strategy set by the Board. A document clarifying these divisions and the role of the Senior Independent Director was reviewed and approved by the Board on 7 November 2019. This document is reviewed annually by the Board. In addition, the Board felt it appropriate to include reference to the role of Committee Chairs and the Non-Executive Directors identified as 'People' and 'Customer' Champions. Matters reserved for the Board and the Board and Executive Committees' terms of reference are reviewed annually. The Board Committees' terms of reference can be found on the Company's website (www.corporate.saga.co.uk/about-us/governance).

READ MORE PAGES 61-63 DIVISION OF RESPONSIBILITIES
PAGES 64-65 BOARD BIOGRAPHIES

H. Non-Executive Directors

The Non-Executive Directors provide objective, rigorous and constructive challenge to management and met regularly without the Executive Directors. The Senior Independent Director acted as a sounding board for the Chairman, led an evaluation of the Chairman's performance and was available for meetings with major shareholders, although this was not necessary during the year.

READ MORE PAGES 58-60 BOARD LEADERSHIP AND COMPANY PURPOSE
PAGES 61-63 DIVISION OF RESPONSIBILITIES

I. Information and support

The Chairman, in conjunction with the Group Company Secretary, ensured that all Board members received accurate and timely information and were kept informed on all governance and regulatory matters. A regulatory report detailing the impact of all emerging and future changes was presented at each Board meeting.

READ MORE PAGES 18-31 CORPORATE RESPONSIBILITY
PAGES 58-60 BOARD LEADERSHIP AND COMPANY PURPOSE
PAGES 61-63 DIVISION OF RESPONSIBILITIES
PAGES 70-73 AUDIT, RISK AND INTERNAL CONTROL
PAGES 78-80 RISK COMMITTEE REPORT
PAGES 81-108 DIRECTORS' REMUNERATION REPORT

3. Composition, succession and evaluation

J. Appointment process

The appointment of new Directors to the Board is led by the Nomination Committee and the process is such that candidates are selected on merit and with due regard for the benefits of diversity, in all forms. This included the search for a successor to the Group Chief Executive Officer.

READ MORE PAGES 68-69 NOMINATION COMMITTEE REPORT
PAGES 64-67 COMPOSITION, SUCCESSION AND EVALUATION

K. Board composition

The Nomination Committee is responsible for regularly reviewing the composition of the Board, considering succession planning and evaluating the skills, knowledge and experience required of Board candidates. All Directors are subject to annual re-election by shareholders at the Company's AGM.

READ MORE PAGES 68-69 NOMINATION COMMITTEE REPORT
PAGES 64-67 COMPOSITION, SUCCESSION AND EVALUATION

L. Board evaluation

The Board conducted an externally facilitated, interview-based, annual evaluation of its own performance and that of its Committees and individual Directors.

READ MORE PAGES 68-69 NOMINATION COMMITTEE REPORT
PAGES 64-67 COMPOSITION, SUCCESSION AND EVALUATION

4. Audit, risk and internal control

M. Independence and effectiveness of internal and external audit functions

The Board has delegated a number of responsibilities to the Audit Committee, which is responsible for overseeing the Group's financial reporting processes, internal controls and the work undertaken by the internal and external auditor.

The Chairs of the Risk and Audit Committees are Board members and provide regular updates to the Board regarding Committee business.

READ MORE PAGES 70-73 AUDIT, RISK AND INTERNAL CONTROL
PAGES 74-77 AUDIT COMMITTEE REPORT

N. Fair, balanced and understandable assessment

The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable. The Strategic Report provides information about the performance of the Group, the business model, strategy and emerging and principal risks and uncertainties (PRUs) relating to the Group's future prospects.

READ MORE PAGES 1-51 STRATEGIC REPORT
PAGES 70-73 AUDIT, RISK AND INTERNAL CONTROL
PAGES 74-77 AUDIT COMMITTEE REPORT
PAGES 125-129 FINANCIAL STATEMENTS

O. Risk management and internal controls

The Board sets out the Group's risk appetite and Risk Policy. The effectiveness of the Group's risk management and internal control systems is reviewed annually. The Risk Committee assists the Board with its responsibilities in relation to the management of risk and consideration of the Company's emerging and principal risks and uncertainties.

READ MORE PAGES 32-33 PRINCIPAL RISKS AND UNCERTAINTIES
PAGE 48 VIABILITY STATEMENT
PAGES 70-73 AUDIT, RISK AND INTERNAL CONTROL
PAGES 74-77 AUDIT COMMITTEE REPORT
PAGES 78-80 RISK COMMITTEE REPORT
PAGES 130-200 NOTES TO THE FINANCIAL STATEMENTS

5. Remuneration

P. Remuneration policies and practices

The Remuneration Committee is responsible for setting levels of remuneration that support strategy and promote the Company's long term sustainable success. Remuneration is structured to link it to both corporate and individual performance, so that the interests of management are aligned with those of shareholders and its key stakeholders. Annual bonus is underpinned by personal objectives which are aligned to Company's purpose and values and clearly linked to the delivery of the Company's strategy. The Company did not comply with Provision 38 of the Code, as the Group Chief Financial Officer's pension does not currently align with that of the workforce. Steps are being taken to address this.

READ MORE PAGES 1-51 STRATEGIC REPORT
PAGES 58-60 BOARD LEADERSHIP AND COMPANY PURPOSE
PAGES 81-108 DIRECTORS' REMUNERATION REPORT

Q. Procedures for executive remuneration

Details of the work of the Remuneration Committee and the Remuneration Policy can be found in the Directors' Remuneration Report. A copy of the current Remuneration Policy can be found on the Company's website (www.corporate.saga.co.uk/about-us/governance). None of the Directors are involved in deciding their own remuneration outcome.

READ MORE PAGES 81-108 DIRECTORS' REMUNERATION REPORT

R. Independent judgement

The Remuneration Committee exercises independent judgement and discretion when considering remuneration outcomes, taking account of Company and individual performance, and wider circumstances. It can override formulaic remuneration if necessary.

READ MORE PAGES 81-108 DIRECTORS' REMUNERATION REPORT

The Board is responsible for, and provides, the overall direction for management, debating our strategic priorities and setting Saga's values and standards

Culture

Saga has programmes in place to stimulate and maintain our pipeline of future leaders, and our framework has an emphasis on inclusion: recognition and respect of diversity of thought, of approach and of experience. We need to continue to challenge ourselves to find new ways to develop our next generation of women leaders, and are committed to ensuring we nurture the aspirations of all our people.

The Saga People Action Plan addresses themes identified by our 'Pulse' colleague surveys, which are conducted throughout the year. The leadership development programme was rolled out to the senior leaders in the business during the year to ensure that this group was aligned on delivering growth.

Saga has entered into a cross-Company mentoring arrangement hosted through the 30% Club, which has specific focus on developing future female leaders by matching them to mentors outside of our organisation over the course of a nine month programme. The programme will also involve Saga providing 10 mentors, who, in addition to receiving specific mentor training, will be matched with leaders external to Saga.

Further investment in developing our people was made with the launch of the leadership degree (for which 50 individuals have enrolled to date) and MBA programmes.

All Directors, members of the Group Executive Committee and persons discharging managerial responsibilities receive training on an ongoing basis.

Our Board

The Board is responsible for, and provides, the overall direction for management, debating our strategic priorities and setting Saga's values and standards. There is an articulated set of matters which are reserved for the Board and these are reviewed annually. The last review took place on 18 September 2019. Matters reserved for the Board include the following:

- Any decision likely to have a material impact on Saga from any perspective including, but not limited to, financial, operational, strategic or reputational.
- The strategic direction of the overall business, objectives, budgets and forecasts, levels of authority to approve expenditure, and any material changes to them.
- The commencement, material expansion, diversification or cessation of any of Saga's activities.
- Saga's regulatory, financial and material operational policies.
- Changes relating to Saga's capital, corporate, management or control structures.
- Material capital or operating expenditure outside pre-determined tolerances or beyond the delegated authorities.
- Major capital projects (including post-investment reviews where not considered in detail by the Audit or Risk Committees or where the Board decides a full review is required), corporate action or investment by Saga that will have, or is likely to have, a financial cost greater than the amount set out in the relevant contract approval processes from time to time.
- Any contract which is material strategically or by reason of size, not in the ordinary course of business, or outside agreed budgetary limits or that relates to joint ventures and material arrangements with customers or suppliers.

A fundamental part of this role is to consider the balance of interests between our stakeholders including shareholders, our customers, our colleagues and the communities in which we work.

Understanding who the Group's stakeholders are is essential for the Group's success. The Board established a process of identifying the organisation's stakeholders and mapping them according to materiality and what is important to them. More information about the Group's stakeholder mapping exercise can be found on pages 19-21.

Details of the Board's activities during the year can be found on page 59.

Board activities during the year

Meetings are structured to enable the Board to support executive management on the delivery of strategy within a transparent and robust governance framework as illustrated on pages 62-63. After the year end, the Board has reviewed in detail the impact of the COVID-19 pandemic on Saga, and the actions that management are taking to ensure that the Group remains operationally and financially resilient.

Areas of Board focus during the year:	
Strategy	Regular updates were provided by management on strategic and commercial priorities, including the development of the new brand and data strategy and updates on the Possibilities programme. The possible impact of Brexit was discussed.
People and culture	The Board received regular updates on talent and succession plans, reward structures and Group HR policy. The People Committee facilitated ongoing dialogue and transparency with our colleagues.
Stakeholder engagement	The Board considered the views of, and impact of decisions on, our stakeholders. Active dialogue was maintained with our shareholders throughout the year, responding to enquiries via our Investor Relations team, and holding meetings with investors and financial analysts to discuss business performance and strategy. The Executive Directors, the Chairman and the Chair of the Remuneration Committee held meetings with key shareholders.
Governance	Regular reports were provided by the Board's principal Committees, with oversight of the governance and risk management frameworks. The Board reviewed our risk appetite and tolerance levels and thresholds against the strategy. The Group's Modern Slavery and Human Trafficking Policy and Statement were approved and published.
Investing in our capabilities	The Board received updates from management on the performance of the business and on financial performance and how investment would lead to growth.

Governance in action

Growth

- Reviewed our products and offerings to ensure that they truly were differentiated and enabled us to compete.
- Discussed how to grow the Retail Insurance and Travel businesses (refer to pages 6-9 and 14.)
- Monitored progress of the build of our new ships, Spirit of Discovery and Spirit of Adventure (refer to pages 14 and 40).

Stakeholders

- Considered how we could ensure that our stakeholders' voices were heard in the Board room – conducted a Group-wide stakeholder mapping exercise (refer to pages 19-21).
- Launched Possibilities for shareholders, to enable our shareholders to benefit from the same offers that our customers experience (refer to page 9).
- Increased visibility of our Non-Executive Directors (throughout the Group and by attendance at presentations and via shareholder consultations) (refer to page 60).

Customer centricity

- Listened to customer calls in the Board room and heard from customer facing colleagues firsthand so that we could understand better the needs of our customers.
- Assessed the impact of the General Data Protection Regulation and considered this through our customers' eyes (refer to page 80).
- Further refined the three-year fixed-price proposition in Insurance to ensure that our customers are treated fairly (refer to pages 7-10).

Investment

- Considered how platforms could deliver flexibility and efficiencies for customers and colleagues (refer to pages 15 and 22).
- Discussed the new insurance platform, how this would increase product differentiation, improve call centre and back office efficiencies and enable cross-selling and customer retention.
- Discussed and approved the proposition to replace existing river ship charters (giving customers what they want and increasing our ability to compete) (refer to page 14).

People

- Encouraged the representatives of the People Committee to share valuable insight into views of the wider workforce, to strengthen colleagues' voices in the Board room (refer to pages 23 and 102).
- Held a biannual review of talent development and succession planning (refer to page 69).
- Agreed the award of Free Shares to eligible colleagues under the Share Incentive Plan (SIP) for the fifth year running (refer to pages 83 and 186).
- Considered key metrics such as turnover, absenteeism, surveys, Board interaction with colleagues, attitude towards regulators and health and safety reports to gain a deeper understanding of culture and behaviour.
- Encouraged open, honest and more regular dialogue between the Group Executive members and senior colleagues.

Stakeholder engagement by the Board

A critical aspect of working constructively with Saga's key stakeholder groups is the engagement which takes place to understand material issues of interest, and set out below are details of the engagement mechanisms that exist within Saga, which ultimately support the Board's understanding of relevant stakeholder views. This approach helps to assess Saga's stakeholder interests from the perspective of the long term sustainable success of the Company and is supportive of a Director's duty under Section 172 (1) of the Companies Act 2006 (see pages 50-51).

Our stakeholders	How the Board engages	Impact on decision making
Customers	• Eva Eisenschimmel is our appointed 'Customer Champion' and chairs Saga's Customer Panel Forum. • Board considers NPS scores as part of a customer dashboard presented at each meeting. • Customer facing colleagues invited to Board meetings to provide details of customer experiences.	• The Customer Panel Forum allows for feedback to be gathered and shared with the Board. • Active dialogue with our customers is critical to Saga's strategy and helps to shape our Membership programme, Saga Possibilities.
Colleagues	• People Committee provides a mechanism for the Board to maintain two-way dialogue with colleagues (see page 102). • Gareth Williams is our appointed 'Employee Champion' and attends the meetings of the People Committee at least twice a year to maintain regular contact with colleagues, to provide updates on the Board's activities as well as update the Board on the main aspects considered by the Committee. • Chief People Officer presents findings and actions arising from colleague surveys and initiatives.	• Addressing a gender pay gap is a standing agenda item for the Remuneration Committee, which developed a plan to close this gap and monitor its implementation. The Board updated on the progress of this. • 'People Strategy' is actively monitored by the Board, via regular updates from our Chief People Officer. • Developing our people is one of our key strategic priorities (see page 15).
Shareholders	• Maintenance of open and regular dialogue with our shareholders (many of whom are our loyal customers) via established communication channels. • Investor Relations report discussed at each Board meeting. • The Board and senior management meet shareholders at the Annual General Meeting. • Euan Sutherland, Group Chief Executive Officer, and James Quin, Group Chief Financial Officer, lead communications with our shareholders assisted by our Director of Investor Relations. In addition, the Chairman and Chair of the Remuneration Committee meet with major shareholders during the year and provide feedback to the Board. • Hold investor 'road shows', investor days, briefings and ad hoc meetings on request, where calendar and regulatory requirements allow. • Conduct consultations with major shareholders on key issues.	• A shareholder communication strategy is developed each year to ensure that Saga maintains a relationship with our shareholders based on trust. • The Chair of the Remuneration Committee conducted a shareholder consultation in May 2019 on changes to the future performance conditions for our Long Term Incentive Plan to align with our strategy announced in April 2019. After our last AGM in June 2019, the consultation was extended to understand reasons for 28.17% of the votes being cast against the resolution to approve the Remuneration Report. More details regarding this, and the action taken as a result, can be found on our website www.corporate.saga.co.uk/about-us/governance/.
Community	• Active engagement with local communities around the main Saga sites (via the Group CEO) and local councils. • Meetings held with key members of local communities and feedback provided to the Board.	• The opinions of local communities are considered as part of the decision making process. • The reasons for decisions are communicated.
Partners and suppliers	• Partnering with charities that are close to our customers' hearts. • Board and subsidiary Boards monitor relationships with key partners and suppliers. • Supplier Risk Committee (chaired by Helen Webb, Chief Risk and Compliance Officer). • Links to key risks discussed at the Risk Committee.	• Supplier risk due diligence is completed annually to ensure compliance with current regulatory and statutory requirements, e.g. human rights and modern slavery requirements.

Annual General Meeting

The AGM will be held on 22 June 2020 at 11am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. We are considering how this will be held this year, in light of the impact of COVID-19 and will set out full details in the notice of the meeting.

The notice of the AGM will also contain an explanation of business to be considered at the meeting. A copy will be available on Saga's website, www.corporate.saga.co.uk, in due course.

The members of the Board

The Board considers its overall size and composition to be appropriate, having regard in particular to the independence of character, integrity, differences of approach and experience of all the Directors.

We consider that the skills and experience of our individual members, particularly in the areas of insurance, financial services, customer service, brand management, strategy and risk management, are fundamental to the pursuit of our objectives. In addition, the experience of members of the Board in a variety of sectors and markets is invaluable to Saga.

Independence of Non-Executive Directors

The Board considers all current Non-Executive Directors to be independent of Saga's executive management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement or objective challenge of management. These Directors are Eva Eisenschimmel, Julie Hopes, Gareth Hoskin, Ray King, Orna NiChionna and Gareth Williams.

We continue to comply with the Code recommendation that at least half of our Board , excluding the Chairman, are Non-Executive Directors whom the Board considers to be independent. For full details of Board composition, see pages 64-65.

Board attendance during the year

The Board and Committees have a scheduled forward programme of meetings. During the year, the Board met formally on 10 occasions. In addition, meetings were convened as necessary to approve strategic matters and a strategy event was held in November at which annual and five-year plans and the strategic direction for each of the businesses were discussed. The Chairman meets regularly with the Senior Independent Director and Non-Executive Directors outside of formal meetings.

Board attendance

Member	Role	Maximum number of meetings	Attendance
Patrick O'Sullivan	Chairman (leadership, Board governance, sets the agenda and facilitates open Board discussions, performance and shareholder engagement)	10	10
Euan Sutherland[1]	Group Chief Executive Officer (develops strategy for Board approval and Group performance)	2	2
James Quin	Group Chief Financial Officer (Group financial performance, including creation of the budget and five-year plans for recommendation to the Board)	10	10
Cheryl Agius[2]	Chief Executive Officer of Insurance (leads all aspects of insurance business including three-year fixed-price product and responsible for insurance strategy)	2	2

Independent Non-Executive Directors		Maximum number of meetings	Attendance
Orna NiChionna	Participate in, assess, challenge and monitor Executive Directors' delivery of the strategy (within risk and governance structures), financial controls and integrity of financial statements, and Board diversity. Evaluate and appraise the performance of Executive Directors and senior management.	10	8
Eva Eisenschimmel		10	10
Julie Hopes		10	9
Gareth Hoskin[3]		9	6
Ray King[4]		10	9
Gareth Williams[5]		10	9

Other executives, senior colleagues and external advisers are also invited to attend Board meetings, to present items of business and provide insight into key strategic issues. The Group Company Secretary attends each meeting, assists the Chairman of the Board and Committee Chairs in planning for each meeting and ensures that Board and Committee members receive information and papers in a timely manner.

Former Directors		Maximum number of meetings	Attendance
Lance Batchelor[6]	Group Chief Executive Officer	10	9

Notes:
1 Euan Sutherland was appointed as Group Chief Executive Officer on 6 January 2020
2 Cheryl Agius was appointed as Chief Executive Officer of Insurance on 1 January 2020
3 Gareth Hoskin was appointed on 11 March 2019
4 Ray King has confirmed his intention not to stand for re-election at the 2020 AGM
5 Gareth Williams has indicated his intention to step down as a Non-Executive Director by the end of December 2020
6 Lance Batchelor stepped down as Group Chief Executive Officer on 6 January 2020 and retired as a Director on 31 January 2020

THE BOARD'S RESPONSIBILITIES

- Identify future developments and opportunities in strategic direction of the Group.
- Setting values and standards.
- Generating ideas to meet the needs of our stakeholders, including shareholders, colleagues and customers.

The Nomination Committee's responsibilities

- Assessing the size, structure and composition of the Board to ensure this remains aligned with emerging trends and keeps up with the pace of change.
- Succession planning.
- Evaluating the skills, knowledge, independence and diversity of the Board.
- Identifying and nominating candidates to fill Board vacancies.
- Reviewing Board performance evaluation results in relation to Board composition.

NOMINATION COMMITTEE REPORT
PAGES 68-69

The Audit Committee's responsibilities

- Monitoring the integrity of financial statements and reporting procedures.
- Reviewing Internal Audit work plan.
- Monitoring, reviewing and challenging the effectiveness of the Internal Audit and Finance functions.
- Assessing the adequacy and effectiveness of the Company's internal controls and audits.
- Reviewing Saga's annual and half year financial statements and accounting policies.
- Approving the remuneration and terms of engagement, and determining independence of the external auditor.
- Monitoring the scope of the annual audit and the extent of non-audit work undertaken by external auditors.
- Providing recommendations on the fair, balanced and understandable assessment, going concern and viability statements.
- Ensuring that whistleblowing and anti-fraud systems are in place and monitored within Saga.

AUDIT COMMITTEE REPORT
PAGES 74-77

THE EXECUTIVE COMMITTEE

reports directly to the Board via the Group Chief Executive Officer, Chief Executive Officer of Insurance and Group Chief Financial Officer and is responsible for:

- Implementing strategy as determined by the Board.
- Executive management – monitoring trading against strategy.
- Displaying ethical leadership from the top.
- People development and day to day operational management.

- Ensuring compliance with statutory and regulatory obligations.
- Managing risk and control.
- Scenario analysis to assess potential impact of decisions.

Board responsibilities – allocation of time

Strategy and business performance	c.55%
Financial reporting and controls (including Dividend Policy)	c.15%
Oversight of risk and management	c.10%
People, culture and Board effectiveness	c.10%
Corporate governance	c.10%

The Risk Committee's responsibilities

- Advising the Board on the Group's overall risk appetite, tolerance and strategy.
- Overseeing and advising the Board on current risk exposure and future risk strategy.
- Reviewing risk assessment and management procedures.
- Monitoring principal business risks.
- Reviewing the adequacy and effectiveness of risk management and identification systems and of the compliance function.
- Reviewing and monitoring management's response to the Chief Risk and Compliance Officer's findings and recommendations.
- Providing qualitative and quantitative advice to the Remuneration Committee on risk weightings.
- Reviewing the corporate insurance arrangements.
- Reviewing (on an annual basis) reports received from the Money Laundering Reporting Officer relating to the adequacy and effectiveness of the Company and its subsidiaries' anti-money laundering systems and controls.

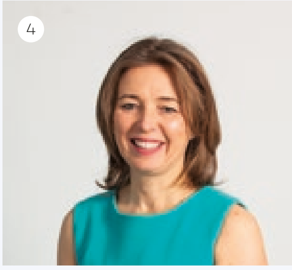
RISK COMMITTEE REPORT
PAGES 78-80

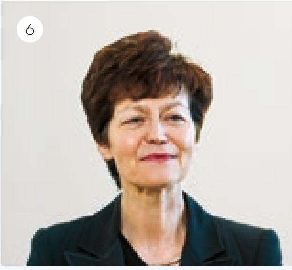
The Remuneration Committee's responsibilities

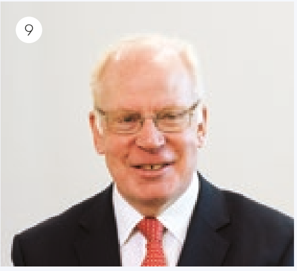
- Setting and monitoring the Remuneration Policy for senior executives, considering relevant legal and regulatory requirements and all relevant factors to ensure alignment with the delivery of value over the long term.
- Recommending and monitoring remuneration packages for Executive Directors, the Chairman and senior management.
- Working with the Nomination Committee regarding workforce structure, reward, incentives and conditions.
- Reviewing workforce remuneration and incentive programmes to encourage desirable behaviour and responsible risk taking.
- Determining all aspects of share-based incentive arrangements.
- Reviewing and administering employee share schemes.
- Setting key performance indicators for the Annual Bonus Plan and long term incentives.
- Preparing an Annual Remuneration Report.

THE WORK OF THE REMUNERATION COMMITTEE IS INCLUDED ON PAGES 81-108 **AND IS INCORPORATED BY REFERENCE**

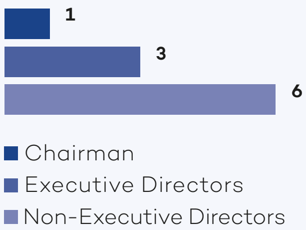
- Managing risk and conduct, reviewing Group Risk and Internal Audit and compliance plans.
- Reporting any potential or actual breaches of regulation or policy to the Board.
- Identifying the root cause of cultural issues and taking appropriate action.







Composition of the Board



Key to Committees

- A Audit Committee
- E Executive Committee
- N Nomination Committee
- R Remuneration Committee
- RI Risk Committee
- Committee Chair

1. Patrick O'Sullivan

N

Chairman

Appointed
1 May 2018

Key strengths and experience
- Financially and strategically sophisticated business leader and Board director.
- Wealth of experience in the financial and insurance industry.

Previous senior roles include: Bank of America, Goldman Sachs, Financial Guaranty Insurance Company, Barclays/BZW and Zurich.

Previous Non-Executive roles include: Chairman of Old Mutual plc and the UK's Shareholder Executive; Deputy Governor at Bank of Ireland; Senior Independent Director at Man Group plc; Audit Committee Chair at Collins Stewart plc, Cofra Group AG and Chairman of ERS (syndicate 218), a Lloyd's market specialist motor insurer.

2. Euan Sutherland

E

Group Chief Executive Officer

Appointed
6 January 2020

Key strengths and experience
- Significant experience in leading major consumer facing businesses through periods of change to deliver a more efficient organisation.
- Implementing strategy focused on customer insight, digital innovation and wholesale expansion.

Previous senior roles include: CEO of Superdry plc, the global digital brand and The Co-op Group; Group COO & CEO UK at Kingfisher plc, and background in global FMCG (fast moving consumer goods) brands including Mars and Coca-Cola.

Other roles
Non-Executive Director of Britvic plc (appointed February 2016).

3. James Quin

E

Group Chief Financial Officer

Appointed
1 January 2019

Key strengths and experience
- Fellow of the Institute of Chartered Accountants in England and Wales.
- Seasoned insurance executive with over 28 years of senior leadership experience.
- Extensive strategic, investor and operational finance experience within the insurance industry.

Previous roles include: Zurich Insurance Group (most recently UK Chief Financial Officer); Citigroup Global Markets; Lehman Brothers; and PwC.

4. Cheryl Agius

E

Chief Executive Officer of Insurance

Appointed
1 January 2020

Key strengths and experience
- Fellow of the Institute of Actuaries.
- Over 25 years' experience in insurance, retirement and pensions.
- Strong track record of delivery in senior strategic roles.
- Leading an organisational transformation and change programme to create a data-driven, digitally led business.

Previous roles include: Legal & General (UK Strategic Retirement Director, UK International Development Director and most recently Chief Executive Officer of General Insurance business); Aon Hewitt, Lloyds TSB and Towers Watson.

5. Orna NiChionna

N A RI R

Senior Independent Non-Executive Director

Appointed
Senior Independent Director on 31 March 2017/ 29 May 2014 as Non-Executive Director

Key strengths and experience
- Significant experience in strategy and new concept development and launch, business turnaround, logistics redesign and supply chain management.
- Previous client portfolio included many consumer-facing clients.

Previous roles include: Senior Independent Director of Royal Mail plc, HMV plc, Northern Foods plc and Bupa; Non-Executive Director of Bank of Ireland UK Holdings plc and Bristol & West plc; former Partner at McKinsey & Company.

Other roles
Non-Executive Director and Chair of the Remuneration Committee at Burberry Group plc (appointed January 2018), Non-Executive and Chair of Founders Intelligence Limited (appointed July 2019), Deputy Chair of the National Trust (appointed January 2014) and Trustee of Sir John Soane's Museum (appointed January 2012).

6. Eva Eisenschimmel

N R

Independent Non-Executive Director
Customer Champion

Appointed
1 January 2019

Key strengths and experience
- Over 30 years of experience as a brand and marketing professional.
- Experience in customer membership schemes.
- Appointed 'Customer Champion' – chairs Saga's Customer Forum.

Previous roles include: Non-Executive Director (and a member of the Audit, Nomination, Remuneration and Risk Committees) of Virgin Money plc; Managing Director of Marketing, Brands and Culture at Lloyds Banking Group plc; Chief Customer Officer at Regus plc; Chief People and Brand Officer at EDF Energy; senior positions at Allied Domecq and British Airways.

Other roles
Chief of Staff at Lowell (appointed February 2016).

7. Julie Hopes

RI R

Independent Non-Executive Director

Appointed
1 October 2018

Key strengths and experience
- Associate with the Chartered Institute of Bankers.
- Wealth of insurance experience coupled with over 20 years in a variety of roles, specialising in general insurance and predominantly in personal lines.
- Highly customer-focused, with a breadth of functional, membership and affinity experience and a track record of driving growth.

Previous roles include: Non-Executive Director and Chair of Risk Committee of Co-Operative Insurance; Tesco Bank; and CEO of The Conservation Volunteers, a UK community volunteering charity.

Other roles
Chair of Police Mutual and its Remuneration Committee (appointed May 2014), Deputy Chair, Senior Independent Non-Executive Director and Remuneration Committee Chair of West Bromwich Building Society (appointed April 2016).

8. Gareth Hoskin

A RI

Independent Non-Executive Director

Appointed
11 March 2019

Key strengths and experience
- c.20 years' experience in insurance, in a variety of roles.
- Accountant: recent and relevant financial experience and competence in accounting.

Previous roles include: main Board Director and CEO International; and finance, retail marketing and HR roles in Legal & General; accountant at PwC.

Other roles
Audit Chair and Senior Independent Director at Leeds Building Society (appointed November 2015); Trustee, Non-Executive Director and Chair of the Audit and Risk Committees at Diabetes UK (appointed January 2015).

9. Ray King

N A RI R

Independent Non-Executive Director

Appointed
29 May 2014/retiring 22 June 2020

Key strengths and experience
- Strong background in business and financial management.
- Significant financial experience and non-executive director experience (including chairing audit committees).

Previous roles include: Group Chief Executive and Chief Financial Officer of Bupa; Director of Group Finance and Control at Diageo plc; Group Finance Director of Southern Water plc; senior roles at ICI plc; Non-Executive Director at the Financial Reporting Council, Infinis Energy plc and Friends Provident plc; Reporting Panel Member of the Competition and Markets Authority.

Other roles
Non-Executive Director of Rothesay Holdco UK Ltd (appointed April 2014) and its regulated subsidiary, Rothesay Life plc (appointed April 2014).

10. Gareth Williams

N A RI R

Independent Non-Executive Director
Employee Champion

Appointed
29 May 2014/retiring by the end of December 2020

Key strengths and experience
- Expertise in all aspects of human resource and people strategy.
- Brings unique perspective to discussions, drawn from his experience of working at Director level in a consumer facing organisation and knowledge of corporate relations, management development and resourcing.

Previous roles include: Human Resources Director of Diageo plc (including oversight responsibility for corporate relations); key positions in human resources at Grand Metropolitan plc.

Other roles
Non-Executive Director of WNS (Holdings) Limited (appointed January 2014) and Trustee of Cicely Saunders International (appointed April 2019).

Annual re-election

The Directors (with the exception of Ray King, who will not be seeking re-election) are standing for election or re-election at the AGM. The Board's view is that each of the Directors standing for re-election should be re-appointed and that Euan Sutherland and Cheryl Agius, who are standing for election, should be appointed. We believe that they have the skills required for the Board to discharge its responsibilities, as outlined in each of their biographies set out on pages 64-65. The details on the specific reasons why each Director's contribution continues to be important to the Company's long term sustainable successes will be included in our Notice of Annual General Meeting.

Evaluation of the Board, Committees and Directors

Steps were taken to improve the assessment of the effectiveness of the annual evaluation exercise. This year, Non-Executive Directors were asked to complete and discuss a self-evaluation with the Chairman. The Senior Independent Director and the other Non-Executive Directors also evaluated the Chairman's performance and the Senior Independent Director provided feedback to the Chairman.

An externally facilitated, interview-based evaluation was undertaken by Independent Audit Limited for the Company and FCA regulated entities, Saga Services Limited and Saga Personal Finance Limited. Independent Audit Limited does not have any other connection to the Company or individual Directors.

The interviews took place in person to allow individuals to have an honest and open discussion. The evaluation was focused on assessing progress in the areas identified during last year's review as opportunities for further development (see Table 1 opposite). Independent Audit Limited considered Director and meeting attendees' views of:

- the Board dynamics and focus on delivery of long term strategy;
- how well we understand our customers and use data to gain valuable insight;
- how we stay alert to the competition;
- how investment should be made in the Possibilities programme and brand awareness;
- the risk associated with technology, projects and delivery of strategy; and
- the performance of the Committees and Committee Chairs.

The review concluded that the Board now benefits from a stronger composition, with increased oversight of insurance due to having added specialist insurance expertise and individual Directors playing to their personal strengths. This has allowed the Board to remain effective during a time of challenge by having honest and open discussions to ensure that the focus remained on the right things. Interaction with senior management has been positive and transparent throughout the year.

Looking forward, the focus will be on building a culture of accountability and deliverability and reinforcing efforts to establish strong and pro-active attitudes to control and risk management throughout the businesses. Board agendas will reflect the top priorities for the Group in a thematic way. Talent management and succession planning will continue to play an important part in providing a solid base and management capability to support the future strategy.

Development plan for 2020/21

- Providing increased visibility around performance, ensuring key messages and discussion points are highlighted.
- Simplifying the governance between subsidiary boards and the Company.
- Re-evaluating our 'Touchstones' to ensure these are focused and aligned with strategy.
- Developing a set of cultural indicators to monitor and measure progress against.

Table 1 – Findings from the 2018/19 evaluation

The 2018/19 review concluded that areas of focus should include the following:

- Setting out credible plans for the long-term future of the Group.
- Considering the impact of decisions on stakeholders in more detail.
- Focusing on competition and what differentiates Saga.
- Assessing the impact of digital and artificial intelligence.

Process for Board and Committee evaluation

Chairman and Group Company Secretary met with Independent Audit to discuss the objectives of the review and suggested areas of focus.

A series of interviews with the individual Directors and senior management was conducted between November 2019 and January 2020 with Board members and senior management covering both standard topics and others aligned to individual roles and experience.

External evaluators attended the Committee and Board meetings in December 2019 and January 2020 to observe Board dynamics and individual Director contributions. Access was provided to the meeting packs.

Overall findings and confidential feedback was provided to the Chairman before the external evaluators attended the Board meeting to present their report and recommendations in March 2020.

Board discussion identified priority development areas for 2020/21.

Action plans prepared. Progress will be tracked at future Group Executive and Board meetings

GENERAL INFORMATION

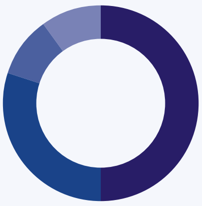
The Committee's remit

- To review the structure, size and composition (including the independence, experience, diversity and need for progressive refresh of membership) of the Board.
- To prepare a description of the role, skills, knowledge and expected time commitment required for appointments.
- To consider how to develop a diverse pipeline in succession planning and talent development for Executive Directors and other senior executives.
- To review the results of the Board performance evaluation process that relate to the composition of the Board.

The Committee's terms of reference (approved by the Board on 27 January 2020) are available on our website at www.corporate.saga.co.uk/about-us/governance

What we have done during the year

Time spent on matters



Board composition	50%
Executive succession and talent development	30%
Board evaluation	10%
Diversity	10%

Committee composition and attendance

Members (all independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Patrick O'Sullivan (Chair)	18/05/18	8	8
Eva Eisenschimmel	04/04/19	7	6
Ray King	29/05/14	8	8
Orna NiChionna	29/05/14	8	7
Gareth Williams	29/05/14	8	8

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see pages 66-67). The review indicated that the Committee had handled the appointments made during the year well. It was felt that areas of focus for 2020/21 should include whether the appointment process could be made more efficient and ensuring appropriate non-executive succession planning was in place given future strategy and developing risks.

Dear Shareholder,

I am pleased to present this report from the Nomination Committee. This year saw the Committee appoint a new Group Chief Executive Officer, a Chief Executive Officer of Insurance and a Chief People Officer and Chief Strategy Officer. Following the appointments of two new Executive Directors and departure of Lance Batchelor, we achieved a gender balance of 40% women on the Board.

The focus during the year was on ensuring that there was a Board and Committee structure in place that supported our strategy to return to our direct heritage and which provided the right skills to take the Group forward, and built a culture that was aligned with our strategy and which promoted talent, diversity and fostered high performance. I was delighted that this resulted in the appointments of Euan Sutherland as Group Chief Executive Officer and Cheryl Agius as Chief Executive Officer of Insurance.

In addition, Nick Stace was appointed as Chief Strategy Officer, a Group Executive member, who will provide useful skills as we refine our focus on our core customers and further evolve the Saga brand. The appointment of Jane Storm as Chief People Officer and Group Executive member will further develop our approach to succession planning and talent development at and below Board level. We recognise the importance of this in supporting the delivery of our strategy.

Board evaluation

Committee members also discussed the findings of the report produced by Independent Audit Limited in relation to the composition of the Board. The evaluation was based on individual interviews between the external evaluators and all Directors and regular Board attendees, which facilitated honest and open discussion around general topics and around individuals' roles and experience. The outcome of the evaluation was that it was felt that individual Directors were selected for the experience and skills that they contribute and that this fitted with the Group strategy. The report also highlighted the need to consider how Board composition should include travel industry experience. We also concluded that the selection process for the Group Chief Executive Officer and Chief Executive Officer of Insurance had resulted in a Board comprised of the skills needed to take the Group forward.

Board composition
Our terms of reference set out how we recruit and appoint Directors to the Board. They stipulate that we will use open advertising or the services of external advisers to facilitate a search for the best possible candidates.

The Committee considered the skills needed to support delivery of the strategy. Following notification of Lance Batchelor's intention to retire (announced on 12 June 2019) as Group Chief Executive Officer at the end of the financial year, a search was instigated for his replacement. MWM Consulting was appointed by the Committee to assist with the search.

We concluded that there was also a need to appoint an Executive Director with strong insurance experience and a focus on customer outcomes, who would assume responsibility for our Insurance division. Redgrave Partners were appointed to conduct a search for a Chief Executive Officer of Insurance. Neither MWM Consulting or Redgrave Partners have any other connection with the Company or individual Directors.

Job specifications were carefully crafted to reflect the requirements for each role, including time commitment and experience. A shortlist was considered for each role and a series of interviews with all members of the Committee and the Group CFO followed for preferred candidates. References were obtained and terms of appointment were considered. Candidates were assessed against their strategic skill set, experience, and personality and fit. Consideration was also given to diversity.

Re-election and election of Directors
During the year, the Committee considered the profiles of the Directors and recommended to the Board that all should be put forward for re-election or election at the 2019 AGM. Individuals did not participate in the discussion when their own re-appointment was being considered.

After the year end, but prior to the publication of this annual report, the Committee considered each Director's contribution and the time commitment necessary to perform their duties. A recommendation was made to the Board that all Directors be put forward for re-election (or election) at the 2020 AGM with the exception of R. King, who will be retiring as a Non-Executive Director on 22 June 2020.

Succession planning and talent development
The Committee recognises that appropriate leadership is one of the key drivers of embedding the right culture as it can effectively tackle poor behaviour and underlying causes and deliver cultural change across the organisation. The Committee has continued to oversee the development of Group Executive Committee members and senior management. An established talent review framework is in place, which identifies potential successors for each role, a pipeline of candidates for the Executive Team and a development process. Diversity is considered as part of this discussion.

As part of the talent review framework, a review of suitability and performance is completed including Executive Directors' and senior management's ability to take reasonable steps to address misconduct and risk management and internal control failures. We consider an ability of senior managers to take responsibility for what happens in their areas to be an important part of their fitness and propriety assessment.

"The Committee recognises that appropriate leadership is one of the key drivers of embedding the right culture."

The Committee recognised the importance of the Board having access to senior management and meeting individuals in the talent pool. This was achieved through visits to key business areas and attendance by senior management at Committee and Board meetings.

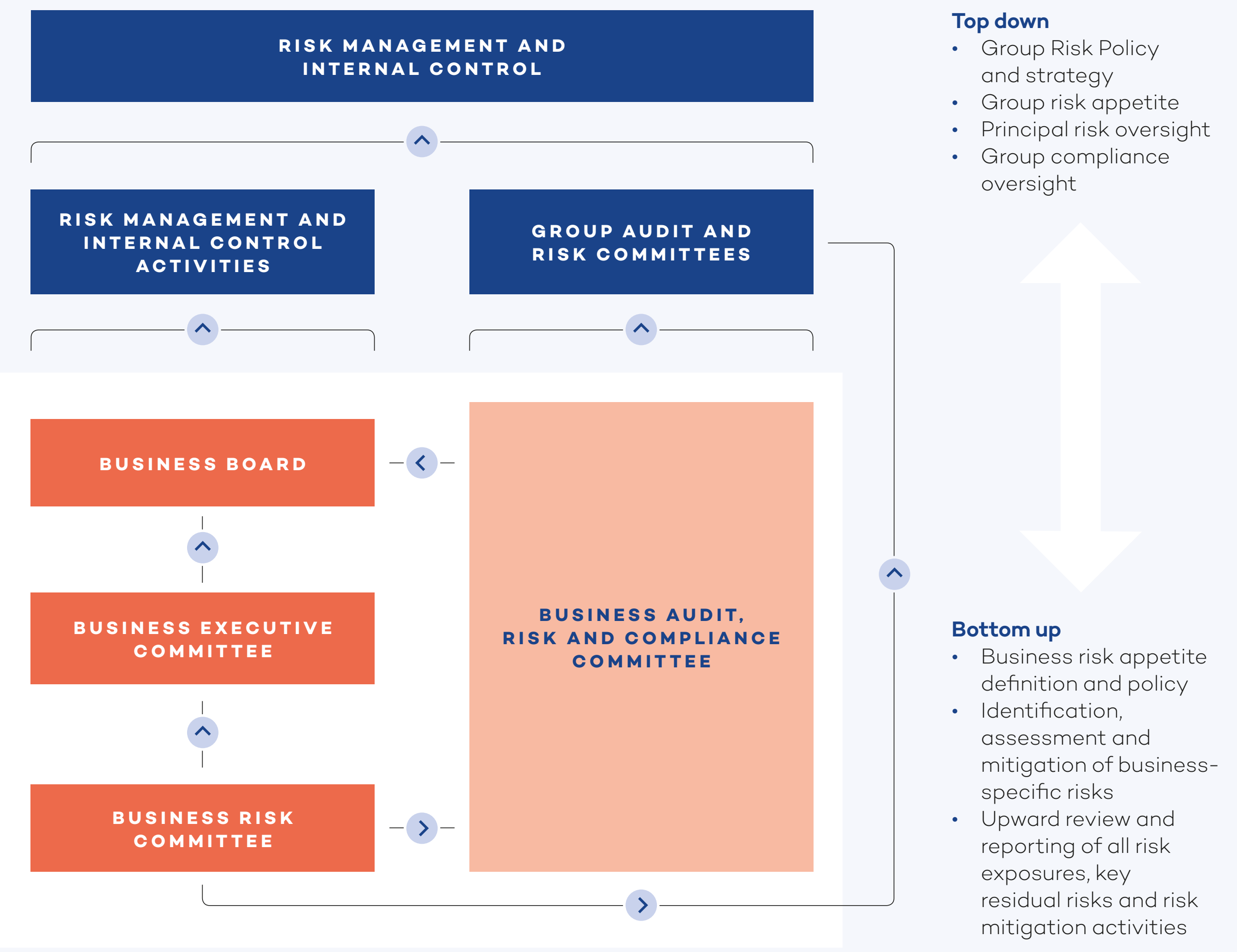
Diversity
The Company has a Diversity and Dignity Policy in place to provide equal opportunity for all individuals including in relation to those with protected characteristics. This policy applies to the Group, including the Board of Directors, and is linked to Company strategy and communicated to all colleagues. All colleagues are expected to co-operate in making this policy effective and to adhere to it and report any breaches, whether actual or perceived, to their line manager or to human resources. This equal opportunities policy entails taking practical steps to promote a working environment in which all colleagues are treated with dignity and respect, free from discrimination and harassment. We recognise diversity and inclusivity as one of the facilitators of an environment in which it is safe to speak up, the best talent is retained, the right business choices are made and the right risk decisions are taken.

Whilst consideration is given to diversity as part of the appointment process, individuals (including executives and Board members) are selected, promoted and treated according to their ability, merits and the requirements of the relevant position. The policy does not set specific targets. Consideration is also given to the length of service of the Board as a whole and the need for a progressive refresh of its members; reference to diversity 'of perspective, including gender, social and ethnic backgrounds'; the need for gender balance in senior management; and the need to develop a diverse pipeline in succession planning.

Patrick O'Sullivan

Patrick O'Sullivan
Chair, Nomination Committee

RISK MANAGEMENT AND INTERNAL CONTROL



Board assessment of risk management and internal control

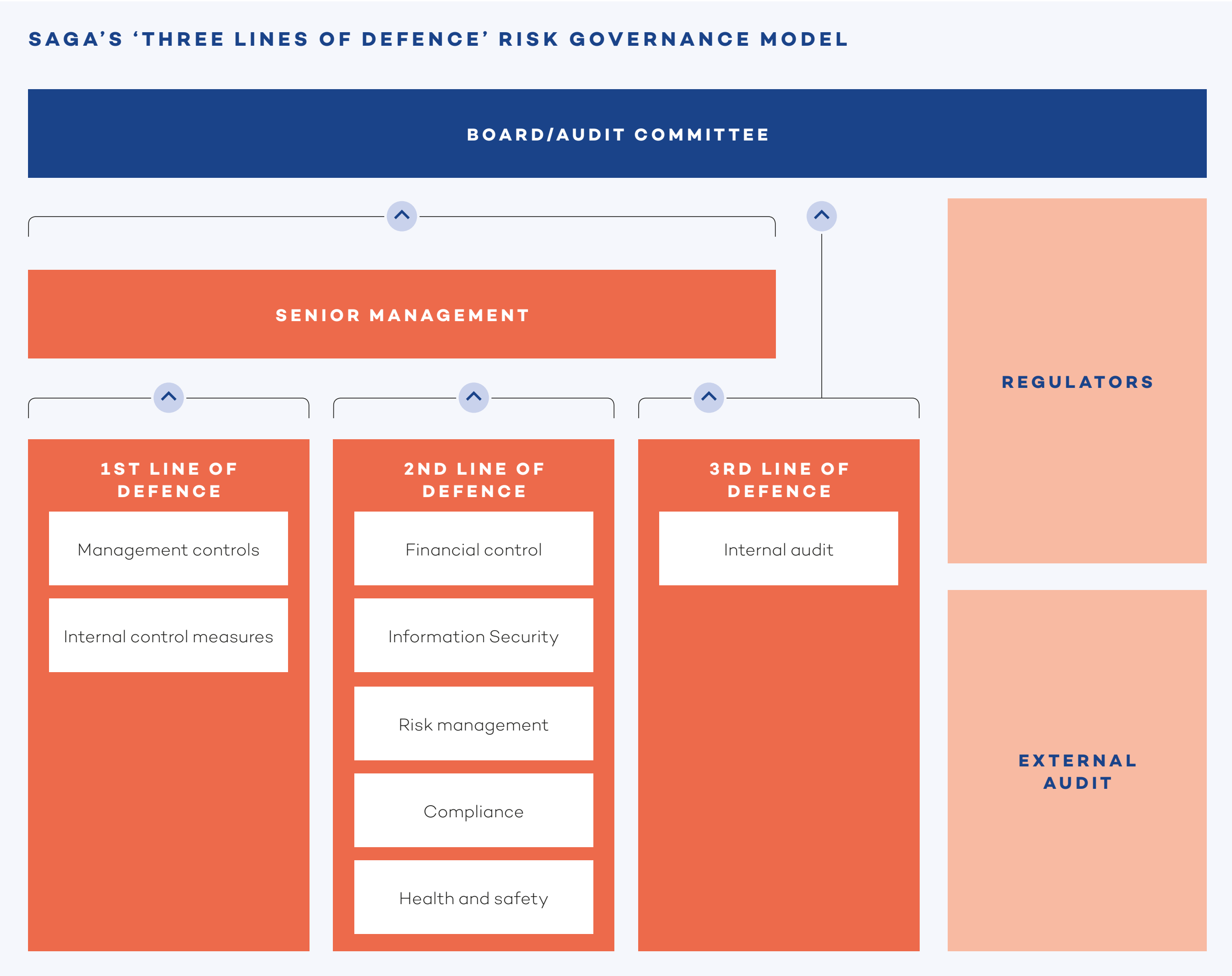
The Board has ultimate responsibility for the Group's risk management and internal control, and for the Company's risk culture. In accordance with Provision 29 of the Code, the Board is responsible for reviewing the effectiveness of risk management and control systems, ensuring that:

- there is an ongoing systematic process for identifying, evaluating and managing the emerging and principal risks faced by the Company;
- this system has been in place for the year under review and up to the date of approval of the annual report and accounts;
- the system is regularly reviewed by the Board; and
- the system accords with the FRC guidance on risk management, internal control and related financial and business reporting.

During 2019, the Group experienced heightened levels of change activity driven primarily by regulation, Saga's ongoing IT transformation and the evolving nature of the threat of a cyber security attack. In response to these management and system changes and to improve risk management maturity in the Group, steps were taken to further strengthen the risk management framework and system of internal controls across the Group. To ensure that internal governance supports strategic priorities, the focus was and will continue to be on ensuring that rigorous and consistent risk management is embedded across the Group and that risk management maturity in the Group is strengthened. Therefore in 2019 the Group began a multi-year risk transformation programme which includes the roll out of an updated risk management framework.

The Board has directly, or through delegated authority to the Risk and Audit Committees, overseen and reviewed the development and performance of risk management activities, practices and internal control systems in the Group. The Board has agreed risk policies, risk appetite and the strategic approach to risks and has overseen the identification and mitigation of emerging and principal risks. The Risk Committee also reviewed areas identified as requiring improvement that related to particular subsidiaries and activities carried out by the Group. Senior management were invited, when relevant, to provide an update on areas of concern including root cause analysis and an update on improvement action plans. Further details regarding the involvement of the Risk and Audit Committees in the development and review of risk management and internal control systems can be found in the Risk and Audit Committee Reports on pages 79 and 76 respectively.

Effective risk management and control is achieved through application of the 'three lines of defence' model as follows:



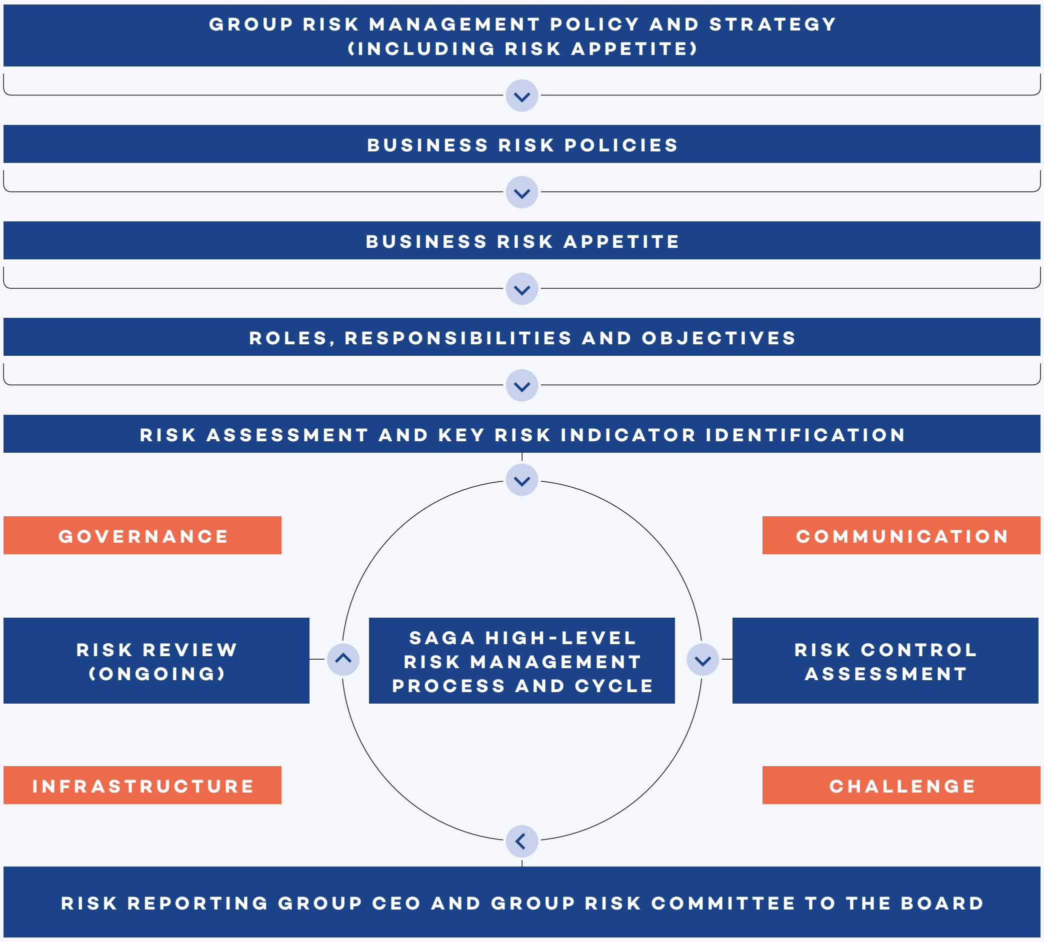
1st line of defence – Colleagues across Saga are responsible for identifying and managing risk in line with agreed risk appetite, risk policies and procedures.

2nd line of defence – Independent oversight is provided by the control functions. They are responsible for designing the risk management framework and policies, independent review of risk management within the 1st line and reporting to the Board.

3rd line of defence – Internal audit is responsible for independent assurance on the operation and effectiveness of internal control throughout the Group, including consideration of the effectiveness of the risk management process. The 3rd line of defence reports to the Board by way of the Audit Committee.

The variety of business operations throughout the Saga Group require risk and internal control issues to be considered at both subsidiary business level and aggregated at Group level.

RISK MANAGEMENT FRAMEWORK



The Financial Crime, Data and Information Security Committee provides an additional forum to consider specialist risks arising in these areas.

Risk policies
Saga has a Group Risk Policy that defines our risk management strategy, framework, governance structures, and detailed assessment and mitigation processes. Individual operating company policies are also created, where necessary, to reflect specific business characteristics but that still remain consistent with the overall risk management framework. All risk policies are reviewed at least annually and approved at business or Group boards, as appropriate.

Identification of risk appetite
Saga defines risk appetite as the amount and sources of risk which we are willing to accept in aggregate in pursuit of our strategy. Risk appetites are created for each of our operating companies, reviewed annually and derived from strategic objectives. Risk appetites are used as a measure against which all of our current and proposed activities can be tested.

Risk and control assessment
Each Saga operating company is responsible for identifying and managing its risks, which are captured on risk registers and scored using a Group Risk Scoring matrix that rates risk against both likelihood and severity. Key controls are also reviewed and enhanced where required in response to risk incidents and also as part of ongoing controls framework assurance activity.

Risk review and reporting
Risk reports are reviewed at business risk committees, which are attended by key management from the 1st and 2nd lines of defence. An aggregated Group view of the emerging and principal risks and uncertainties is subject to independent review by the Risk Committee. Explicit consideration is also given as to whether risks lie within or outside the respective risk appetite and tolerance. Risks moving out of tolerance or appetite are subject to actions to restore the risk within appetite/tolerance and are closely tracked through the relevant risk committee and Board.

Significant control weaknesses or failures are escalated to the risk committee and board of the specific operating company. Each subsidiary risk committee considers cross-Group risks and incidents to ensure the risk of contagion is minimised.

Process feedback
Outputs from the risk management cycle are fed back to the Risk Committee and Board by exception to ensure the risk framework remains effective and supports the strategy and decision making processes of the firm.

Independent process assurance

Saga's Internal Audit function provides independent assurance of the effectiveness of the risk management procedures at both Group and business levels.

A statement confirming that the Board has carried out a robust assessment of risks is on page 55.

Internal control

Internal audit acts as the 3rd line of defence within Saga's risk management framework. The objective of internal audit is to help protect the assets, reputation and sustainability of the organisation by providing independent, reliable, valued and timely assurance to the Board and executive management. To preserve the independence of internal audit, Lynn Fournier, Head of Internal Audit's primary reporting line is to the Chair of the Audit Committee, and the Internal Audit team is prohibited from performing operational duties for the business.

All activities of the Group fall within the remit of internal audit and there are no restrictions on the scope of internal audit's work. Internal audit fulfils its role and responsibilities by delivering the annual, risk-based audit plan. Each audit provides an opinion on the control environment and details of issues found. Internal audit works with the businesses to agree the remedial actions necessary to improve the control environment, and these are tracked to completion. Lynn Fournier, Head of Internal Audit submits reports to, and/or attends, Board and Audit Committee meetings for the subsidiary Saga businesses, as well as meetings of the Audit and Risk Committees.

Financial reporting

The Group maintains a control environment that is regularly reviewed by the Board. The principal elements of the control environment include comprehensive management and financial reporting systems and processes, defined operating controls and authorisation limits, regular Board meetings, clear subsidiary board and operating structures, and an Internal Audit function.

Internal control and risk management systems relating to the financial reporting process and the process for preparing consolidated accounts ensure the accuracy and timeliness of internal and external financial reporting.

The Group undertakes an annual strategy process which updates the plan for the next five years and produces a detailed budget for the next financial year. Detailed reforecasts are performed by each area of the Group every month and are consolidated to provide an updated view of expected performance for the current year. Each reforecast covers the income statement and cash flow and balance sheet positions, phased on a monthly basis through to the end of the financial year. This year the Group has developed a revised strategy that will set a platform for renewed growth in both customers and profits.

Regular weekly and monthly reporting cycles allow management to assess performance and identify risks and opportunities at the earliest possible time. Trading performance is formally reviewed on a weekly basis by the management of the trading subsidiaries, and monthly by the management of the Group. Performance is reported to the Board at each Board meeting. Performance is assessed against budget and against the latest forecast.

The Group has an established and well-understood management structure with documented levels for the authorisation of business transactions and clear bank mandates to control the approval of payments. Control of the Group's cash resources is operated by a centralised Treasury function.

Internal management reporting and external statutory reporting timetables and delivery requirements are well-established and documented. Control of these is maintained centrally and communicated regularly.

The Group maintains computer systems to record and consolidate all of its financial transactions. These ledger systems are used to produce the information for the monthly management accounts, and for the annual statutory financial statements. The trading subsidiaries within the Group prepare their accounts under Financial Reporting Standard (FRS) 101.

The accounts production process ensures that there is a clear audit trail from the output of the Group's financial reporting systems, through the conversion and consolidation processes, to the Group's financial statements.

The outcome of this modelling confirmed that none of the top three PRUs would compromise the Group's viability. The reverse stress test demonstrated that the likelihood of a combination of PRUs causing us to breach performance and insolvency thresholds was remote.

As set out in the Audit Committee Report on pages 74-77, the Directors have reviewed and discussed the rationale and conclusions of management's viability testing.

Statement of review

As a result of its consideration and contribution to risk management and internal control activities, the Board is satisfied that there is an appropriate framework for identifying, evaluating and managing the Group's risks and internal controls and up to the date of the approval of this annual report and accounts, it is regularly reviewed. The Board's statement of review of the effectiveness of Saga's risk management and internal control systems is set out on page 55.

The system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and breaches of risk appetites.

There has been regular reporting to the Audit and Risk Committees throughout the year to ensure that outstanding areas of improvements were both identified and remediated. The details of key failings or weaknesses were reported to the Committees and the Board on a regular basis. Whilst there has been substantial progress during the year, ongoing work is required to ensure that further improvements in risk management maturity and the 1st line of defence is accountable for fully embedding the revised risk management framework, risk reporting and appropriate responses. This includes enforcement of the incident management framework and a risk maturity assessment. The Committees on behalf of the Board will continue to monitor progress throughout 2020.

GENERAL INFORMATION

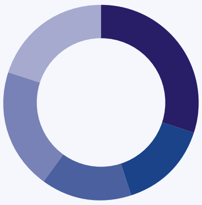
The Committee's remit
Our purpose is to help the Board discharge its responsibilities for monitoring the following:

- Integrity of the Company's financial statements.
- Adequacy and effectiveness of the Company's internal financial controls and other internal control systems.
- Effectiveness of the Company's Internal Audit function and the external auditors.

The Committee's terms of reference (approved by the Board on 18 September 2019) are available on our website at www.corporate.saga.co.uk/about-us/governance

What we have done during the year

Time spent on matters



Financial statements	c.30%
Internal financial controls	c.15%
Internal audit	c.15%
Business reviews	c.20%
External audit	c.20%

Committee composition and attendance

Members (all independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Ray King (Chair)	29/05/14	7	7
Gareth Hoskin	04/04/19	4	4
Orna NiChionna	29/05/14	7	6
Gareth Williams	29/05/14	7	6

On 2 April 2020, it was announced that Gareth Hoskin would replace Ray King as Chair when he retires on 22 June 2020. The Board is satisfied that both Ray King and Gareth Hoskin have recent and relevant financial experience and competence in accounting, reflected by their professional qualifications as chartered accountants and relevant experience during their careers. The Board is also satisfied that the Committee members possess an appropriate level of independence and offer a depth of financial and commercial experience across various industries, including the sector in which the Company operates. The Board of Directors' biographies on pages 64-65 contain details of each Committee member's skills and experience. Gareth joined the Committee on 4 April 2019.

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details, see pages 66-67). Overall, the review concluded that it has continued to act in accordance with its terms of reference, management was held accountable for its areas of responsibility and KPMG continued to deliver an effective audit.

Dear Shareholder,
I am pleased to set out in this report an update on the activities of the Audit Committee during the year to January 2020. This has been another busy year, as we continued to deliver our transformation programme by returning to Saga's heritage and improving cost and capital efficiency. More recently the COVID-19 outbreak has created significant new challenges for Saga. Against this background, the Committee provided independent scrutiny of the Group's financial reporting and the internal controls in its businesses.

Reporting

Interim and full year results
The interim and full year results were reviewed, together with the appropriateness and application of key accounting policies and areas of significant judgement and how these were made. KPMG provided reports throughout the year, with focus on areas identified as having significant audit risk.

Key areas of focus

- Consideration of the financial implications of COVID-19 for liquidity, going concern and viability.
- Valuation of insurance contracts' liabilities. The analysis and justification prepared by management was reviewed alongside that of the Group's external auditor.
- Valuation of goodwill. The Committee reviewed the recoverability of goodwill and discussed with management the basis of its impairment assessment. The review confirmed that impairment of £370m was appropriate (for more information, see pages 159-160).
- Valuation of the parent company's investment in subsidiaries. The Committee reviewed the recoverability of the carrying value of the investment in subsidiaries held in the Company balance sheet of Saga plc. The review confirmed that an impairment of £518m was required (for more information, see page 199).
- Accounting for the new three-year fixed-price Insurance (3YFP). The Committee considered

- the accounting methodology for the three-year fixed-price Insurance product (launched in April 2019 by Saga Services) and supported the basis of accounting for revenue.
- FCA Market Study. The Committee received regular updates on management's responses to the FCA's requests for disclosure as part of the Market Study into General Insurance Pricing Practices and considered a range of potential outcomes from the study.

The Committee considered the internal control observations identified by the external auditor as part of the audit and management attended Committee meetings to provide context and assurance regarding appropriate actions. We noted that many open actions were due to legacy IT platforms and would be removed once new system implementations have been completed.

The Committee was satisfied that the key accounting policy choices and judgements were appropriate and served to provide a true and fair view of the Company's financial statements (page 55).

Fair, balanced and understandable
We advised the Board that we supported the statement (see page 55) that this annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. This was following consideration of whether:

- the report was clear, presented a balanced view of opportunities and challenges;
- key messages were prominent and an appropriate level of KPIs were disclosed;
- business segments, significant issues and key judgements reporting was consistent with disclosures in the financial statements; and
- definitions provided were explained and alternative performance measures were reconciled with the closest International Financial Reporting Standards (IFRS) measure in the financial statements.

Going Concern and Viability
The going concern statement is set out on page 49 and the viability statement and the methodology for assessing the Group's ongoing viability are set out on page 48.

Our review took account of the Company's current position and PRUs (as reviewed and approved by the Risk Committee (see pages 32-33) and the methodology used to provide an assessment of ongoing viability over the chosen five year period of review. We considered the relevant assessment time horizon, severe but plausible potential outcomes and the appropriateness of the scenarios modelled. In particular, we considered the likely impact that the COVID-19 outbreak could have on the Group's financial performance and position, and how this could affect both the viability of the Group and the going concern basis of preparation that underpins the Group's financial statements. Based on this review, we confirmed to the Board that we considered that it was reasonable for the Directors to make the statements on going concern and viability on pages 49 and 48.

Audit and control

Financial controls
The Committee reviewed the outcome of the audits of key financial controls included in the Internal Audit programme. The Group Financial Controller also provided an update on accounting issues and key aspects of financial controls at each meeting.

Financial crime
We reviewed policies covering financial crime (including anti-bribery, anti-corruption and anti-fraud). A summary of current issues and trends identified by the Financial Crime, Data and Information Security Committee was regularly considered. We concluded that the actions taken to manage the threat of financial crime were appropriate.

Whistleblowing and open door reporting
As 'Whistleblowing Champion' I am responsible for ensuring the integrity, independence and effectiveness of the Company's Whistleblowing and Open Door Policy and procedures. The Committee reviewed all reported incidents at each meeting and concluded that these had been handled appropriately, with no material issues identified. I provided a formal annual report to the Board in respect of my responsibilities.

Internal Audit

We approved the Internal Audit programme and considered the internal audits conducted throughout the year. We were satisfied that the Internal Audit function, a team of nine people with a broad range of skills, when combined with the use of external resource for specialised audits, had appropriate resources. Lynn Fournier, Head of Internal Audit attends Committee meetings and provided regular reports on the progress of the Internal Audit monitoring plan.

The Committee monitored whether the Internal Audit function was independent of management and so able to exercise independent judgement throughout the year and was satisfied that this was the case.

Last year, the Committee approved a flexible Internal Audit planning methodology to be more adaptive to changes and emerging risks within the business. We continued with this approach this year and considered it effective. The Committee (in co-operation with the Risk Committee) monitored the work of the risk, compliance and internal audit functions to ensure that their activities complemented each other appropriately. We approved the Internal Audit Charter, which is available on the Saga website at www.corporate.saga.co.uk/about-us/governance

Internal Audit carried out thirty three audits, two post implementation reviews and six consultancy reviews during the year. Work conducted over the year was risk-based, and covered both financial and non-financial controls and a selection is shown below:

- Insurance Pricing and Customer Outcomes: an audit of the pricing strategy, governance, principles, methodologies and oversight of pricing practices, including the approach to ensure fair customer outcomes and the treatment of potentially vulnerable customers.
- GDPR Compliance: an audit of key controls to ensure GDPR compliance, including the responsibilities of lead generators, partnerships and third party suppliers.
- Cruises, New Builds and Transformation: a programme audit to verify progress against the project plans to deliver the Spirit of Discovery on time, cost and quality standards. Progress of planning and delivery of the second ship, Spirit of Adventure, was also assessed.
- Data Security and Resilience: an audit of key IT security controls, including penetration testing, coverage over critical assets and user access controls.
- A gap analysis of the business operational resilience framework in preparation for new FCA regulation coming into force.
- Business Continuity: an audit of the design and execution of the business continuity framework including the role and responsibilities of the crisis management team, scenario exercises and reporting.

The Committee received a report on each internal audit. Where improvements were identified, an action plan was agreed with management and appropriately tracked. Internal Audit also conducted the annual year-end review of the effectiveness of the risk management and controls framework. This showed that the internal control environment remained effective, but that risk management maturity in the Group needs to be strengthened, notably in response to management and system changes over time. This is being addressed through a multi-year risk transformation programme commenced by Group Risk in 2019.

Further details of the review can be found in the Risk Committee Report on pages 78-80 and Internal Control section on pages 70-73.

An external review of the effectiveness of the Internal Audit function (in line with the recommendations of the IIA Standards) was conducted during the financial year ended 31 January 2017. The Committee will consider in due course when it is appropriate to undertake a further external review.

"This has been another busy year, as we continued to deliver our transformation programme by returning to Saga's heritage and improving cost and capital efficiency."

Subsidiary audit committees

We received an update on activities from the independent Non-Executive Directors who chair the Saga Services, Saga Personal Finance and AICL audit and risk committees to facilitate an appropriate level of oversight and ensure a sufficient level of transparency was in place. Minutes from these meetings were also noted at each meeting.

External audit

KPMG was appointed as the Company's external auditor for the financial year ended on 31 January 2018 (following a competitive tender process in 2016) and has been re-appointed annually since then. The current audit partner Stuart Crisp has been in place since its appointment. The audit partner is due to be rotated after completion of the January 2022 year end reporting process.

Audit planning

KPMG presented an audit plan for the financial year, together with an outline of its risk assessments, materiality thresholds and planned approach. The key aspects of the plan are set out in the Independent Auditor's Report on pages 114-124.

The Committee considered the audit scope, materiality and coverage, areas of audit focus and KPMG's planned response to identified significant audit risks, taking size, complexity and susceptibility to fraud/error into account. We also considered and approved KPMG's engagement terms and fee proposal for 2019/20.

Auditor independence and non-audit services
During the year, the Committee met twice with the external auditor without members of management being present.

The objectivity, challenge and independence of KPMG were continuously monitored by the Committee and independence was confirmed by the auditor throughout the year in letters to the Committee.

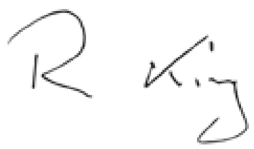
In line with the Revised Ethical Standard issued by the FRC in 2016, the Committee has adopted robust policies on non-audit fees and employment of former employees of the external auditor. The Non-Audit Fee Policy includes a list of non-audit services where we are satisfied that the external auditor can carry out those services without affecting its role as external auditor. There are clear approval levels where the Committee Chair (or the whole Committee) is required to authorise assignments. Competitive tendering is used for substantial work.

The audit fees payable to KPMG in respect of the year ended 31 January 2020 were £1.7m (2019: £1.3m) and non-audit service fees incurred were £0.2m (2019: £0.2m), the latter being incurred for work to review the Group's interim results and essential reporting to our banks and travel industry regulators. This equates to a non-audit to audit fee ratio of 0.12 (2019: 0.14). A summary of fees paid to the external auditor is set out in note 4 to the consolidated financial statements on page 152. KPMG has discontinued the provision of non-audit services to the current and recent members of the FTSE 350 index that they audit other than those required by law or closely related to the audit.

Audit quality and effectiveness of external auditors
To assess the effectiveness of the external auditors, we considered and discussed:

- our perception of the external auditor's understanding and insights into the Group's business model;
- how KPMG approached key areas of judgement, the extent of challenge and the quality of reporting;
- the content of (and management's responsiveness to) the external auditor's management letter; and
- feedback from management following completion of an evaluation survey on the audit process (including audit scope, audit communication, independence and objectivity).

The Committee is satisfied that the audit continues to be effective and provides an appropriate independent and objective challenge to management's thinking. A recommendation was made to the Board to propose a resolution for the re-appointment of KPMG as the Company's auditors at the forthcoming AGM.



Ray King
Chair, Audit Committee

GENERAL INFORMATION

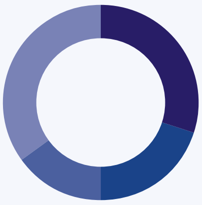
Summary of Committee's remit
Our main purpose is to assist the Board in discharging its responsibilities for monitoring the following:

- The Group's overall risk appetite, tolerance, strategy and risk assessment processes.
- The effectiveness of the Group's risk management systems and compliance management procedures.
- The Group's capability to identify and manage new and emerging risk.
- Any material breaches of risk limits and adequacy of action.

The Committee's terms of reference (approved by the Board on 18 September 2019) are available on our website at www.corporate.saga.co.uk/about-us/governance

What we have done during the year

Time spent on matters



Management and reporting	c.30%
Risk strategy, policy and appetite	c.20%
Compliance	c.15%
Business reviews	c.35%

Committee composition and attendance

Members (all independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Orna NiChionna (Chair)	29/05/14	5	4
Julie Hopes	04/04/19	3	3
Gareth Hoskin	04/04/19	3	3
Ray King	29/05/14	5	5
Gareth Williams	29/05/14	5	5

Committee evaluation
An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details, see page 66-67). The review indicated that the Committee has an established, effective way of working and good relationships with Helen Webb, Chief Risk and Compliance Officer and Lynn Fournier, Head of Internal Audit. Focus for 2020/21 will be on assessing the impact of COVID-19 and the effectiveness of our response plans.

Orna NiChionna
Chair, Risk Committee

Dear Shareholder,
I am pleased to present our report, which summarises the activities of the Risk Committee during the year. As the Group continued to focus on returning to its heritage as a direct to consumer brand and deliver the IT transformation programme, the Committee reviewed progress of key projects against the Group's operational efficiency and how these projects would deliver fair customer outcomes.

Throughout the year, the Committee received thematic reviews on the current and emerging risks and updates on these from senior management. The Committee changed the focus of its annual agenda for the 2019/20 financial year, to ensure that risks were considered horizontally across the Group and were linked to the projects and matters which were material.

The Committee continued to receive a regular update on the external regulatory and macroeconomic landscape. A significant amount of time was dedicated to our regulated entities and their relationship with the regulators. We continued to measure and discuss emerging and principal risks and uncertainties (PRUs), aiming to ensure that processes were aligned with strategy.

Management and reporting
A Group Risk Report (submitted at each meeting) provided a comprehensive unit dashboard for all Saga businesses. The Committee reviewed and considered top risks and the rationale for these, the risk development plan and compliance monitoring plan for each business. This enabled the Committee to have a holistic overview of the risk environment in the Group and facilitated discussion about emerging risks.

We also reviewed the risks relating to each business area's performance and arising from incidents, particularly those relating to control failures or weaknesses. We reviewed and discussed these incidents in the context of their risk framework to identify causes, necessary actions, lessons learnt and monitoring requirements. All business CEOs certified compliance with the risk management framework at the year end.

The insurance programme for the Group was considered, including whether any additional cover was required, specifically in relation to the threat of cybercrime.

Reporting, oversight and escalation of risk matters, including those pertaining to climate and the environment, takes place through subsidiary risk governance committees. Saga's PRUs are refreshed on (at least) an annual basis, ensuring that new and emerging risks are captured and remain at the forefront of the Group's strategic planning.

Climate change is increasingly becoming a feature of executive and senior management engagement and will continue to feature in Saga's strategy and future planning.

Risk management and internal controls
Following a review of risk management maturity, it was recognised that risk management maturity in the Group needed to be strengthened, notably in response to management and system changes over time. A revised risk management framework was launched across the Group in 2019 focusing on proactive risk identification, root cause analysis and third party risk management. This was developed by applying lessons learned from historic issues and incidents that impacted our customers in the Insurance business and the insolvency of Thomas Cook. The updated framework was designed to increase rigour and discipline around risk management. The Committee recognised that this is a multi-year risk transformation programme which commenced in 2019. This will take time to fully embed.

In co-ordination with the Audit Committee, the Committee discussed a review of the effectiveness of the risk management framework and internal control systems. This included reference to all material financial, operational and compliance controls. The Committee concluded that:

- the restructure of the Risk team had strengthened its experience;
- the risk management framework in place had been enhanced by the improvements made to the framework but that risk management maturity in the Group needs to be strengthened;
- there had been appropriate consideration of the emerging and principal risks of the Group throughout the year, including those that would threaten the business model, future performance, solvency or liquidity; and
- it would be appropriate for the Group CEO and CEO of Insurance, as new leaders within the Group, to review and provide a fresh perspective on what the focus of the Risk, Compliance and Internal Audit functions should be going forward, priorities for 2020/21 and the resource required to achieve this.

Noting the enhancements made and the intention to further strengthen key risk management processes, we recommended to the Board that the appropriate statements could be made regarding robust assessment of emerging and principal risks facing the Group and the review of the effectiveness of the risk management process (see page 55).

"The Committee changed the focus of its annual agenda for the 2019/20 financial year, to ensure that risks were considered horizontally across the Group and were linked to the projects and matters which were material."

Risk strategy, policy and appetite
The risk reporting framework continues to provide a holistic approach that is tangibly linked to the Company's strategy. This is reconciled with the viability statement.

Changes and additions to the PRUs were scrutinised in line with agreed strategy and the results of this process are shown in the Strategic Report on pages 32-33. These formed the basis of the scenario testing used for the production of the viability statement (see page 48). Our risk management processes are described on pages 70-73. These are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our discussions also considered conduct risk as an essential part of our review. We reviewed how our decisions and behaviour could impact our customers, or affect our reputation with stakeholders, including shareholders and our regulators.

Actions were reviewed against risk appetite and tolerance, with close attention paid to scenarios that were outside of agreed risk appetite. We concluded that where this was the case, the probability of occurrence was very low and that existing mitigating actions were appropriate. We remain satisfied that controls are in place, meaning that the risk of significant failing across the business model is unlikely.

The Group Risk Policy was reviewed during the year and while no material changes were proposed, it was presented in a simplified format, to reflect the review and simplification of the risk management framework.

IT risk and protection of data are important areas of focus for us to consider as a Committee, both in terms of cyber-risk and regulatory compliance. IT operations are run by dedicated teams, structured around business processes and project delivery. In addition, the risk associated with the Group IT systems (and in particular the introduction of new software platforms in Insurance and Travel) was discussed and it was noted that a replacement HR system is a priority for the financial year ending on 31 January 2021.

Supplier risk management continues to be an ongoing process, with contracts above a certain threshold being subject to a review process. As a Committee we are acutely aware of the need for the organisation to focus on the risks associated with larger suppliers and those that carry reputational risk.

Compliance

At every meeting a Group regulation report was received, which included the status of the monitoring plan for the regulated financial businesses. The relationships of individual businesses with regulators, management of incidents and the impact of the FCA annual business plan were considered and discussed. Material changes to compliance regulations were noted and the FCA Market Study was discussed in detail.

Thematic reviews

The Committee refreshed its approach to review current and emerging risks. Instead of considering this vertically via a series of reviews in business units, the Committee considered risk that sits horizontally across the Group during the financial year. As a result, the Committee discussed one or two thematic reviews at each meeting.

Thematic reviews during the year included the following:

Five-year planning

The Committee considered an assessment of the risks and sensitivities in the assumptions underpinning the five-year plan and the impact of possible scenarios. The plans were considered to be aligned with overall business strategy and the level of risk incorporated into the plans was felt to be commensurate with the ambition to grow the business. All of the five-year plans were considered achievable if the strategy was delivered successfully.

Data compliance and quality

Data quality is recognised as an area of focus. The review included an assessment of how data was being managed in line with GDPR and whether there were any gaps that required action. The Committee discussed the quality of our data and how this supported strategy. The Committee also discussed plans to re-platform our current customer database to modernise it and optimise its use.

Conduct risk framework

Conduct risk continues to be a key regulatory priority for Saga. Last year the Risk team introduced a programme of work to refresh and update Saga's approach to conduct risk, resulting in a new Conduct Risk Policy, a conduct risk appetite statement and the addition of conduct risk to the Group Risk framework. The Committee received an update on progress made to date and reviewed an assessment of the framework for managing conduct risk across the regulated entities and concluded that this would support fair customer outcomes. It was also felt that the introduction of the Senior Managers and Certification Regime in December 2019 represented an opportunity to drive further positive change in this area.

Business continuity, cybercrime and disaster recovery

The Committee considered a review of business continuity and crisis management process and controls, and issues that were identified. The Committee also discussed the Group's approach to technical cyber breach limitation and readiness which included a new framework, training, roles and responsibilities which should ensure a quick response to a cyber breach. The Chief Information Security Officer provided an update to the Committee regarding the integration of the new framework. The Committee noted that the cyber and information security strategy for the Group is reviewed regularly, together with consideration of vulnerability of management of information systems and the adequacy of IT crisis management and communication plans. Processes are in place to deal with malware and ransomware threats; these are kept under constant review and development as the threat evolves.

GDPR and PECR risk exposure and data management

We continued to monitor how GDPR (which came into force in May 2018) affects how we do business. The Committee considered and discussed a review of GDPR/PECR risks, which supplemented an Internal Audit review of GDPR conducted earlier in 2019. The Committee also received an update on actions agreed with management. The conclusion was that the business was taking the right approach but would benefit from business awareness and clarifying the division of responsibilities and accountabilities. There were initiatives in progress which aimed to address these issues. It was also noted that the Internal Audit team would need to work closely with colleagues to ensure that audit actions had the appropriate impact.

COVID-19

After the year end, the Committee reviewed in detail the impact of the pandemic on Saga, and the actions that management were taking to ensure that the Group remains operationally and financially resilient. The Committee concluded that management had taken appropriate steps to protect customers and colleagues, and to ensure that the insurance business could continue supporting existing and new customers. The Committee is also considering how COVID-19 is changing the risk landscape beyond the immediate short term impact, to ensure that Saga's response is appropriate.

Orna NiChionna
Chair, Risk Committee

Contents

Dear Shareholder,

Since I took over the role from Gareth Williams on 1 February 2020, this is my first statement as Chair of the Remuneration Committee. I'm very pleased that Gareth remains a Committee member and I would like to formally thank him for his support and commitment to ensuring an efficient handover and transition of the Chair position.

When preparing this statement, the focus on responding to the societal and business disruption caused by the COVID-19 pandemic is immense and the Remuneration Committee is acutely aware of its responsibilities in taking account of this context in its discussions and decisions in the current performance year.

However, the following statement describes the activities and decisions of the Saga Remuneration Committee over the 12 months up to January 31, 2020 – a period before the pandemic – and therefore follows the standard report structure and best practice guidance.

The report covers the required regulatory information, while remaining mindful of sensitivities, and it also provides further context and insight into our Director pay arrangements. It provides the structure and scale of our remuneration framework, its alignment with the rest of the workforce, as well as the decisions made by the Committee as a result of business performance for this year. Where the Committee has exercised its judgement or discretion, this has been clearly set out.

In one further note before continuing, I would like to call out that a process of shareholder engagement on a proposed new Remuneration Policy is currently underway as I write and which I hope to be well progressed by the time of the 2020 AGM. Our intention is that this Policy will be brought to shareholders and subject to a separate binding vote; therefore this Report deals solely with the current Policy and its implementation in the year being reported on; with the new Remuneration Policy to be set out in the notice of the general meeting at which shareholder approval will be sought.

Company performance for the 2019/20 financial year

The implementation of our strategy (as outlined on pages 14-15) has been measured against the KPIs set out below:

- Underlying Profit Before Tax down 39.0% at £109.9m (the measure used for assessing management bonus).
- Loss before tax of £300.9m after goodwill impairment of £383.0m.
- Available operating cash flow of £92.7m.
- Execution of a new IT platform in support of both Insurance and Travel businesses.
- Excellent progress in Cruise. Prior to current market disruption, Spirit of Discovery was fully operational; launch of Spirit of Adventure was on track and forward bookings for both ships were meeting expectations.
- Upweighted investment in Membership and the Saga brand.

Changes to the Board

Lance Batchelor, our former Group Chief Executive Officer, retired from Saga on 31 January 2020. Upon his departure from the Board, Lance's unvested awards under the LTIP lapsed and he received no payments for loss of office. His IPO awards lapsed upon his announcement to retire, and Lance has two outstanding deferred bonus awards which will vest in line with their original schedules as these represent remuneration that Lance has already earned. In line with the Company's post-cessation shareholding requirement, Lance is required to hold shares worth 250% of his salary for 12 months from his date of leaving. Upon leaving, Lance held shares worth 55% of salary, and is therefore required to hold all of these shares for 12 months. More detail in relation to Lance's leaving arrangements can be found on page 98 of this report and on the Company's website.

The Board is pleased to welcome Euan Sutherland, Group Chief Executive Officer and Cheryl Agius, Chief Executive of Insurance, who joined the Saga Board in January 2020.

Upon appointment, the Company entered into a commitment with Cheryl to provide a buyout award to the value of £245,250 in the form of Saga shares which will vest in two tranches. This award is in respect of forfeited awards from her previous employer and is structured in a way such that Cheryl will be neither better nor worse off than had she remained with her previous employer. Cheryl also received a buyout for a foregone cash award from her previous employer. The value of this award is £112,250 which is subject to continued employment for 12 months. More detail on the awards can be found on page 97.

Euan Sutherland did not receive any buy-out awards.

Both Euan and Cheryl were appointed with a pension contribution of 6% of salary which is the majority contribution available to employees across the business.

The remuneration of both Euan and Cheryl is in line with the current Remuneration Policy of the Company.

2019/20 bonus

The Committee carefully considered the decision to award bonuses in respect of 2019/20, and noted that the key financial achievements were within the ranges we had previously highlighted and that the performance of the business against key operating metrics was largely positive.

Page 85 sets out the calculation for the 2019/20 bonus which paid out at between 53% and 67% of maximum for the executive directors. The bonuses for Euan Sutherland and Cheryl Agius reflect the portion of the year worked since appointment and they will receive £58,456 and £24,532 respectively.

James Quin will receive a bonus of £308,980.

All bonus awards are provided one-third in deferred shares and two-thirds in cash.

Taking all factors into consideration, the Committee decided to award the former Group CEO, Lance Batchelor a bonus of £190,414 which is 27.6% of salary. In addition, the portion of bonus which would be awarded in deferred shares will lapse due to his cessation of employment, hence the actual bonus to be paid will be £126,943 or 18.4% of salary.

2017 LTIP vesting

It is currently anticipated that 0% of the 2017 LTIP will vest on 1 May 2020. The EPS performance condition resulted in 0% of this proportion of the award vesting (50% of the award). No proportion of the LTIP award is currently expected to vest in respect of the Total Shareholder Return (TSR) performance of the Company over this performance period (50% of the award). The only Executive Director granted this LTIP award was Lance Batchelor (CEO) and his award lapsed on his retirement.

2019 LTIP awards

In the 2019 Directors' Remuneration Report, the Committee indicated that it would reach out to shareholders to discuss revised performance conditions for the 2019 LTIP as a result of the fundamental change to the Group's strategy announced on 4 April 2019.

The Committee commenced a consultation with major shareholders on 1 May 2019 regarding the LTIP measures to support the strategy and carried out multiple stages of meetings and calls. The Committee carefully considered the feedback from shareholders throughout the consultation which concluded on 15 July 2019 and subsequently wrote to shareholders to confirm the agreed metrics of:

- Relative TSR (25%)
- ROCE (25%)
- Operational & Strategic metrics (50%) comprising:
  1. Cruise EBITDA
  2. Tour Ops net profit margin
  3. SSL retention
  4. SSL direct
  5. Cash conversion

The full details of these metrics including targets and rationale can be found on page 96.

As a result of announcing his retirement it was agreed that Lance Batchelor was not given an LTIP award for 2019. Awards were made with the above performance conditions to Euan Sutherland of 100% of salary, which is 50% of the normal annual LTIP award and reflected his recruitment part-way through the LTIP annual award cycle and for James Quin of 200% of salary for this year only, which was agreed as part of his offer when joining Saga. The award to James was agreed as part of his recruitment; his normal ongoing LTIP grant will be 150% of salary.

Salary increases for FY2020/21

As noted above, we are currently engaged in a consultation on a new Remuneration Policy, and any salary increases awarded will be considered as part of this and communicated accordingly to shareholders.

2020 Remuneration Policy Review

Whilst under the normal three-year Remuneration Policy cycle, shareholder approval for a binding Policy would be sought at the 2021 AGM, the Committee is currently consulting with shareholders regarding putting forward a new Policy at the 2020 AGM.

Full details and rationale of the new Policy will be disclosed in the relevant notice of meeting, however, the key reasons for the change are:

- to support the implementation of the new strategy communicated in April 2019;
- to align the interests of the new team of Executive Directors with shareholders as soon as possible;
- a drive to simplify our remuneration;
- a desire to incentivise the creation of long term shareholder returns through sustainable long term performance; and
- to address the historic challenge the Company has experienced in determining the right performance conditions and targets for its long term incentive arrangements, as demonstrated by the number of consultations held with shareholders on this point over the years since the IPO and the variety of shareholder views on the issue.

What we have done during the year – matters discussed, decisions made, and actions taken

- Made grants in August 2019 under the Saga LTIP for the Executive Committee and senior management of the Company. Grant levels were consistent with our normal award policy.
- Approved the award of Free Shares to all eligible employees in July 2019.
- Reviewed the governance and processes of the three Saga Share Plans in operation in the Company and confirmed that they met the necessary standards and were well-communicated.
- Supported base salary increases of 1.5% (average) for the employee population. Agreed that Executive Director salaries would be frozen at their current level, pending the Policy review. Concurrently agreed that Non-Executive Director fees would remain at their current level.
- Reviewed and approved the bonus outcomes for Executive Directors for 2019/20 as detailed above.
- Reviewed a risk evaluation for the subsidiary regulated businesses – Saga Personal Finance Limited, Saga Services Limited and AICL – and considered whether they highlighted any material adverse activities, decisions or outcomes that should impact subsidiary or Group bonus calculations. We concluded that these evaluations were robust and full consideration was given to individual bonus outcomes.
- Approved the business and personal objectives for 2019/20. These were considered in light of both overall performance expectations for 2019/20 and the medium-term business strategy. Details of the personal objectives for the Executive Directors are on page 94.
- Noted the voting results on our Remuneration Report at the 2019 AGM and consulted with shareholders following the significant vote against the Report to understand the reasons for the vote and took appropriate actions to resolve the issues identified.
- Considered the operation of the Remuneration Policy (we have now commenced a review of the Policy in respect of 2020/21 and beyond).
- Finalised procedures for a one-year post-termination shareholding requirement.
- Discussed how the Committee would review wider workforce pay and ensure alignment of incentives throughout the Company with its culture and strategy and reviewed terms of reference for the People Committee. The Chair of the Remuneration Committee attended the People Committee meetings on 19 June 2019 and 12 November 2019.
- Reviewed and agreed the compensation package for the new Group Chief Executive Officer, Euan Sutherland, and for the Chief Executive Officer of Insurance, Cheryl Agius.
- Reviewed and agreed the leaving arrangements for the retiring Group Chief Executive Officer, Lance Batchelor.
- Considered how 'smarter working' initiatives introduced by the Company could help with the adoption of agile working and improve employee retention and engagement levels.(Note: this pilot has been of benefit in building a rapid remote working capability to meet the needs of the COVID-19 pandemic response).

Wider workforce considerations

In making decisions on executive pay, the Remuneration Committee considers wider workforce remuneration and conditions.

We believe that employees throughout the Company should be able to share in the success of the Company and to enable this, we offer a Share Incentive Plan (SIP) through which employees can buy shares and in 2019 we also provided all employees with more than one year's service Free Shares.

We believe that employees should have the opportunity to save for their future and to this end, we have in place pension arrangements for all employees.

As part of our commitment to fairness, this report contains details of the pay conditions of our wider workforce, the cascade of incentives throughout our business and our Group CEO to employee pay ratio, our gender pay statistics, and our diversity policy.

Shareholder consultation and looking ahead
The Committee consulted with shareholders at various points throughout the year, primarily on the performance measures for the 2019 LTIP (as described above) and our response to the significant minority vote against (28.17% vote against) the Annual Report on Remuneration at the 2019 AGM.

From discussions with shareholders, the Committee is aware that the two key areas of concern in respect of the remuneration approach as set out in the 2019 Annual Report on Remuneration were:

- the potential award of an LTIP at 200% of salary to the former Group CEO, Lance Batchelor, in FY20 against the backdrop of the significant decline in share price; and
- the proposed FY18/19 CEO annual bonus payout which was not considered to be aligned to Company performance.

In respect of the first point, shareholders may recall that the Company released an RNS on 12 June 2019 which included the announcement that Lance Batchelor would be retiring from his role as Group CEO, and that as a result the LTIP award referred to above would not be made.

In respect of the second point, the Committee carefully considered the formulaic out-turn of the annual bonus plan for 2018/19 which would have resulted in a bonus payout of 77.4% of salary for the Group CEO (£533,893).

The Committee then exercised its discretion taking the following three steps:

1. the Committee, with the support of the Group CEO, exercised its discretion to depart from the formulaic out-turn and decided to award the Group CEO a reduced bonus of 52.65% of salary (£363,171). The Committee made this decision based on its view that whilst the PBT targets for the Insurance business had been satisfied it was intended that they be met more through Retail Broking than reserve releases;

2. the Committee determined that there should be no cash bonus awarded and that the entire bonus should be awarded in shares which would be deferred for three years to increase the alignment of the Group CEO to shareholders and support a focus on the announced strategy and long term shareholder value;

3. the Committee used a higher share price to determine the number of shares granted under the award which had the effect of reducing the value of the bonus on grant to 19.49% of salary (£134,422).

The Committee made the first two of these decisions prior to the publication of the 2019 Directors Remuneration Report (DRR) and these were therefore communicated in the DRR. The third step was taken after publication of the DRR and following the subsequent fall in the Company's share price in March/April 2019.

The Committee determined that a share price of 110.5p would be used to determine the number of shares awarded which was the share price at the time the bonus award was determined and pre-dated the subsequent share price fall. As a result, an award over 328,661 shares was made to the Group CEO (£363,171 divided by 110.5p). Taking these points together, the award value at the time the award was made had therefore been further reduced to £134,422 (328,661 shares at 40.9p). The net effect of these decisions was that a bonus valued at 19.49% of salary was awarded to the Group CEO in respect of 2018/19, reduced from the formulaic outcome of 77.4% of salary.

Summary of outcomes

Actual performance and remuneration outcomes for 2019/20

How we have performed in 2019/20

Bonus (audited in conjunction with details on page 153)

The details of the performance conditions and outcomes against the targets for the annual bonus in respect of the 2019/20 financial year are shown in the table below:

Performance condition	Weighting	Threshold performance required	Target performance required	Maximum performance required	Actual performance	Annual bonus value for threshold and maximum performance (% of max)	Percentage of maximum performance achieved	Annual bonus value achieved (% of salary) Lance Batchelor	James Quin	Euan Sutherland[5]	Cheryl Agius[4,5]
Group PBT[1]	55%	£105.0m	£115.0m	£120.0m	£109.9m	20% 100%	39.6%	32.7%	27.3%	2.7%	2.5%
Group cash flow[2]	15%	35.1%	38.7%	42.5%	60.7%	20% 100%	100%	22.5%	18.8%	1.9%	1.1%
Personal objectives	30%	See page 94 for details of personal objectives and their achievement				0% 100%		0%	37.5%	3.8%	3.1%
Total	100%							55.2%	83.5%	8.4%	6.7%
Total calculated (£)								£380,828	£308,980	£58,456	£24,532
Total payable[3] (£)								£190,414	£308,980	£58,456	£24,532

Notes:
1 Defined as Underlying Profit Before Tax excluding derivatives, the impairment of goodwill and cruise ships, and in the prior year excluding restructuring costs and debt issue costs
2 Defined as net available cash generation
3 The Committee awarded a reduced bonus as set out on page 82. The resultant figure will be awarded two-thirds in cash and one-third in shares; the portion to be awarded in shares will lapse immediately due to his cessation of employment.
4 A proportion of Cheryl Agius's bonus is attributed to Insurance PBT and Cash which paid out at 47% and 42.4% respectively.
5. The bonus for both Euan Sutherland and Cheryl Agius was pro-rated for the period of the financial year during which they were employed
See the Remuneration Committee Chair Annual Statement on pages 81-84 for an explanation of the difference

LTIP

KPIs	Threshold	Target	Maximum	Actual	Percentage of current potential LTIP vesting
2017 LTIP award as at year end 31 January 2020					
Basic Earnings Per Share (EPS)[1] growth (p.a.)	5%	–	12%	-13.4%	0%
Organic EPS[2] growth (p.a.)	12%	–	21%	-12.3%	0%
TSR	Median	–	Upper quartile	Below median	0%

Notes:
1 Defined as PBT divided by the number of shares in issue
2 Defined as post-tax profit excluding the effect of reserve releases divided by the fully diluted number of shares in issue
3 The 2017 LTIP will vest on 1 May 2020 and 2 October 2020. The indications for the LTIP performance in the table above are as at 31 January 2020. The relative TSR target for the 2017 LTIP is substantially (but not fully) completed as at 31 January 2020. The basic EPS and organic EPS targets are complete. The final level of performance and corresponding level of vesting of the LTIP awards will be dependent on the performance at the end of the relevant performance period. It should be noted the Committee does not expect any of the 2017 LTIP to vest

Single total figure of remuneration for Executive Directors for the 2019/20 financial year

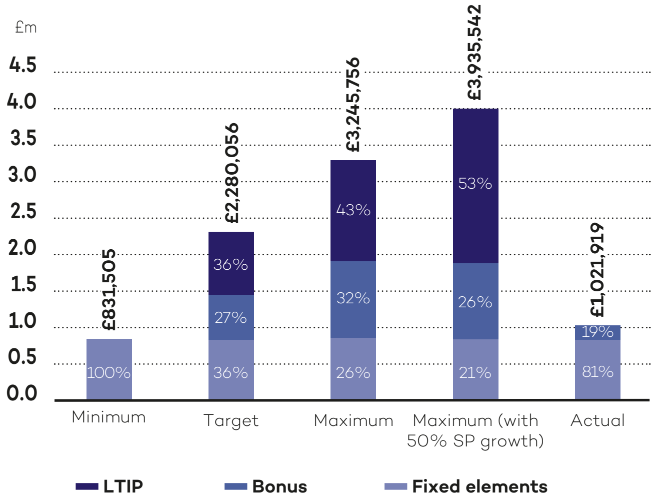
Executive Directors	Period	Salary £	Taxable benefits £	Pension	Bonus £	LTIP £	Recovered amounts £	Total £
Lance Batchelor	2019/20	689,785	38,252	103,468	190,414	0	(63,471[2])	1,021,919
(Group Chief Executive Officer)	2018/19	689,785	35,319	103,468	363,171[1]	0	0	1,191,743
James Quin	2019/20	370,000	25,505	37,000	308,980	0	0	741,485
(Group Chief Financial Officer)	2018/19	30,833	3,097	3,083	25,686	0	0	62,699
Euan Sutherland	2019/20	53,846	1,002	3,231	58,456	0	0	116,535
(Group Chief Executive Officer)	2018/19	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cheryl Agius	2019/20	30,417	937	1,825	24,532	0	0	57,711
(Chief Executive Officer of Insurance)	2018/19	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes:
1 The 2018/19 bonus for the Former Group Chief Executive Officer was paid fully in shares. The share price used to calculate the number of shares was 110.5p and the share price on the date of grant was 40.9p. Therefore the face value of this bonus on the date the award was paid was £134,422
2 This represents the sums awarded in deferred shares which will lapse immediately
3 James Quin's reportable remuneration number for FY 2018/19 was pro-rated due to his start date on January 2019

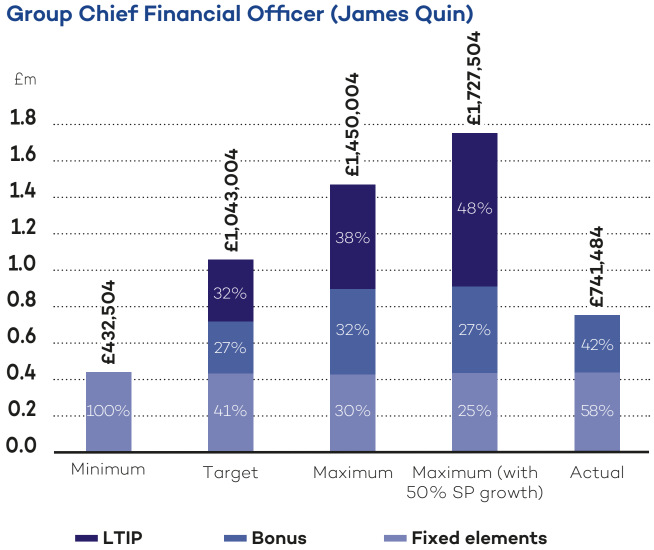
For the full single figure table, please see page 93 in the Annual Report on Remuneration.

Illustration and application of current Remuneration Policy in 2019/20
The following charts show the 2019/20 actual remuneration against the current Policy levels of remuneration for the Executive Directors.

Group Chief Executive Officer (Lance Batchelor)

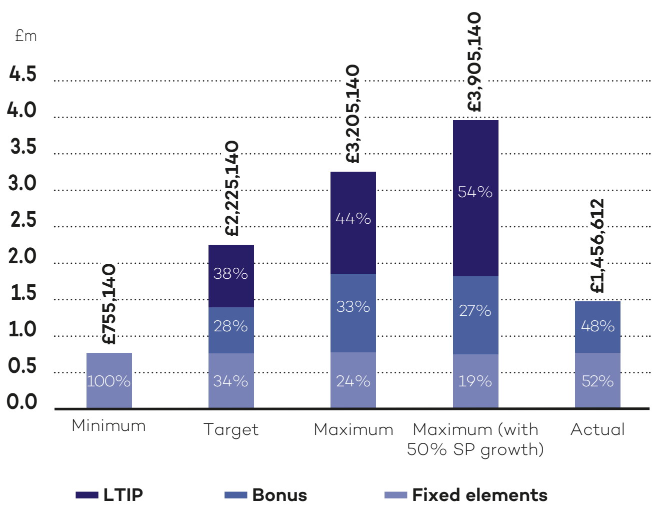


Group Chief Financial Officer (James Quin)

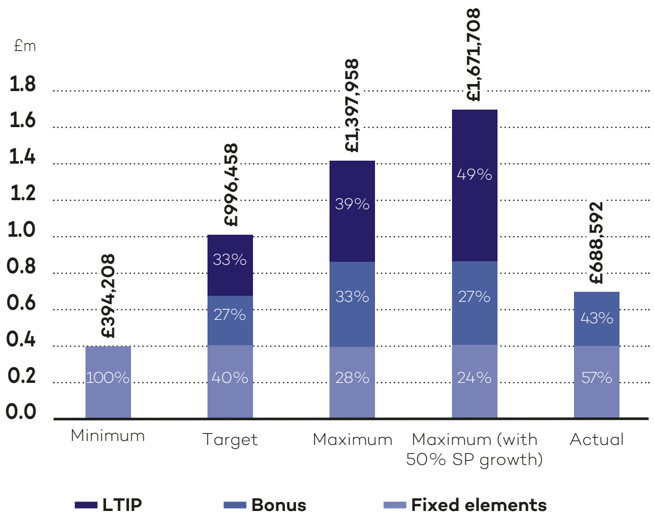


To aid comparability we have used Euan Sutherland and Cheryl Agius' full year annualised remuneration elements for their actual remuneration.

Group Chief Executive Officer (Euan Sutherland)



Chief Executive Officer of Insurance (Cheryl Agius)



The following table[4] outlines the elements included in the illustration on page 86:

Element	Description	Minimum	Target	Maximum	Maximum (with 50% SP growth)
Fixed	Salary, benefits and pension[1]	Included	Included	Included	Included
Annual bonus	Annual bonus (including deferred shares)	No annual variable	60% of maximum bonus (target performance is set above budget)	100% of maximum bonus[2]	100% of maximum bonus[2]
LTIP	Award under the LTIP	No multiple year variable	60% of the maximum award	100% of the maximum award[3]	100% of the maximum award[3] plus the increase in value resulting from a 50% share price growth

Notes:
1 Based on 2019/20 financial year salary, benefit payments and pension
2 Equating to 150% for the Group Chief Executive Officer and 125% for the Group Chief Financial Officer
3 Equating to 200% for the Group Chief Executive Officer and 150% for the Group Chief Financial Officer, it should be noted the initial award to the Group Chief Financial Officer as part of his recruitment was 200% of salary; this would revert to 150% for ongoing awards.
4 Participation in the SIP has been excluded given the relative size of the opportunity levels

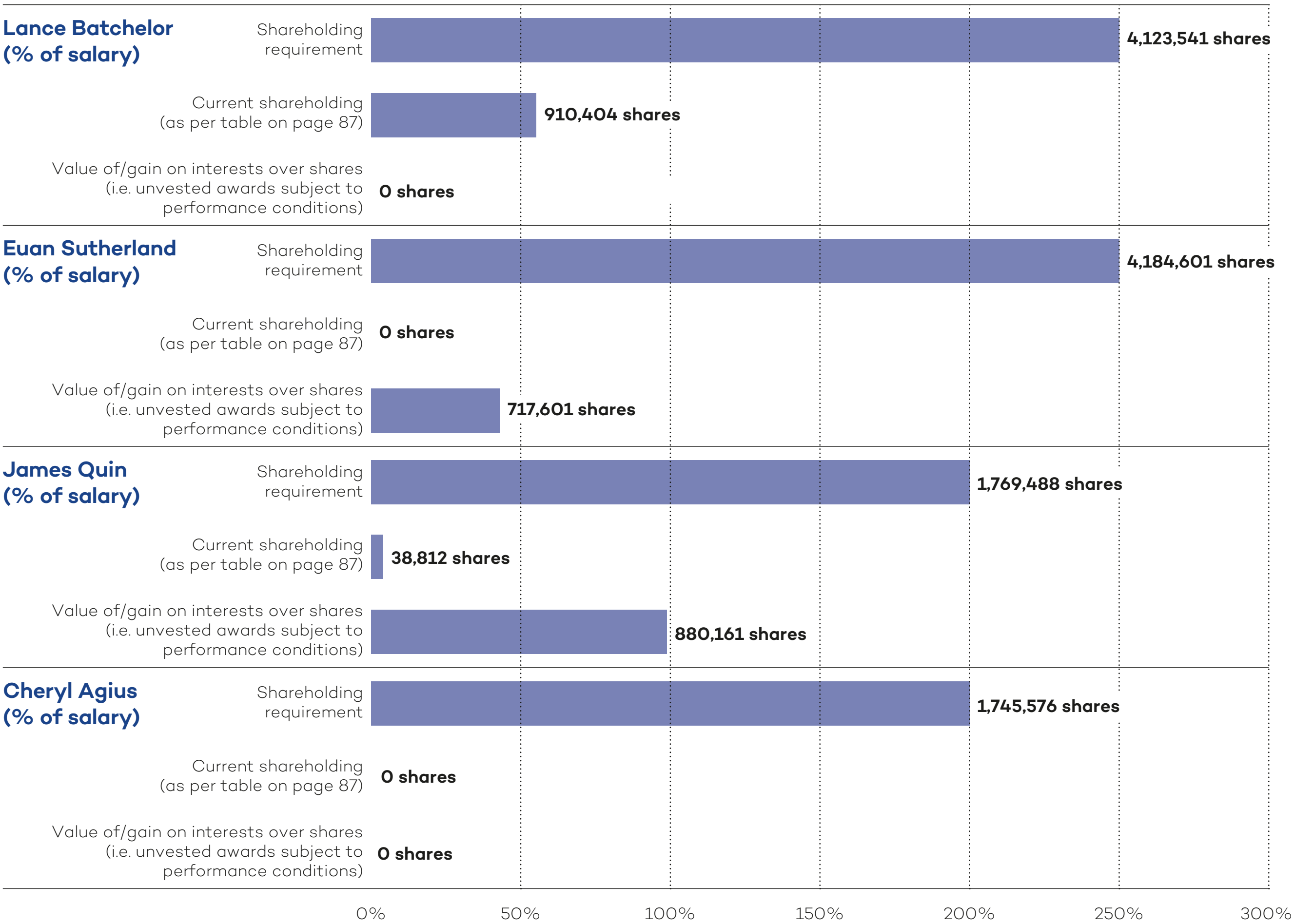
In accordance with the new regulations, share price growth has been added to the LTIP only for the 'maximum (with 50% share price growth)' scenario. Dividend equivalents have not been added to deferred share bonus and LTIP share awards.

Directors' share interests (audited)
The following table and chart set out all subsisting interests in the equity of the Company held by the Executive and Non-Executive Directors:

				Shares held directly		Other shares held		Options[4]				
Director	Shareholding requirement (% salary)[1]	Current shareholding (% salary)[2]	Shares counting towards shareholder requirements[3]	Beneficially owned[4]	Deferred shares not subject to performance conditions	LTIP interests subject to performance conditions	LTIP interests vested but not yet exercised	Lapsed	Vested	Unvested	Outstanding interests in the SIP	Shareholding requirement met?
Executive Directors												
Lance Batchelor[5]	250%	55%	910,404	219,818	667,552	–	619,847	3,835,646	–	–	8,265	No
James Quin	200%	4%	38,812	34,706	7,748	1,660,682	–	–	–	–	–	No
Euan Sutherland	250%	0%	–	–	–	1,353,965	–	–	–	–	–	No
Cheryl Agius	200%	0%	–	–	–	–	–	–	–	–	–	No
Non-Executive Directors												
Patrick O'Sullivan	–	–	–	260,000	–	–	–	–	–	–	–	n/a
Ray King	–	–	–	43,879	–	–	–	–	–	–	–	n/a
Orna NiChionna	–	–	–	29,195	–	–	–	–	–	–	–	n/a
Gareth Williams	–	–	–	43,817	–	–	–	–	–	–	–	n/a
Julie Hopes	–	–	–	42,617	–	–	–	–	–	–	–	n/a
Eva Eisenschimmel	–	–	–	41,354	–	–	–	–	–	–	–	n/a
Gareth Hoskin	–	–	–	135,178	–	–	–	–	–	–	–	n/a

Notes:
1 Shareholding requirements are those that were in existence throughout the course of the year and as at 31 January 2020
2 Values not calculated for Non-Executive Directors as they are not subject to shareholding requirements
3 Shares counting towards shareholding requirements for Lance Batchelor is calculated on a net of tax basis for both the deferred shares (233,132) and vested but not exercised LTIP interests (328,518)
4 Lance Batchelor – IPO options with an exercise price of £1.85; 540,540 options vested on 29 May 2017; 540,540 options vested on 29 May 2018; and the remaining 1,081,082 options vested on 29 May 2019 however these vested but unexercised options lapsed when Lance Batchelor gave notice to retire on 12 June 2019.
5 Since the year end, Lance Batchelor has bought an additional 330 shares through the SIP; Euan Sutherland purchased 253,984 shares and James Quin purchased 108,258 shares.

Executive Directors are required to build up their shareholdings over a reasonable amount of time, which would normally be five years, and then subsequently hold a shareholding equivalent to a percentage of base salary. The number of shares of the Company in which current Directors had a beneficial interest and details of long term incentive interests as at 31 January 2020 are set out below:



Notes:
The mid-market quoted share price of 41.82p as at 31 January 2020 has been used for the purpose of calculating the current shareholding (i.e. value of beneficially owned shares and value of/gain on interests over shares) as a percentage of salary.
Value of/gain on interests over shares comprises unvested 2016, 2017 and 2018 LTIP awards for Lance Batchelor on a net of tax basis.
Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines.

Conclusion
I hope you find the information contained in this report helpful, thoughtful and clear.

I welcome any feedback from the Company's shareholders, and you can contact me at any time at Eva.Eisenschimmel@saga.co.uk if you have any questions or comments on this report. I look forward to hearing your views.

Eva Eisenschimmel
Chair, Remuneration Committee

Remuneration Policy and its implementation
The current Remuneration Policy was approved by shareholders at the Company's AGM on 21 June 2018. The Remuneration Policy can be found on pages 112-120 of the 2018 annual report available on our website, www.corporate.saga.co.uk/media/1248/saga_ar18_drr.pdf and from the Group Company Secretary at Saga's registered office.

Current Remuneration Policy
The graphic below illustrates the time horizons for each of the key elements of our Policy.

Key elements of the Policy and time horizon

Year ending January	2020	2021	2022	2023	2024
Base salary	●				
Benefits and pension	●				
Annual bonus – cash	●				
Annual bonus – deferred shares	●	◐	◐	◐	
LTIP	●	●	●	○	○
Shareholding requirement	●	●	●	●	● (Ongoing)
All colleague share plan	◐	◐	◐		
Chairman and Non-Executive Director fees	●				

Key

●	Performance period
◐	Vesting period
○	Holding period

Details of each of these elements and their implementation are included in the table below, which provides the following information:

- a summary of the key elements of the current Remuneration Policy;
- the operation of the Policy in 2019/20; and
- proposed changes in the new Remuneration Policy which is currently being consulted on with shareholders. As described in the Remuneration Committee Chair Statement, the Committee is currently consulting with shareholders on a new Remuneration Policy to operate for the 2020/21 financial year, the full details of which will be disclosed in the relevant notice of meeting and will be subject to a binding vote.

Remuneration Policy element	Operation in 2019/20	Proposed operation in 2020/21
Base salary The Remuneration Committee ensures that maximum salary levels are positioned competitively to attract and retain talent. In general, salary increases for Executive Directors will be in line with the increase for colleagues.	The annual salaries for the Executive Directors were: • New Group Chief Executive Officer: £700,000 • Group Chief Financial Officer: £370,000 • Chief Executive Officer of Insurance: £365,000	The Committee will review salary levels for the Executive Directors as part of its Policy review with any increases being disclosed accordingly.
Benefits The Executive Directors receive family private health cover, death in service life assurance, a car allowance, subsistence expenses and staff discounts in line with other colleagues.	Standard benefits.	No change.
Pension The current maximum value of the pension contribution allowance is 15% of gross basic salary. From 1 January 2020 the maximum amount of pension supplement for new Executive Directors will be 6% of gross basic salary which is the majority pension contribution available across the Company.	Executive Directors received the following: • New Group Chief Executive Officer: 6% of salary supplement in lieu of pension. • Group Chief Financial Officer: 10% of salary supplement in lieu of pension. • Chief Executive Officer of Insurance: 6% of salary supplement in lieu of pension.	Pensions for current executives will form part of the Policy review.
Annual bonus The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary. The Remuneration Committee can determine that part of the bonus earned under the Annual Bonus Plan is provided as an award of shares under the Deferred Bonus Plan. The maximum value of deferred shares is 50% of the bonus earned and the minimum will be one third of the bonus earned. The main terms of these awards are: • minimum deferral period of three years; and • the participant's continued employment at the end of the deferral period unless he/she is a good leaver.	Maximum bonus opportunity: • New Group Chief Executive Officer: 150% • Group Chief Financial Officer: 125% • Chief Executive Officer of Insurance: 125% The Group Chief Executive Officer and Chief Executive of Insurance's annual bonus will be prorated for time served. Two thirds of the total bonus to be paid immediately in cash and one third deferred into shares for three years. Performance measures were: • Group PBT[1] – 55% • Group cash flow[2] – 15% • Personal objectives – 30% (See page 85 and page 94 for full details on the full year 2019/20 targets).	No change is anticipated to maximum opportunity. To reflect the current external climate, the bonus measures are being reviewed to ensure they are relevant to business priorities. Details will be included as part of the Policy review process.

Remuneration Policy element	Operation in 2019/20	Proposed operation in 2020/21
LTIP Awards are designed to incentivise the Executive Directors over the longer term to successfully implement the Company's strategy.	Following his decision to retire, the outgoing Group Chief Executive Officer did not receive an award under the LTIP • Group Chief Financial Officer: 200%[3] • New Group Chief Executive Officer: 100%[4] • The Chief Executive Officer of Insurance did not receive an LTIP in 2019/20 Performance measures for the 2019 LTIP were: i) comparative TSR (25%) ii) Attainment of five specific operational and strategic measures (50%): a) Cruise EBITDA (£m per ship) b) Tour Ops Net Profit margin (%) c) Saga Service Limited retention (% of average across home and motor) d) Saga Services Limited direct (% of new business) e) Cash conversion iii) ROCE[5] (25%) – 8% p.a. for 25% of this element of the award to vest with full vesting at 10% p.a. • straight-line vesting to take place from 25% to 100% of the award • two-year holding period. See page 96 for full details of the performance conditions.	The LTIP arrangements for 2020 are included in the Policy review. Details will be provided following the completion of the Policy review.

Remuneration Policy element	Operation in 2019/20	Proposed operation in 2020/21
Shareholding requirement The Remuneration Committee sets formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period, and then subsequently hold, a shareholding equivalent to a percentage of base salary.	• Group Chief Executive Officer: 250% of salary • Other Executive Directors: 200% of salary	The shareholding requirement for 2020 is included in the Policy review. Details will be provided following the completion of the Policy review.
Post-cessation shareholding requirement	12 month post-cessation shareholding requirement equal to the in-employment requirement.	The post-cessation shareholding requirement for 2020 are included in the Policy review. Details will be provided following the completion of the Policy review.
All colleague share plan The Company operates an HMRC SIP.	Saga continued to operate the SIP for all colleagues in 2019, with a Free Share award of £300 made in July 2019 to all eligible full-time colleagues.	Saga will continue to provide all colleagues the opportunity to participate in all colleague equity arrangements.
Chairman and Non-Executive Director fees The fees for Non-Executive Directors are set at broadly the median of the comparator group. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce.	No increase in the Board fee, Committee Chair fee or Senior Independent Director fee. Non-Executive fees were, from 1 June 2019: • Chairman fee: £325,000 • Board member fee: £63,672 • Committee Chair fee: £10,000 • Senior Independent Director fee: £20,000	No change.

Notes:
1 Defined as Underlying Profit Before Tax excluding derivatives, the impairment of goodwill and cruise ships, and in the prior year, excluding restructuring costs and debt issue costs
2 Defined as net available cash generation
3 James Quin joined the Company on 1 January 2019. It was agreed as part of his recruitment that he would be awarded an LTIP of 200% of salary for his first award in 2019/20
4 Euan Sutherland joined the Company on 6 January 2020 and received an LTIP of 100% of salary which is 50% of the normal CEO opportunity as he joined half way through the Company's annual LTIP grant cycle
5 Defined as earnings before interest and tax divided by the carrying value of equity plus net debt

Single total figure of remuneration (audited)

Executive and Non-Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of the 2019/20 financial year. Comparative figures for the 2018/19 financial year have also been provided. Figures provided have been calculated in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013.

	Period	Salary/ fees £	Taxable benefits[1] £	Pension[3] £	Bonus[4] £	LTIP[2] £	Amounts Recovered £	Total £
Executive Directors								
Lance Batchelor (Former Group Chief Executive Officer)	2019/20	689,785	38,252	103,468	190,414	0	(63,471)[11]	1,021,919
	2018/19	689,785	35,319	103,468	363,171	0	0	1,191,743
Euan Sutherland[5] (Group Chief Executive Officer)	2019/20	53,846	1,002	3,231	58,456	0	0	116,535
	2018/19	n/a	n/a	n/a	n/a	n/a	n/a	n/a
James Quin (Group Chief Financial Officer)	2019/20	370,000	25,505	37,000	308,980	0	0	741,485
	2018/19	30,833	3,097	3,083	25,686	0	0	62,699
Cheryl Agius[6] (Group Chief Executive Officer of Insurance for Saga Plc)	2019/20	30,417	937	1,825	24,532	0	0	57,711
	2018/19	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors								
Patrick O'Sullivan[7] (Chairman)	2019/20	325,000	0	0	0	0	0	325,000
	2018/19	243,750	0	0	0	0	0	243,750
Ray King (Non-Executive Director, Audit Committee Chair)	2019/20	73,672	0	0	0	0	0	73,672
	2018/19	73,672	0	0	0	0	0	73,672
Orna NiChionna (Senior Independent Non-Executive Director, Risk Committee Chair)	2019/20	93,672	0	0	0	0	0	93,672
	2018/19	96,710	0	0	0	0	0	96,710
Julie Hopes[8] (Non-Executive Director)	2019/20	125,788	0	0	0	0	0	125,788
	2018/19	36,224	0	0	0	0	0	36,224
Eva Eisenschimmel[9] (Non-Executive Director)	2019/20	63,672	0	0	0	0	0	63,672
	2018/19	5,306	0	0	0	0	0	5,306
Gareth Williams (Non-Executive Director, Remuneration Committee Chair)	2019/20	73,672	0	0	0	0	0	73,672
	2018/19	73,672	0	0	0	0	0	73,672
Gareth Hoskin[10]	2019/20	106,202	0	0	0	0	0	106,202

Notes:
1 The types of benefits provided included family private health cover, death in service life assurance, a car allowance or company car, subsistence expenses and staff discounts in line with other colleagues
2 Values shown for 2019/20 represent the indicative vesting of the 2017 award. The performance period of the TSR element of the award is due to be tested in May 2020, the value in the table above assumes zero vesting under the TSR element based on performance to year end. For 2018/19 the final value of the 2016 LTIP award as at vesting date is shown which is as stated in the 2018/19 annual report
3 Reflects the value of the pension supplement
4 See the Chair of Remuneration Committee's Annual Statement for the details of the Committee's deliberations on bonus
5 Euan Sutherland joined the Board on 6 January 2020, replacing Lance Batchelor who left the Company on 31 January 2020
6 Cheryl Agius joined the Board on 1 January 2020 as CEO of Insurance
7 Patrick O'Sullivan was appointed Chairman on 1 May 2018
8 Julie Hopes joined the Board on 1 October 2018; she became a statutory director of SSL on 26 February 2019 and was appointed Chair of the SSL Board on 8 March 2019
9 Eva Eisenschimmel joined the Board on 1 January 2019
10 Gareth Hoskin joined the Board on 11 March 2019; he was appointed Chair of AICL Board on 29 April 2019
11 This represents the sums awarded in deferred shares which will lapse immediately due to cessation of employment

Annual bonus[3]

See page 85 for details of the financial performance conditions and their level of satisfaction which are incorporated into this Annual Report on Remuneration by reference.

The following table sets out the details of the personal objectives for the Group Chief Executive Officer and Group Chief Financial Officer:

Name	Weighting	Objective	Details	Achievement of objective
Lance Batchelor Group Chief Executive Officer	15%	Transform Saga into a Membership organisation which is truly customer centric	• Prove that Membership can deliver against specific KPIs: – 4,000 incremental Travel passengers (target) – 10k incremental policies (target) – 25k incremental policies (stretch)	n/a
	10%	Deliver sustainable growth	• Sell three-year fixed-price product to meet the business plan for FY19/20 of 141k new customers and 364k total fixed-price policies sold • Increase of direct insurance policies from 51.0% to 58.8% • Increasing Motor and Home retention: – Motor FY 67.7% to 69.6% – Home FY 78.5% to 79.3% on a policies basis • Deliver Cruise passenger growth by 27% on prior year, equating to 33k • Achieve retail broking home and motor gross margin (less marketing costs) target of £71-£74 per policy, on external basis of reporting	n/a
	5%	Deliver increase in colleague engagement	• Deliver a targeted 3% increase in Group-wide colleague engagement	n/a
James Quin Group Chief Financial Officer	15%	Deliver sustainable growth	• Sell three-year fixed-price product to meet the business plan for FY19/20 of 141k new customers and 364k total fixed-price policies • Increase of direct insurance policies from 51.0% to 58.8% • Increasing Motor and Home retention: – Motor FY 67.7% to 69.6% – Home FY 78.5% to 79.3% on a policies basis • Achieve retail broking home and motor gross margin (less marketing costs) target of £71-£74 per policy, on external basis of reporting • Develop and refine a clear view of historical, current and future profitability of AICL • Deliver Cruise passenger growth by 27% on prior year, equating to 33k at per diems in line with plan	15% Achieved
	10%	Manage balance sheet	• Execute agreed strategy for non-core disposals • Agree amended covenants with lending banks • Effective monitoring of risks in Cruise, three-year fixed-price products, FCA pricing, CAA cash requirements and defined benefit pension scheme	10% Achieved
	5%	Deliver increase in colleague engagement	• Deliver a targeted 3% increase in colleague engagement	5% Achieved

Notes:
1 In line with the Committee's decision to reduce the formulaic out-turn from the bonus for the former CEO the achievement of these objectives is not applicable

Long term incentives vesting in respect of 2019/20 performance (audited)

The LTIP awards granted on 1 May 2017 have not yet vested but as performance was substantially completed during the 2019/20 financial year, an estimate of the vesting and the indicative value of the awards has been provided below. This figure will be updated in the 2021 Annual Report on Remuneration to reflect the final vesting outcome and the actual share price on the date of vesting (as required).

2017 LTIP Performance measures

Performance measures	Percentage of award	Date measured	Range	Achieved	Percentage of LTIP vesting
Basic EPS	30%	31 January 2020	5% – 12%	-13.4%	0%
Organic EPS	30%	31 January 2020	12% – 21%	-12.3%	0%
Relative TSR	40%	1 May 2020	Median – Upper Quartile	Below Median	0%

The table below presents the indicative vesting of the 2017 LTIP award for Lance Batchelor.

Name	Award level (% of salary)	Portion of EPS vesting	Estimate of TSR vesting[1]	Estimate of total vesting (as % of award)	Indicative LTIP value for single figure
Lance Batchelor	200% of salary	0%	0%	0%	£0

Notes:
1 Based on TSR performance against the peer group to 31 January 2020

Long term incentives awarded in 2019/20 (audited)

In the 2019 Directors' Remuneration Report, the Committee indicated that we would reach out to shareholders to discuss revised performance conditions for the 2019 LTIP as a result of the fundamental change to the Group's strategy announced on 4 April 2019.

A key aspect of the Group's strategy is to return the whole business to its heritage as an organisation that offers differentiated products and services. This will give our customers and members a compelling reason to come to us and stay with us. During the year we announced a new approach to Insurance which focuses on direct channels and products that offer attractive innovative features, moving the conversation from price to value. Our new three-year fixed-price insurance offering is a powerful indication of our change in approach. They will support future growth in customers and profits, and generate attractive cash flows for Saga.

The Committee commenced a consultation with major shareholders on 1 May 2019 regarding the LTIP measures to support the strategy and carried out multiple stages of meetings and calls. The Committee carefully considered the feedback from shareholders throughout the consultation which concluded on 15 July 2019 and subsequently wrote to shareholders to confirming the agreed position which is as follows:

Performance measures	2018 LTIP weightings and targets	Final Proposed 2019 LTIP weightings and targets with rationale
Organic EPS	Weighting: 30% Threshold (25%): 12% p.a. Maximum (100%): 21% p.a.	Removed. In line with the New Strategy there is expected to be a decline in profit in 2019/20 with underlying profit before tax expected to be £105-£120m due to a reduction in reserve releases, as well as a decline in Broking gross margins (less marketing costs) from £80 to between £71-£74 per policy. The execution of the strategy is better incentivised and measured by focussing management on key operational and strategic metrics including cash conversion and ROCE.
Relative Total Shareholder Return (TSR)	Weighting: 40% Measured against FTSE 250 (excluding investment trusts) Threshold (25%): median Maximum (100%): upper quartile	Weighting: reduced to 25% The Committee feels that is important to retain an output based measure which reflects the market's view of the success of the implementation of the New Strategy. In addition, the Committee wishes management to be focused on recovering and enhancing shareholder value. The Committee has further reduced the weighting of TSR to 25% to ensure there is a sufficient focus on the execution of the strategy measured through the new operational and strategic measures, including cash conversion. This is based on feedback to date from shareholders around their confidence in the execution.

Performance measures	2018 LTIP weightings and targets	Final Proposed 2019 LTIP weightings and targets with rationale
Return On Capital Employed (ROCE)	Weighting: 30% Threshold (25%): 10.5% p.a. Max (100%): 11.5% p.a.	Weighting reduced to 25% Threshold (25%): 8% p.a. Max (100%): 10% p.a. The ROCE metric will ensure that the management are focused on generating an appropriate level of return on the investments being made over the next period. The ROCE range has been reduced to reflect the expected decrease in profit as a result of the implementation of the New Strategy and the increased focus on margins and quality of earnings. The Committee has further reduced the weighting of ROCE to 25% to ensure there is a sufficient focus on the execution of the strategy measured through the new operational and strategic measures, including cash conversion.
Operational and Strategic Measures	New measures for 2019 including: • Cruise EBITDA • Tour Ops net profit margin • SSL retention • SSL direct • Cash conversion	Weighting: 50% These operational and strategic measures are some of the key inputs to ensuring the execution of the Company's New Strategy. The following table sets out the threshold, target and maximum performance conditions for each of these performance measures.

Performance condition	Percentage of award vesting 25%	Percentage of award vesting 60%	Percentage of award vesting 100%
Cruise EBITDA (£m per ship)	£37m	£40m	£43m
Tour Ops net profit margin (%)	6.0%	6.5%	7.0%
SSL retention (% average across home and motor)	72.5%	75%	77.5%
SSL direct (% of new business)	62.5%	65%	67.5%
Cash conversion in years 2 and 3	85%	87.5%	90%

The award over 200% of salary for James Quin, which was agreed as part of his joining terms, was granted on 12 August 2019; the face value is calculated with reference to the share price on 9 August 2019 of £0.4456. The award over 100% salary for Euan Sutherland, which represents a pro-rata award as he joined part-way through the Company's normal LTIP cycle, was granted on 6 January 2020; the face value is calculated with reference to the share price on 3rd January 2020 of £0.5170. The awards will vest, subject to the level of performance achieved, on 12 August 2022 and 6 January 2023 respectively.

As Lance Batchelor gave notice of his intention to retire from the Board on 31 January 2020, the Remuneration Committee agreed that no award would be granted to him under the LTIP in 2019.

Name	Award Type	Basis on which award made	Face value of award	Shares awarded	Percentage of award vesting at Threshold performance (%)	Maximum percentage of face value that could vest (%)	Performance conditions
James Quin	LTIP	Annual	£740,000	1,660,682	25%	100%	Organisational and Strategic measures – 50%, Comparative TSR – 25%, ROCE – 25%
Euan Sutherland	LTIP	Annual	£700,000	1,353,985	25%	100%	Organisational and Strategic measures – 50%, Comparative TSR – 25%, ROCE – 25%

Other awards

A buyout award to the value of £245,250 will be made to Cheryl Agius; the granting of this award is as a replacement for awards forfeited at her previous employer and the intention is for Cheryl Agius to be no better or worse off than had she retained those awards.

Name	Award Type	Basis on which award made	Face value of award	Shares awarded	Percentage of award vesting at Threshold performance (%)	Maximum percentage of face value that could vest (%)	Performance conditions
Cheryl Agius	Buyout	One-off	£245,250	466,822	25%	100%	See below

The buy-out award for the CEO of Insurance is structured in a way such that the face value of the award matches the estimated value of the foregone awards from her previous employer.

The award will be made in the form of Saga shares (466,822 shares based on Saga's MMQ on 31 December 2019 given Cheryl Agius' commencement date with Saga of 1 January 2020). The award will vest in two tranches – the first tranche of 162,723 shares will vest on 6 April 2021; the second element of 304,099 will vest on 6 April 2022. The vesting of each award is subject to her continued employment with Saga.

The ultimate number of shares vesting may therefore vary up or down depending on the attainment of the performance conditions of the associated LTIP awards of her previous employer.

The CEO of Insurance also received a buyout for a foregone cash award from her previous employer. The value of this award is £112,250 which is subject to continued employment for 12 months. The value of the award may ultimately vary up or down depending on the conditions attached to this award by her former employer.

Pension entitlements (audited)

			Accrued pension		Single figure numbers		Extra information disclosed under 2013 Directors' Remuneration Regulations	
Name	Age at 31/01/2020	Pensionable service at 31/01/2020	01/02/2019	31/01/2020	Pension salary supplement[1]	Value x20 over year[2]	Value x20 over year[2]	Normal retirement age
Lance Batchelor	56	3 years, 9 months	£6,213	£6,213	£103,468	£0	£103,468	65

Notes:

1 Pension salary supplement paid is 15% for Lance, Euan and Cheryl's pension salary supplement is 6% which aligns to the majority of our colleagues contribution. James' supplement was set at 10% when he was recruited

2 Reflects the growth in the Executive Director's pension accrued in the Saga Pension Scheme over the year multiplied by 20, less the contributions by the Executive Director

Payments to past Directors/payments for loss of office (audited)

There were no payments to past Directors or payments for loss of office during the financial year.

However, the Company entered a retirement agreement with Lance Batchelor on his cessation of employment with the Company on 31 January 2020. The full retirement package announcement is available on the Company website (https://corporate.saga.co.uk/about-us/governance/) but is summarised below:

1. Lance remained an employee of the Company and received his salary, benefits and pension allowance until his cessation of employment on 31 January 2020.
2. Lance will be eligible to receive a bonus in respect of his time served as CEO for FY2019/20. This bonus will be based on achievement of the agreed performance measures. Should there be a payout under the annual bonus for FY2019/20 this will be made in the form of cash and/or deferred in shares as determined by the Remuneration Committee.
3. Awards of deferred shares made to Lance under the Company's DBP in 2017 and 2019 will vest at their normal vesting dates (26 May 2020 and 11 July 2022 respectively) and remain subject to the scheme rules, including malus and clawback provisions. Awards will be exercisable for six months after vesting.
4. Awards made to Lance under the Long Term Incentive Plan granted in 2017 and 2018 will lapse on retirement. No LTIP award was made to Lance in 2019.
5. Lance's IPO awards lapsed on the announcement of his retirement.
6. Lance will be able to withdraw shares held under the all-employee Share Incentive Plan in accordance with the scheme rules.

Lance is required to retain 250% of his salary or (if lower) his final shareholding in shares for a period of 12 months from the Retirement Date i.e. until 31 January 2021. Lance will not receive any payments for loss of office.

Directors' share interests

Directors' share interests are discussed in the Annual Statement on page 87 and are incorporated into this Annual Report on Remuneration by reference.

Fees retained for external Non-Executive Directorships

Executive Directors may hold positions in other companies as Non-Executive Directors and retain the fees. Lance Batchelor was a Trustee of the charity the White Ensign Association; in January 2019, he was appointed as a Non-Executive Director on the Board of the Royal Navy. He did not receive a fee for his position with the White Ensign Association. He received a fee for the Navy Board position of £15,000 per annum. Euan is a Non-Executive Director of Britvic plc for which he receives a fee of £57,707.84 per annum. Neither James Quin nor Cheryl Agius hold any external directorships.

Implementation of policy

Implementation of policy is discussed in the Summary Director' Remuneration Policy on page 89 and is incorporated into this Annual Report on Remuneration by reference.

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2019/20 financial year and 2018/19 financial year compared with other disbursements. All figures provided are taken from the relevant company accounts.

	Disbursements from profit in 2019/20 financial year (£m)	Disbursements from profit in 2018/19 financial year (£m)	Percentage change
Profit distributed by way of dividend	25.8	100.9	(74.4%)
Total tax contributions[1]	50.1	74.6	(32.8%)
Overall spend on pay including Executive Directors	125.6	123.9	1.4%

Note:
1 Total tax contributions include corporation tax, national insurance contributions, VAT and air passenger duty

Our colleagues

Saga is committed to creating an inclusive working environment and to rewarding our colleagues throughout the organisation in a fair manner. In making decisions on executive pay, the Remuneration Committee considers wider workforce remuneration and conditions.

Committee Report

Process

In order for the Committee to review the wider workforce pay, policies and incentives, reports are regularly considered at the Remuneration Committee meetings, setting out key details of remuneration throughout the Company. The following table sets out a summary of the information received by the Committee at the end of the financial year:

Element of remuneration	Saga plc
Alignment with remuneration principles	One of Saga's reward principles is to create fair and flexible reward structures for all Saga colleagues. In the past two years we have reviewed and redesigned most of our compensation and benefit structures in line with this principle.
Salary	For full year 2019/20 Saga has awarded an annual pay review of 1% for the Leadership team and 1.5% for colleagues. Colleagues rated as 'achieving' received 1.5%; higher performers received a higher rate up to a maximum of 2.7%. Our annual pay review in February is managed centrally, with recommendations for the Group being presented to the Group Executive in December. **National Living Wage** For most colleagues, we maintain a 20p uplift between minimum pay levels and the National Living Wage. MetroMail has maintained an uplift of 5p to reflect our approach to allow flexibility in our reward structures and to sustain financial viability.
Bonus	Saga operates three separate bonus schemes, which have different methods of calculation (excluding Group Executives' bonus): 1. Top Team Bonus Scheme 2. Management Bonus Scheme 3. Company Bonus Scheme. Our Top Team Bonus Scheme is based on Group and divisional profit and cash performance. Our Management Bonus and Company Bonus Schemes are based on the performance in three areas: • Group profit: Group PBT, reported at the end of the financial year • Divisional profit: Divisional PBT for the employing division, reported at the end of the year (Group roles are based solely on Group profit) • Individual contribution: performance against the bonus objectives set at the start of the financial year. Our Top Team Bonus Scheme levels range between 40% and 60% of salary. Management Bonus Scheme levels range between 10% to 20% depending on the level within Saga. Company Bonus Scheme levels range between 0% and 7.5% of salary. Malus and clawback provisions are in place. Bonuses are paid annually in May subject to Company results.

Element of remuneration	Saga plc
Sales and commission plans	Sales and commission schemes operate in the following companies within the Saga Group: Saga Services (including Bennetts), ST&H, Destinology, Saga Healthcare, Saga Personal Finance and Titan Travel. The method of calculation varies dependent on business area and product. The majority of these plans are paid monthly. Governance of the sales and commission plans is managed at a divisional Board or Executive Committee level. We review these schemes regularly to ensure they adhere to our reward principles and support good customer outcomes. There are adequate recovery provisions in place for all plans to deal with payments made in error or in breach of our values. These provisions are communicated to all eligible colleagues.
LTIP	The LTIP is currently only available to Group Executive, Top Team roles or in exceptional circumstances senior management. These are awarded annually. Malus and clawback provisions are in place. The vesting period is three years. Our Executive Directors are subject to an additional two-year holding period. Eligible colleagues:

Level	Number of eligible colleagues[1]	Award type	Targeted ranges
Group Chief Executive Officer	1	Group shares	200%
Group Chief Financial Officer	1	Group shares	150%
Chief Executive Officer of Insurance	1	Group shares	150%
Group Executive	7	Group shares	60%-100%
Top Team	63	Group shares	40%, 50%, 60%

Note:
1 As at 31 January 2020

Element of remuneration	Saga plc
Pension	Saga operates a defined benefit (DB) scheme and a defined contribution (DC) scheme. Membership figures (as at 31 January 2020) are as follows: DB scheme: 1,187 DC scheme: 2,116

The Remuneration Committee receives feedback from colleague surveys and from the People Committee which meets regularly throughout the year. The first People Committee meeting was held in January 2019 following an election process for the 18 representative positions which draw from all areas of our business.

Alongside its review of the wider workforce remuneration, the Remuneration Committee considers the approach applied to the Executive Directors and senior management. In particular, the Committee is focused on ensuring the approach to the remuneration of the Executive Directors and senior management is consistent with that applied to the wider workforce.

Overview of findings

The key findings of the Committee's review for this financial year are as follows:

- Salary increases for colleagues across the Company are being applied on an equitable basis. Average increases are considered when setting salary increases for the Executive Directors.
- The majority of colleagues have the ability to share in the success of the Company through incentive compensation. In line with market practice, the level of incentive compensation and whether it is paid solely in cash or in a mixture of cash and deferred shares depends on the level of seniority of colleagues. The incentive approach applied to the Executive Directors aligns with the wider Company policy on incentives; which is:
  – to have a higher percentage of at-risk performance pay the more senior the colleague; and
  – to increase the amount of incentive deferred, provided in equity and/or measured over the longer term the more senior the colleague.

The following table shows the cascade of incentives throughout the Company:

Competitive pay and cascade of incentives

Organisational level	Colleague[1]	Maximum bonus percentage of salary	Maximum proportion of bonus payable in cash	Maximum proportion of bonus deferrable in shares	Maximum LTIP award	SIP
Group Chief Executive Officer	1	150%	67%[2]	33%[2]	200%	✓
Group Chief Financial Officer	1	125%	67%[2]	33%[2]	150%	✓
Chief Executive Officer of Insurance	1	125%	67%[2]	33%[2]	150%	✓
Executive Team	6	100%	67%[2]	33%[2]	100%	✓
Executive Team	1	80%	100%	0%	80%	✓
Executive Team	1	60%	100%	0%	60%	✓
Directors[3]	13	60%	100%	0%	60%	✓
Senior leadership	51	40%	100%	0%	40%	✓
Other bonused colleagues	2,509	20%	100%	0%	n/a	✓
Non-bonused colleagues	1,390	n/a	n/a	n/a	n/a	✓

Notes:
1 Colleagues of the Group as at 31 January 2020
2 The maximum level of deferral of bonus in shares for these colleagues is 50%. Minimum deferral has been set at 33%
3 Director defined as a statutory Executive Director of any board of the Group other than Executive Directors of the plc Board or members of the Executive Team

- Equity participation is offered to all colleagues of the Company through the SIP. Senior colleagues are eligible for LTIP and deferred shares.
- In line with the Company's wider policy on pay, all colleagues have the opportunity to participate in a Company pension arrangement.
- They also receive benefits appropriate to their level of seniority.

Conclusion

In summary the Committee is satisfied that the approach to remuneration across the Company is consistent with the Company's principles of remuneration. In the Committee's opinion the approach to executive remuneration aligns with wider Company pay policy and there are no anomalies specific to the Executive Directors.

The following sets out a summary of the Company's general policies:

Communication with colleagues

The Group's colleagues are kept informed of Company activities and performance through a series of Director-led staff briefings at key points during the year and the circulation of corporate announcements and other relevant information to staff which is supplemented by updates on the intranet. These briefings also serve as an informal forum for colleagues to ask questions about the Company.

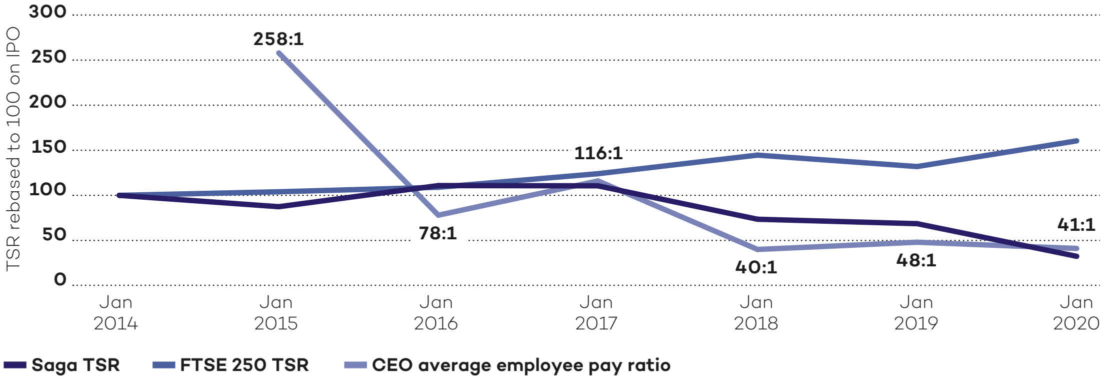
From January 2019, Saga set up a People Committee which is comprised of 18 elected members who act as representatives from all areas of the business. The People Committee exists to achieve the following:

- Improved colleague engagement across the Group and confidence in the leadership of the business.
- A structured and recognised mechanism for collective consultation/feedback which meets the 2018 UK Corporate Governance Code and our legislative responsibilities including but not limited to pay review.
- A regular forum for open discussion and debate which is representative of our whole workforce.
- Supplement our regular engagement surveys by providing an important two-way dialogue with our colleagues and demonstrate where actions are being taken where appropriate.
- Improve and enhance our current working environment.
- Improve and help define our culture at Saga.

Equal opportunities

The Company is committed to an active equal opportunities policy from recruitment and selection, through training and development, to performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Company is responsive to the needs of its colleagues, customers and the community at large. We are an organisation which uses everyone's talents and abilities, where diversity is valued. The Company remains supportive of the employment and advancement of disabled persons and ensures its promotion and recruitment practices are fair and objective. The Company encourages the continuous development and training of its colleagues and the provision of equal opportunities for the training and career development of all colleagues.

Area	Considerations
Pay comparisons	**CEO ratio** Our CEO to average colleague pay ratio for 2019/20 is 41:1. To give context to this ratio, we have set out below a chart tracking the CEO to average colleague pay ratio since 2014/15 alongside Saga's TSR performance since IPO. We also show this against the performance of the FTSE 250 during the same time span.



The Remuneration Committee considers that the FTSE 250 is the appropriate index because the Company was a long standing member of this index since IPO and has strong aspirations to re-joining this index in the future. This graph has been calculated in accordance with the Listing Regulations. It should be noted that the Company listed on 23 May 2014 and therefore only has a listed share price for the period of 23 May 2014 to 31 January 2020.

In summary there is significant volatility in Group Chief Executive Officer pay, and we believe that this is caused by the below. Please note pay for the former Group CEO has been used for this calculation.

- Our Group Chief Executive Officer pay is made up of a higher proportion of incentive pay than that of our colleagues, in line with the expectations of our shareholders. This introduces a higher degree of variability in his pay each year which affects the ratio.
- The value of long term incentives which measure performance over three years is disclosed in pay in the year it vests, which increases the Group Chief Executive Officer pay in that year, again impacting the ratio for that year.
- Long term incentives are provided in shares, and therefore an increase in share price over the three years magnifies the impact of a long term incentive award vesting in a year.
- We recognise that the ratio is driven by the different structure of the pay of our Group Chief Executive Officer versus that of our colleagues, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the Group Chief Executive Officer and wider workforce.

Where the structure of remuneration is similar, as for the Executive Committee and the Group Chief Executive Officer, the ratio is much more stable over time.

Area	**Considerations**
Pay comparisons continued	**Colleague and Executive Committee ratios**

Colleague and Executive Committee ratios

The table below sets out the total remuneration delivered to the Group Chief Executive Officer using the methodology applied to the single total figure of remuneration. The Remuneration Committee believes that the remuneration payable in its earlier years as a private company to the Executive Chairman does not bear comparative value to that which has been and will be paid to the Group Chief Executive Officer, and has therefore chosen only to disclose remuneration for the Group Chief Executive Officer:

Group Chief Executive Officer		2019/20	2018/19	2017/18	2016/17	2015/16
Total single figure		£1,062,887[1]	£1,191,743	£1,025,146[3]	£2,490,617	£1,600,287
Annual bonus payment level achieved (percentage of maximum opportunity)		33.6%[2]	35.1%	0%	67.5%	78.6%
LTIP vesting level achieved (percentage of maximum opportunity)		0%	0%[4]	26.0%	65.6%	n/a
Ratio of CEO single total remuneration figure to all colleagues[4,5,6,7]	25th percentile	46:1	59:1	8:1	n/a	n/a
	Median[8]	41:1	48:1	40:1	116:1	78:1
	75th percentile	29:1	36:1	33:1	n/a	n/a
Ratio of single total remuneration figure shown to Executive Committee members		2:1	3:1	3:1	4:1	2:1

Notes:
1 For the single total figure for the Group CEO a combination of Lance Batchelor and Euan Sutherland's remuneration for their respective time in the role of Group CEO has been used
2 The annual bonus payment level achieved is the combination of time prorated achievement levels for Lance Batchelor and Euan Sutherland for their respective time in the role of Group CEO
3 For 2017/18 the final value of the 2015 LTIP award as at vesting date is shown and has been restated from the 2017/18 annual report. The share price at vesting date of 30 June 2018 was 125.6p
4 The fall in the ratio in 2017/18 is due to the forfeiture of bonus by the Group Chief Executive Officer and the relatively low payout on the LTIP. This reflects the fact that shareholders want executives to have a higher proportion of pay at risk and this is reflected in the volatility in the chart. The percentage change in Group Chief Executive Officer remuneration set out in the table below shows that year-on-year when the volatility of payouts from equity-based awards is excluded that the changes in remuneration for the Group Chief Executive Officer and average colleague are broadly in line. This demonstrates that the underlying compensation ratio is not increasing year-on-year
5 The increase in ratio for 2018/19 is due to the Group Chief Executive Officer receiving a bonus in 2018/19. This increase has remained low due to a relatively low bonus and LTIP payout
6 The fall in ratio for 2019/20 is due to the rebalancing of base pay and commission in our call centres
7 For the colleague ratio Saga has chosen to use Option B, identifying colleagues using our gender pay gap data. This was the preferred option due to the availability of data for our many UK-based, overseas and part-time colleagues for whom single total figure data is difficult to calculate. Figures have been completed for 2017/18, 2018/19 and 2019/20 using the April 2017, April 2018 and April 2019 gender pay gap data. In order to mitigate any anomalies, 11 individuals have been identified at each percentile point from the gender pay gap data, and the median of pay in the year up to 31 January 2018 and 31 January 2019, for these colleagues calculated in line with the single total figure methodology. For colleagues who participate in a defined benefit scheme, the value of the pension for the purposes of total pay has been estimated based on the individual's accrual rate and length of service
8 The median ratios shown for 2015/16 and 2016/17 have been recalculated to allow a comparison to the 2017/18, 2018/19 and 2019/20 figures which have been calculated in line with the methodology prescribed by the regulations

The colleague pay figures used to calculate the ratio are as follows:

		25th percentile	Median	75th percentile
2019/20	Salary	£19,000	£22,980	£32,978
	Total pay	£22,750	£25,919	£35,889
2018/19	Salary	£18,360	£22,448	£29,655
	Total pay	£20,253	£24,919	£33,235
2017/18	Salary	£17,144	£22,065	£25,220
	Total pay	£21,496	£25,427	£30,950

Area	Considerations
Pay comparisons continued	

Percentage change in Group Chief Executive Officer remuneration

The following table sets out the change in the remuneration paid to the Group Chief Executive Officer from 2018/19 to 2019/20 compared with the average percentage change for colleagues.

The Group Chief Executive Officer's remuneration disclosed in the table below has been calculated to take into account base salary, taxable benefits excluding pension, and annual bonus (including any amount deferred).

The colleague pay has been calculated using the following elements: annual salary – base salary and standard monthly allowances; taxable benefits – car allowance and private medical insurance premiums; annual bonus – Company bonus, management bonus, commission and incentive payments.

	£ Salary			£ Taxable benefits			£ Bonus		
	2019/20	2018/19	Percentage change	2019/20	2018/19	Percentage change	2019/20	2018/19	Percentage change
Group Chief Executive Officer[1]	694,108	689,785	0.6%	36,507	35,319	3.4%	233,002	363,171	-35.8%
Average per colleague	30,961	28,418	8.9%	1,038	993	4.5%	2,527	2,971	-15.0%

Notes:
1 The increase in benefits is driven by HMRC annual increases to the company car tax and fuel benefit charge as reported on P11D
2 For the single total figure a combination of Lance Batchelor's and Euan Sutherland's remuneration for their respective time in the role of Group CEO has been used
3 Average salary per colleague increased due to the rebalancing of base pay and commission in our call centres

Saga Group gender pay gaps

Gender pay reporting legislation came into force in April 2017 and requires all UK employers with 250 or more colleagues to publish annual information illustrating pay differences between male and female colleagues.

We welcomed the opportunity to report our findings last year and saw it as an opportunity to test the effectiveness of our existing reward strategies and embraced this as an opportunity to drive our focus on diversity forward.

Our 2019 results demonstrate that Saga has broadly maintained our overall gender pay gap position when comparing against 2018's reportable numbers. As a result, the narrative is consistent with what was reported in 2017 and 2018. Like many organisations, the representation of females in our upper pay quartile remains the key contributor to our gender pay gap in both pay and bonus. Our disclosed findings and actions can be found on our corporate website.

Our reward principles fully support the work on gender pay and we are confident that men and women are paid fairly and equally for doing equivalent jobs across our business.

Area	Considerations
Pay comparisons continued	**Definitions** Difference between gender pay and equal pay: A gender pay gap is the difference between average male and female pay for an organisation, regardless of nature of work. This means that gender distribution across grades will be a significant driver of any gap. An equal pay gap, on the other hand, refers to an unlawful pay gap between male and female colleagues carrying out the same roles with the same experience and skills. The 'gender pay gap' is a metric that measures the difference in average hourly pay across all men and women across an organisation, by reference to both the mean and median figures. The 'mean' is an arithmetic average of a set of numbers. The mean calculation considers basic average pay/bonus across all of our colleagues. The median is the number in the middle of a set of ordered numbers. The median calculation focuses on those colleagues in the middle of pay/bonus ranges, thereby reducing the impact of our highest and lowest paid colleagues. The 'median' calculation reduces the very significant impact of our most senior male colleagues, in order to provide a gender pay gap figure which is much more representative of the majority of our colleagues.
Diversity Policy	Creating a thriving and diverse workforce is a high priority for our business. A diverse workforce means we are attracting the best people and that the business is benefiting from broad experience and a range of different backgrounds and skill sets. Saga employs enthusiastic, committed and well-trained people. We recognise the benefits of diversity of skills, knowledge and independence, as well as gender, ethnicity and sexual orientation and are fully committed to an active Equal Opportunities Policy covering recruitment and selection, training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. See Strategic Report for more information on pages 22-23.

General information

Committee composition and attendance

Members (all independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Eva Eisenschimmel (Chair)[1]	04/04/19	3	3
Julie Hopes	04/04/19	3	3
Ray King	29/05/14	7	6
Orna NiChionna	29/05/14	7	6
Gareth Williams[2]	29/05/14	7	7

Note:
1 Eva Eisenschimmel was appointed as Committee Chair with effect from 1 February 2020.
2 Gareth Williams stepped down as Committee Chair when Eva Eisenschimmel assumed this role but remained a Committee member.

Julie Hopes and I were appointed as Committee members in April 2019. I was subsequently appointed as a Chair with effect from 1 February 2020, at which time Gareth Williams stepped down as a Committee Chair but remains a Committee member. I can confirm that, in line with the UK Corporate Governance Code 2018, before my appointment as a Committee Chair, I had attended the Saga Remuneration Committee since January 2019, been a formal member since April 2019 and previously attended the Remuneration Committee at Virgin Money plc for two years before its acquisition by CYBG plc.

Summary of Committee's remit

The Committee's main purpose is to assist the Board in discharging its responsibilities for:

- reviewing the broad Remuneration Policy for the senior executives;
- recommending and monitoring the level and structure of remuneration for senior management;
- governing all share schemes; and
- reviewing any major changes in employee compensation and benefit structures throughout the Company or Group.

Committee terms of reference were approved by the Board on 18 September 2019 and are available on our website at www.corporate.saga.co.uk/about-us/governance. These are reviewed and updated, as required, annually.

What we have done during the year

Time spent on matters

Remuneration Policy	c.10%
Regulatory developments	c.25%
Senior management remuneration	c.40%
Share schemes	c.15%
Employee compensation and benefit structure	c.10%

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year as part of the Board effectiveness review (for details, see pages 66-67). The review indicated that the Committee covers the ground well and brings the right issues to the table. It was felt that the proposals for employee engagement had been well thought through. In future, there will be a continued focus on ensuring the link between strategy and incentives and on optimising the remuneration structure to reward and retain employees and deliver long term sustainable Company performance.

Shareholder voting at the AGM

The current Directors' Remuneration Policy was put to a binding vote at the 2018 AGM on 21 June 2018 and the Chairman's Annual Statement and the Annual Report on Remuneration were subject to an advisory vote at the 2019 AGM on 19 June 2019. Below we outline the voting outcomes in respect of approving the Directors' Remuneration Report and approving the Directors' Remuneration Policy:

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes cast in total	% of issued share capital voted	Votes withheld
To approve the Directors' Remuneration Report	514,005,769	71.83	201,619,064	28.17	715,624,833	63.78%	546,076
To approve the Directors' Remuneration Policy	710,588,229	99.49	3,637,508	0.51	714,727,672	63.8%	501,935

In addition, the following resolutions relating to amendments to the LTIP and Deferred Bonus schemes were also passed with overwhelming support by the shareholders at the 2019 AGM.

To amend the rules of the Saga plc Long Term Incentive Plan	702,399,702	98.22	12,708,660	1.78	715,108,362	63.73	1,062,547
To amend the rules of the Saga plc Deferred Bonus Plan	705,803,114	98.69	9,343,145	1.31	715,146,259	63.73	1,024,650

As described in the Remuneration Committee Chair's statement, the Committee has written to shareholders with regards to the 2019 AGM result on the Directors' Remuneration Report and the changes made as a result of the vote and discussions with shareholders. This can be found on our corporate website.

Advisers to the Remuneration Committee

During the financial year, PwC advised the Remuneration Committee on all aspects of the Remuneration Policy for Executive Directors and members of the Executive Team. PwC also provided the Company with tax and assurance work during the year. The Remuneration Committee reviewed the nature of the services provided and was satisfied that no conflict of interest exists or existed in the provision of these services. PwC was appointed by the Remuneration Committee, and the Committee is satisfied that the advice provided is independent. PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Fees of £97,250 (2018/19: £80,000) were provided to PwC during the year in respect of remuneration advice received. The increase from the prior year is due to additional support in relation to the renewal of the Remuneration Policy.

The Committee receives assistance from Jane Storm, Chief People Officer and Vicki Haynes, Group Company Secretary.

Our adviser (PwC) attends by invitation. PwC does not have any other connection to the Company or its Directors.

Eva Eisenschimmel
Chair, Remuneration Committee
8 April 2020

This report has been prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the current Code and the Listing Rules.

Management report
The Directors' Report, together with the Strategic Report set out on pages 1-51, form the Management Report for the purposes of Disclosure Guidance and Transparency Rule (DTR) 4.1.5R.

Statutory information contained elsewhere in the annual report
Information required to be part of this Directors' Report can be found elsewhere in the annual report as indicated in the table below and is incorporated into this report by reference.

Information	Location in annual report
Likely future developments in the business of the Company or its subsidiaries	Pages 1-51
Corporate social responsibility	Pages 18-31
Greenhouse gas emissions	Pages 26-29
Section 172 (1) and non-financial information statements and stakeholder engagement	Pages 50-51 and 19-20, 60
Colleagues (employment of disabled persons, workforce engagement and policies)	Pages 22-23, 30-31 and 102
Corporate Governance Statement	Pages 52-80
Directors' details (including changes made during the year)	Pages 52-53, 61 and 64-65
Related party transactions	Not applicable
Diversity	Pages 22, 69 and 106
Share capital	Note 31 on page 184
Viability statement	Page 48
Going concern and Fair, balanced and understandable statements	Pages 49 and 55
Employee share schemes (including long term incentive schemes)	Note 34 on page 186
Financial instruments: information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging	Notes 2, 3, 7, 8, 19 and 20 on pages 131-151, 153 and 163-172
Additional information	Pages 201-204

Disclosure table pursuant to Listing Rule (LR) 9.8.4C
The following table provides references to where the information required by Listing Rule 9.8.4C R is disclosed:

Listing Rule	Listing Rule requirement	Disclosure
9.8.4(1)	Interest capitalised by the Group and any related tax relief	Note 17 on page 161
9.8.4(2)	Unaudited financial information (LR 9.2.18R)	Operating and Financial Review, pages 34-47
9.8.4(4)	Long term incentive schemes (LR 9.4.3R)	Directors' Remuneration Report, pages 81-108
9.8.4(5)	Directors' waivers of emoluments	Directors' Remuneration Report, pages 81-108
9.8.4(6)	Directors' waivers of future emoluments	Directors' Remuneration Report, pages 81-108
9.8.4(7)	Non pre-emptive issues of equity for cash	Directors' Report on page 111
9.8.4(8)	Non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
9.8.4(9)	Parent company participation in a placing by a listed subsidiary	Not applicable
9.8.4(10)	Contract of significance in which a Director is or was materially interested	Not applicable
9.8.4(11)	Contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder	Not applicable
9.8.4(12)	Waiver of dividends by a shareholder	Directors' Report on page 112 (under paragraph 'Rights attaching to shares')
9.8.4(13)	Waiver of future dividends by a shareholder	Directors' Report on page 112 (under paragraph 'Rights attaching to shares')
9.8.4(14)	Board statement in respect of relationship agreement with the controlling shareholder	Not applicable

Results and dividends

The Group made a loss after taxation of £(312.8m) for the financial year ended 31 January 2020. The Board paid an interim dividend of 1.3p per share. Given the uncertainty around the trajectory of the COVID-19 virus the Board of Directors is not recommending the payment of a final dividend for the 2019/20 financial year.

The Directors have adopted a Dividend Policy (which is reviewed by the Board on an annual basis). While the Directors intend to resume dividend payments in the future, the Group will assess its Dividend Policy for current and future years as the COVID-19 situation becomes more certain. No dividends can be paid while leverage is greater than 3.0x. Any decision to declare and pay dividends is made at the discretion of the Directors and depends on, among other things, applicable law, regulation, restrictions, the Group's financial position, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

Political donations

No political donations were made during the year.

Directors' interests

A list of the Directors, their interests in the long term performance share plan, contracts and ordinary share capital of the Company are given in the Directors' Remuneration Report on pages 81-108.

Rules on appointment and replacement of Directors

A Director may be appointed by ordinary resolution of the shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires at the next AGM. A Director may be removed by the Company in certain circumstances set out in the Company's articles of association or by an ordinary resolution of the Company.

All Directors will seek re-election at the AGM in accordance with the Company's articles of association and the recommendations of the Code, with the exception of Lance Batchelor, who retired from the Board with effect from 31 January 2020, Ray King who has informed the Board that he will not seek re-election at the AGM and Euan Sutherland and Cheryl Agius, whose elections will be put to the shareholders at the AGM.

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's articles of association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries. No amount was paid under any of these indemnities during the year.

Change of control – significant agreements

A number of agreements take effect, alter or terminate upon a change of control of the Company, including following a takeover bid, for example, insurance, commercial contracts and distribution agreements. There are a number of contracts and arrangements throughout the Group for which the legal risk arising out of a change of control is closely managed as part of the contractual governance process.

The Group's corporate debt is unsecured and in place for general purposes. It consists of a £250m seven-year public listed bond at 3.375%, due to expire in May 2024, which has 101% put at change of control leading to a 1 notch credit rating downgrade, a five-year £200m term loan expiring in May 2022 (£140m outstanding at 31 January 2020) and a £100m five-year revolving credit facility, expiring in May 2023.

Twelve-year Export Credit Agency backed funding is in place to finance 80% of the cost of the Group's two new ships. The first of these facilities was drawn on completion of build of the Spirit of Discovery and is secured by way of a charge over the asset. The second facility will be drawn on completion of building of the Spirit of Adventure and will be similarly secured. The Company has provided a guarantee for the ship debt.

In the event of a change of control the facilities would either require repayment or renegotiation. If the ship financing is terminated, significant break fees may be incurred. Further details on banking facilities are shown in note 28 to the consolidated financial statements on page 128.

The rules of the Company's employee share plans generally provide for the accelerated vesting and/or release of share awards in the event of a change of control of the Company.

The Company does not have any agreements with Directors or colleagues which would pay compensation in the event of a change of control.

Conflict of interest

Each Director is obliged to disclose any potential or actual conflict of interest in accordance with the Company's Conflict of Interest Policy. The policy and declarations made are subject to annual review and Directors are required to update any changes to declarations as they occur. Internal controls are in place to ensure that any related party transactions are conducted on an arm's length basis.

Share capital and interests in voting rights

The Company's share capital (including movements during the year) is set out on page 184. At the date of this report, the Company's issued share capital comprised a single class of share capital which is divided into ordinary shares of 1p each. As at 31 January 2020, 1,122,003,328 ordinary shares of 1p each have been issued, are fully paid up and quoted on the London Stock Exchange.

In accordance with DTR 5.1, the Company has been notified of the following interests in the Company's total voting rights as at 31 January 2020:

Name	Ordinary shares	Percentage of capital as disclosed to the Company	Nature of holding
Majedie Asset Management Limited	68,956,717	6.17%	Indirect
Artemis Investment Management LLP	111,601,253	9.98%	Indirect
Royal London Asset Management Limited	55,282,337	4.9271%	Direct
Pelham Capital Ltd	49,867,633	4.44%	Contract for Difference
BlackRock, Inc.	56,034,496	4.99%	Indirect
Aggregate of Standard Life Aberdeen plc	133,057,984	11.86%	Indirect
Setanta Asset Management Limited	123,522,641	11.009%	Indirect
Pictet Asset Management Ltd	57,895,868	5.16%	Direct
Paul Singer (on behalf of Elliott International, L.P., The Liverpool Limited Partnership & Elliott Associates, L.P.)	57,685,669	5.141%	Indirect

Note:
1 Since the date of disclosure to the Company, the interest of any person listed above in ordinary shares may have increased or decreased. No requirement to notify the Company of any increase or decrease arises unless the holding passes a notifiable threshold in accordance with DTR 5.1
2 The Company is aware that Artemis and Pelham are no longer shareholders in the Company and that as at 31 January 2020 Royal London Holdings held 2.40% of issued share capital.

- Information regarding other interests in voting rights provided to the Company pursuant to the FCA DTRs is published on the Company's website and a Regulatory Information Service.
- As at 8 April 2020, the Company has been notified of the following interests in the Company's total voting rights.

Name	Ordinary shares	Percentage of capital	Nature of holding
Aggregate of Standard Life Aberdeen plc	111,904,918	9.97%	Indirect
Pictet Asset Management Ltd	56,064,854	4.99	Direct

Authority to allot/purchase own shares
A shareholders' resolution was passed at the AGM on 19 June 2019 which authorised the Company to make market purchases within the meaning of section 693(4) of the Companies Act 2006 (the 'Act') (up to £1,122,003.32 representing 10% of the aggregate nominal share capital of the Company following Admission). This is subject to a minimum price of 1p and a maximum price of the higher of 105% of the average mid-market quotations for five business days prior to purchase or the price of the last individual trade and highest current individual bid as derived from the London Stock Exchange trading system.

The Company did not exercise this authority during the year and it will expire at the forthcoming AGM. A special resolution to authorise the Company to make market purchases representing 10% of current nominal share capital will be proposed. The authority to repurchase the Company's ordinary shares in the market will be limited to £1,122,003.32 and will set out the minimum and maximum price which would be paid.

The Directors of the Company were also granted authority at the 2019 AGM to allot relevant securities up to a nominal amount of £3,736,271. This authority will apply until the conclusion of the 2020 AGM, at which shareholders will be asked to grant the Directors authority (for the purposes of section 551 of the Act) to allot relevant securities (i) up to an aggregate nominal amount of £3,736,271; and, (ii) comprising equity securities (as defined in the Act) up to an aggregate nominal amount of £7,472,542 (after deducting from such limit any relevant securities issued under (i) in connection with a rights issue). These amounts will apply until the conclusion of the AGM to be held in 2021 or, if earlier, 31 July 2021.

Special resolutions will also be proposed to give the Directors authority to make non pre-emptive issues wholly for cash in connection with rights issues and otherwise up to an aggregate nominal amount of £561,001.66 and to make non pre-emptive issues wholly for cash in connection with acquisitions or specified capital investments up to an aggregate amount of £561,001.66.

Rights attaching to shares

The Company has a single class of ordinary shares in issue. The rights attached to the shares are governed by applicable law and the Company's articles of association (which are available at www.corporate.saga.co.uk/media/1195/saga-plc-articles-of-association.pdf).

Ordinary shareholders have the right to receive notice, attend and vote at general meetings; and receive a copy of the Company's report and accounts and a dividend when approved and paid. On a show of hands, each shareholder present in person, or by proxy (or an authorised representative of a corporate shareholder), shall have one vote. In the event of a poll, one vote is attached to each share held. No shareholder owns shares with special rights as to control. The Notice of the AGM ('Notice') states deadlines for exercising voting rights and for appointing a proxy/proxies.

The Saga Employee Benefit Trust (the 'Trust') is an Employee Benefit Trust which holds property (the 'Trust Fund'), including inter-alia money and ordinary shares in the Company, in trust in favour or for the benefit of colleagues of the Saga Group. The Trustee of the Trust has the power to exercise the rights and powers incidental to, and to act in relation to, the Trust Fund in such manner as the Trustee in its absolute discretion thinks fit. The Trustee has waived its rights to dividends on ordinary shares held by the Trust. Details of employee share schemes are set out in note 34 to the consolidated financial statements.

Restrictions on the transfer of shares

Other than where imposed by law or regulation, or where the Listing Rules require certain persons to obtain clearance before dealing, there are no restrictions regarding the transfer of shares in the Company. The Company is not aware of any agreement which would result in a restriction on the transfer of shares or voting rights.

Articles of association

Any amendment to the Company's articles of association may only be made by passing a special resolution of the shareholders of the Company.

Research and development

The Group does not undertake any material activities in the field of research and development.

Branches outside the UK

The Company does not have any branches outside the UK.

Post-balance sheet events

Further details on post-balance sheet events can be found on page 189.

Auditor

KPMG LLP has confirmed its willingness to continue in office as auditor of the Company and resolutions for its re-appointment and for the Audit Committee to determine its remuneration will be proposed at the forthcoming AGM.

Annual General Meeting

The AGM will be held on 22 June 2020 at 11am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. The Notice contains an explanation of special business to be considered at the meeting and will be available on our website, www.corporate.saga.co.uk, in due course.

By order of the Board

V. Haynes
Group Company Secretary
8 April 2020
Saga plc (Company no. 08804263)

Directors' responsibilities

The Directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law, and have elected to prepare the parent company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period (see Key Statements on page 55). In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

Disclosure of information to the auditor

Having made the requisite enquiries, so far as each of the Directors is aware, there is no relevant audit information (as defined by section 418(3) of the Act) of which the Company's auditor is unaware and the Directors have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to ensure that the Company's auditor is aware of that information.

Maintenance of website

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 61 and 64-65, confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

V. Haynes
Group Company Secretary
8 April 2020
Saga plc (Company no. 08804263)

KPMG

1. Our opinion is unmodified

We have audited the financial statements of Saga plc ("the Company" or "Group" or "Parent Company") for the year ended 31 January 2020 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows, Parent Company Balance Sheet, Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 2 to the Group financial statements and note 1 to the Parent Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 22 June 2017. The period of total uninterrupted engagement is for the three financial years ended 31 January 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£3.9m (2019: £6.8m) 3.9% (2019: 3.9%) of normalised profit before tax	
Coverage	95% (2019: 98%) of total profits and losses that made up Group loss before tax	
Key audit matter		**vs 2019**
Event driven	**New:** Going Concern – Impact of uncertainties in relation to Covid-19 on our audit	▲
	The impact of uncertainties due to UK exiting the European Union on our audit	◀▶
Recurring risks	Valuation of claims outstanding (gross and net)	◀▶
	Recoverability of Group Goodwill and the Parent Company's investment in subsidiaries	◀▶

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Going concern – Impact of uncertainties due to the Covid-19 on our audit *Refer to pages 32 to 33 (principal risks), pages 46 to 47 (Strategic Report), page 48 (viability statement), page 49 (going concern statement), pages 74 to 75 (Audit Committee Report) and note 2.1 on page 130 (basis of preparation) and note 37 on page 189 (post balance sheet events).*	**Unprecedented levels of uncertainty** The financial statements explain how the Directors have formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and the Parent Company. The judgement is based on an evaluation of the inherent risks to the Group and Parent Company's business model and how those risks might affect the Group and Parent Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The impact of Covid-19 is subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown given the rapidly evolving nature of the situation on financial and operational performance.	Our procedures included: • **Funding assessment:** We considered the Directors' assessment of Covid-19 related sources of risk to the Group's financial and operational resilience compared with our own understanding of these risks and knowledge of the business. Our procedures included: – We agreed the Group's committed level of financing, the availability of facilities and related covenant requirements to signed agreements. – We critically assessed the ability of the Group to meet the revised terms and financial covenants within existing facility agreements in reasonably foreseeable downside scenarios brought about by the Covid-19 crisis. These included challenging and assessing the ability of the Group to withstand an extended and prolonged period of no Cruise or Tour operations, with the support of our own travel industry specialists. – Through enquiry and inspection of recent management information and with the support of our own industry specialists, our evaluation included challenge of the assumptions and an evaluation of the ability of the Directors to take any assumed mitigation actions based on our own expectations based on our knowledge of the entity and experience of the industry in which it operates. – Through enquiry and inspection of the latest banking agreements and the changes to the terms of both the facility agreements and the related covenants, we considered the intent and ability of the Group's lenders to continue to support the Group with existing facilities. – Through enquiry and inspection of correspondence, we considered the likelihood of the Group's financial services and travel regulators (Financial Conduct Authority (FCA), the Gibraltar Financial Services Commission (GFSC) and the Civil Aviation Authority (CAA)) imposing additional financial or operational constraints on the Group and how such risks had been factored into the stress testing performed.

The risk	Our response
The risks most likely to adversely affect the Group and Parent Company's available financial resources over this period are: • the length of time that the impact of Covid-19 will significantly disrupt the Group's Travel operations and constrain its ability to operate, given that the Group's customer demographic is potentially most at risk of infection from this pandemic; • the financial and operational resilience of the Group's Insurance business and its ability to continue to operate and deliver the Insurance strategy through a period of significant disruption brought on by this pandemic; and • the impact, if Travel operations are curtailed for severe but plausible periods of time, on the Group's ability to meet the terms of its ship debt and Group bank debt covenants within a year from the date of approval of the financial statements. This could threaten the availability of existing facilities in the absence of agreement of changes to facility terms and existing covenants. There are also less predictable but realistic second order impacts of a broader economic downturn, the erosion of customer confidence beyond the specific near term issues in responding to Covid-19 and the length of time it may take for each of the Group's businesses to recover which could result in a longer period of and more pronounced reduction in available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed. **Disclosure quality** Clear and full disclosure of the assessment undertaken by the Directors and the rationale for the use of the going concern assumption, represents a key financial statement disclosure requirement. There is a risk that insufficient details are disclosed to allow a full understanding of the assessment undertaken by the Directors.	• **Key dependency assessment:** The continued operation of the Group's Insurance business is a critical factor in assessing the risk of failure; as is the continued availability of the Group's £100m Revolving Credit Facility (refer above) throughout the assessment period. Our procedures included: – We gained an understanding of and assessed the Group's plans and progress to try to ensure the continued operation of the Insurance business in the face of the disruption caused by Covid-19; and – Using our insurance industry experience, we challenged and evaluated the degree to which reasonably foreseeable downside scenarios that would impact the Group's Insurance business were factored into the financial resilience modelling that the Group has performed. • **Benchmarking assumptions and our sector experience:** We evaluated and challenged the assumptions used in cash flow forecasts using our knowledge of the business and our travel and insurance sector experience and assessing the potential risk of management bias. • **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. This included an assessment of the Group's ability to continue to meet its amended debt covenants through considering a severe reverse stress test. • **Evaluating Directors' intent:** Through enquiry we evaluated the achievability of the actions the Directors may consider they would take to improve the position as risks materialise. • **Assessing transparency:** We critically assessed the completeness and accuracy of the matters covered in the going concern disclosure by agreeing to supporting evidence and performing inquiries of the Directors, which included challenging the transparency of assumptions in the severe but plausible downside stress scenarios performed in making this assessment. **Our findings** We found the going concern disclosure without any material uncertainty to be proportionate (2019 result: proportionate). However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Covid-19.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to pages 32 to 33 (principal risks), page 11 (Strategic Report) and page 48 (viability statement).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in the valuation of claims outstanding, recoverability of Group goodwill and the Parent Company's investment in subsidiaries below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see above). All of these depend on assessments of the future economic environment and the Group's and Company's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the Directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • Our Brexit knowledge: We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. • Sensitivity analysis: When addressing valuation of claims outstanding, the recoverability of Group goodwill and the Parent Company's investment in subsidiaries, going concern basis of preparation and other areas that depend on forecasts, we considered the Directors' sensitivity analysis against our understanding of reasonably possible adverse scenarios impacted by Brexit uncertainty and, where forecasts cash flows are required to be discounted, considered the need for adjustments to discount rates for the level of remaining uncertainty. • Assessing transparency: As well as assessing individual disclosures as part of our procedures on valuation of claims outstanding, recoverability of Group goodwill and the Parent Company's investment in subsidiaries and going concern basis of preparation, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our findings** As reported under valuation of claims outstanding, recoverability of Group goodwill and the Parent Company's investment in subsidiaries, we found the resulting estimates to be mildly cautious and related disclosures to be proportionate, the Brexit disclosures to be proportionate and disclosures in relation to going concern to be proportionate. However, no audit should 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.

	The risk	Our response
Valuation of Claims Outstanding (gross and net) *(Gross £338.3 million, 2019: £392.6 million; Net £149.1 million, 2019: £182.8 million)* *Refer to page 74 (Audit Committee Report), pages 140-141 (accounting policy); and note 2.6 on page 144 to 146, note 20.d on pages 171 to 172 and note 26 on page 178 (financial disclosures).*	**Subjective Valuation:** Valuation of these liabilities is highly judgemental, and requires a number of assumptions to be made that have high estimation uncertainty and can have material impacts on the valuation. Key assumptions include expected loss ratios and estimates of the frequency and severity of claims, used to value the liabilities, particularly those relating to the amount and timing of Incurred but not Reported ("IBNR") claims. Certain areas of the claims outstanding balance contain greater uncertainty, for example third party bodily injury ("TPBI") claims exhibit greater variability and are more long tailed than the damage classes. In particular the choice of development pattern, discount rate ("Ogden rate") and Periodic Payment Order ("PPO") propensity allowance to estimate the present value of large bodily injury claims following the Ogden rate change are very uncertain and have a high reserving risk. Similar estimates are required in establishing the reinsurers' share of insurance provisions, in particular the share of IBNR claims. A margin is added to the actuarial best estimate ("ABE") of insurance liabilities to make allowance for risks and uncertainties that are not specifically allowed for in establishing the ABE. The appropriate margin to recognise is a subjective judgement and estimate taken by the Directors, based on the perceived uncertainty and potential for volatility in the underlying claims.	Our control procedures included: • **Control design:** Tested, with the support of our own IT specialists, the design and implementation of key controls over the completeness and accuracy of claims and premiums data used in the calculation of IBNR claims (including both current and prior year case reserve data); and • tested the design and implementation of manual controls over the setting and monitoring of case reserves over large bodily injury claims. We involved our own actuaries in performing the following procedures: • **Evaluate the work of independent and internal actuaries:** Analysed and evaluated the results of reserving reports issued by the internal and external actuaries and assessed the competence of both parties; • **Our actuarial experience:** We evaluated the findings of the Group's internal actuary and the independent actuary's report. Through critical assessment of these actuarial reports and supporting documentation, including the use of benchmarking against market data and through discussion with both actuaries, we analysed and challenged the differences in reserving methodology applied by both actuaries as well as the key assumptions which varies by peril: – Accidental damage ("AD"), Third party property damage ("TPPD") and small TPBI – claims inflation, claims frequency, claims severity including salvage and subrogation. – Larger TPBI – claims inflation, claims frequency, claims severity, PPOs and the impact of legislative developments such as the change to the Ogden rate. – Alternative projections were performed on the large TPBI peril as this was considered the most material area and subject the most uncertainty through the audit; and – Performing diagnostic tests on the development patterns of all material perils, as well as considering the reasonableness of the prior year changes in ultimate reserves and the current year loss ratios in light of experience over the year. • **Margin evaluation:** Evaluated the appropriateness of the management recommended margin held at year end. In order to do this, we assessed the Directors' approach, and supporting analysis for margin to be held, having regard to the allowance for uncertainties inherent in the data and assumptions in developing the ABE. We then considered the relative strength of the margin held against peers and versus the prior period in order to be satisfied that no additional prudence had been recognised in the level of overall reserves held including margin.

The risk	Our response
The valuation of claims outstanding depends on complete and accurate data about the volume, amount and pattern of current and historical claims since they are used to form expectations about future claims. If the data used in calculating IBNR, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of claims outstanding may arise. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of insurance contracts liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our other procedures included: • **Data comparisons:** Agreed the relevant financial and non-financial claims and premiums data recorded in the claims and premiums administration systems to the data used in the actuarial reserving calculations, to assess the integrity of the data used by the internal and external actuaries in the actuarial reserving process and then assess that the output of the actuarial re-projections reconciles to amounts recorded in the financial statements; • **Tests of detail:** Corroborated a targeted sample of large loss case reserves to appropriate documentation such as reports from loss adjusters or third party experts; to identify and test the application of significant assumptions applied in determining the level of case reserves; to check the valuation used against the prescribed reserving methodology, and; to evaluate the level of review, oversight and third party evidence available and the frequency of updates against new information; • Assessed the risk transfer elements of the reinsurance contracts and the accuracy of a sample of reinsurance recoveries recorded, including reinsurance recoveries related to IBNR, against the terms of relevant reinsurance agreements; and • **Assessing transparency**: Assessed whether the Group's disclosures about the degree of estimation uncertainty and the sensitivity of the balance to changes in key assumptions appropriately reflects the risks inherent in the valuation of claims outstanding. **Our findings** We found that the assumptions and estimates were mildly cautious (2019: cautious) with proportionate (2019: proportionate) disclosure of the sensitivities to changes in key assumptions and estimates as inputs to the valuation.

	The risk	Our response
Recoverability of Group Goodwill and the Parent Company's investment in subsidiaries *(Group goodwill: £778.4 million, 2019: £1,175.0 million; Parent's investment in subsidiaries: £552.3 million, 2019: £1,069.8 million)* *Refer to page 74 (Audit Committee Report), note 2.3 on pages 134 and 135 (accounting policy), note 5 on pages 152, note 16 on pages 159 and 160 and note 2 on pages 199 and 200 (financial disclosures).*	**Forecast-based valuation:** Goodwill in the Group and the carrying amount of the Parent Company's investment in subsidiaries are significant and at risk of irrecoverability if business performance for the Group's retail insurance and travel businesses, in particular, were to fall significantly short of business plans and/ or if discount rates increase. The estimated recoverable amount of goodwill and the Parent Company's investment in subsidiaries are subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of Group goodwill and the Parent Company's investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: • **Control design:** Evaluated the design and implementation of the Group's impairment assessment procedures, including those controls over the approvals of business plans, including as applied to the Parent Company; • **Historical comparisons:** Assessed the reasonableness of base line cash flow projections against historical performance; • **Our sector experience:** Evaluated and challenged the assumptions used in cash flow forecasts using our sector knowledge and experience; • **Benchmarking assumptions:** Compared the Group's and the Parent Company's assumptions to externally derived data in relation to key inputs such as projected economic growth, competition, cost inflation and discount rates with the support of our valuation specialists; • **Comparing valuations:** Compared the recoverable amount of each significant cash generating unit ('CGU') by reference to Value in Use ('VIU') relative to the carrying value and evaluating the outcome against comparator industry multiples; and, for the Parent Company investment in subsidiaries, compared the sum of the VIUs for all of the Group's CGUs to the carrying value, market capitalisation and implied multiples of the Group; and corroborating reasons for any significant differences; • **Sensitivity analysis:** Using our analytical tools and professional judgement to: assess the sensitivity of the goodwill headroom and to conclude on the appropriateness of the impairments recognised. This was performed through considering reasonably possible changes in key assumptions including making allowance for the near term weaker trading from the impact of Covid-19, both individually and collectively; in order to assess and conclude on the appropriateness of the impairment recognised in relation to the carrying value of goodwill held in relation to the Insurance and Destinology CGUs and the Parent Company's investment in subsidiaries; and • **Assessing transparency:** Assessed whether the Group disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of goodwill and in the carrying value of the Parent Company's investment in subsidiaries. **Our findings** We found that the resulting estimates over the recoverable amount of Group goodwill and of the Parent Company's investment in subsidiaries to be mildly cautious (2019 finding: mildly cautious) and, when taken with the estimates used for the comparative year, the effect on the reported loss for the year to be balanced. We found the disclosures of the drivers of impairment and the sensitivities of goodwill headroom and carrying value of Parent Company investment in subsidiaries to changes in key assumptions to be proportionate (2019: proportionate).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £3.9m (2019: £6.8m), determined with reference to a benchmark of Group loss before tax, normalised to exclude this year's goodwill and other impairment charges as disclosed in note 5, of £400.5m (2019: £310.0m), of £99.6m ((2019: £175.4m), of which it represents 3.9% (2019: 3.9%).

Materiality for the Parent Company financial statements as a whole was set at £3.0m (2019: £5.0m), which represents 0.4% of net assets of £587.3m (2019: 0.4% of total assets of £1,395.8m). This is lower than the materiality we would otherwise have determined by reference to Company net assets.

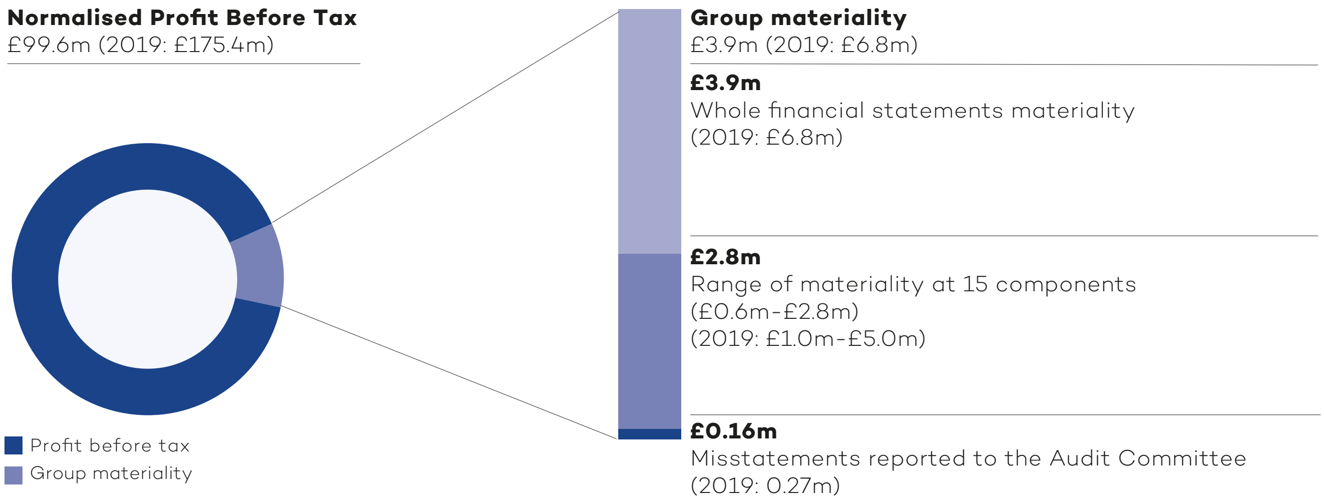
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.16m (2019: £0.27m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

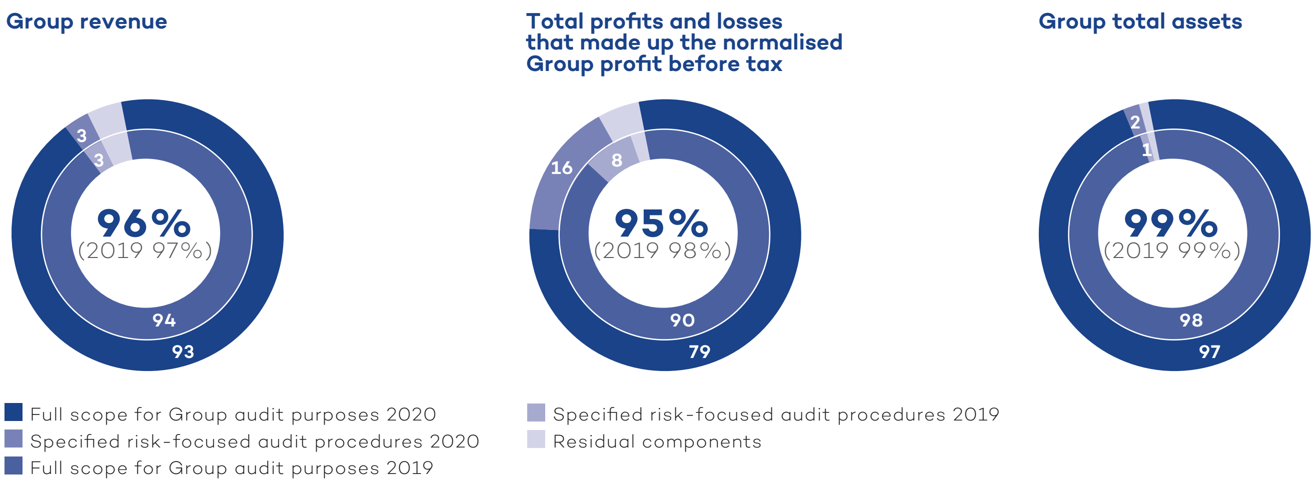
Of the Group's 15 (2019: 14) reporting components, we subjected 4 (2019: 4) to full scope audits for Group purposes and 4 (2019: 3) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The components within the scope of our work accounted for the percentages illustrated below.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.6m to £2.8m (2019: £1.0m-£5.0m), having regard to the size and risk profile of the Group across the components. The work on 3 of the 15 (2019: 3 of the 14) components was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team. The Group audit team performed specific procedures on the impairments of £400.5m (2019: £310.0m) which was excluded in arriving at the normalised Group profit before tax for the year as identified above.

The Group audit team met KPMG Gibraltar who were the component auditor during 2019 and 2020 to assess the audit risks and strategy and to complete a file review. Telephone conference meetings were also held with KPMG Gibraltar regularly through the year. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.





4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see Section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in note 2.1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 49 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report and Accounts

The Directors are responsible for the other information presented in the Annual Report and Accounts together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement on page 48 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks and uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures
We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address the matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 113, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Group's licences to operate. We identified the following areas as those most likely to have such an effect: regulatory capital, regulatory compliance and liquidity, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form, with some entities in the Group being authorised and regulated by the FCA, the GFSC and the CAA. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Crisp (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square London
E14 5GL
8 April 2020

	Note	2020 £'m	2019 (restated) £'m
Gross earned premiums	3	**233.9**	238.1
Earned premiums ceded to reinsurers	3	**(145.7)**	(136.0)
Net earned premiums	3	**88.2**	102.1
Other revenue	3	**709.1**	739.4
Total revenue	3	**797.3**	841.5
Gross claims incurred	26	**(159.9)**	(129.7)
Reinsurers' share of claims incurred	26	**129.1**	120.1
Net claims incurred	26	**(30.8)**	(9.6)
Other cost of sales		**(395.1)**	(395.4)
Total cost of sales	3	**(425.9)**	(405.0)
Gross profit		**371.4**	436.5
Administrative and selling expenses	4	**(251.3)**	(244.5)
Impairment of assets	5	**(400.5)**	(315.9)
Investment income	6	**1.2**	0.7
Finance costs	7	**(21.8)**	(12.6)
Finance income	8	**0.1**	1.0
Loss before tax		**(300.9)**	(134.8)
Tax expense	10	**(11.9)**	(27.4)
Loss for the year		**(312.8)**	(162.2)
Attributable to:			
Equity holders of the parent		**(312.8)**	(162.2)
Earnings Per Share:			
Basic	12	**(27.9p)**	(14.5p)
Diluted	12	**(27.9p)**	(14.5p)

For details of the restatement please see notes 2.5 and 39.

The notes on pages 130 to 194 form an integral part of these consolidated financial statements.

	Note	2020 £'m	2019 (restated) £'m
Loss for the year		**(312.8)**	(162.2)
Other comprehensive income			
Other comprehensive income to be reclassified to income statement in subsequent years			
Net (losses)/gains on hedging instruments during the period	19	**(11.2)**	0.5
Recycling of previous gains to income statement on matured hedges	19	**(2.6)**	(2.9)
Total net losses on cash flow hedges		**(13.8)**	(2.4)
Associated tax effect		**2.4**	0.4
Net gains/(losses) on fair value financial assets during the period		**8.1**	(1.3)
Associated tax effect		**(1.4)**	0.2
Total other comprehensive losses with recycling to income statement		**(4.7)**	(3.1)
Other comprehensive income not to be reclassified to income statement in subsequent years			
Re-measurement (losses)/gains on defined benefit plans	25	**(5.4)**	2.1
Associated tax effect		**0.9**	(0.4)
Total other comprehensive (losses)/gains without recycling to income statement		**(4.5)**	1.7
Total other comprehensive losses		**(9.2)**	(1.4)
Total comprehensive losses for the year		**(322.0)**	(163.6)
Attributable to:			
Equity holders of the parent		**(322.0)**	(163.6)

The notes on pages 130 to 194 form an integral part of these consolidated financial statements.

	Note	2020 £'m	2019 (restated) £'m
Assets			
Goodwill	14	**778.4**	1,175.0
Intangible fixed assets	15	**57.1**	62.8
Property, plant and equipment	17	**425.0**	181.4
Right of use assets	18	**25.7**	22.6
Financial assets	19	**378.1**	426.2
Deferred tax assets	10	**22.3**	14.9
Reinsurance assets	26	**62.1**	96.8
Inventories		**5.4**	4.0
Trade and other receivables	22	**209.0**	216.6
Assets held for sale	36	**33.8**	–
Cash and short term deposits	23	**97.9**	122.9
Total assets		**2,094.8**	2,323.2
Liabilities			
Retirement benefit scheme obligations	25	**5.5**	2.8
Gross insurance contract liabilities	26	**443.6**	490.6
Provisions	29	**7.7**	10.0
Financial liabilities	19	**690.3**	481.7
Deferred tax liabilities	10	**4.2**	7.8
Current tax liabilities		**7.7**	17.2
Contract liabilities	27	**153.2**	144.7
Trade and other payables	24	**185.9**	207.5
Liabilities held for sale	36	**8.5**	–
Total liabilities		**1,506.6**	1,362.3
Equity			
Issued capital	31	**11.2**	11.2
Share premium		**519.3**	519.3
Retained earnings		**65.4**	401.4
Share-based payment reserve		**7.8**	13.3
Fair value reserve		**4.9**	(1.8)
Hedging reserve		**(20.4)**	17.5
Total equity		**588.2**	960.9
Total equity and liabilities		**2,094.8**	2,323.2

For details of the restatement, please see notes 2.5 and 39.

The notes on pages 130 to 194 form an integral part of these consolidated financial statements.

Signed for and on behalf of the Board on 8 April 2020 by

James Quin

E A Sutherland
Group Chief Executive Officer

J B Quin
Group Chief Financial Officer

	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 £'m
At 1 February 2019 (as reported)	**11.2**	**519.3**	**404.8**	**13.3**	**(1.8)**	**17.5**	**964.3**
Effect of adoption of IFRS 16 (note 39)	**–**	**–**	**(3.4)**	**–**	**–**	**–**	**(3.4)**
At 1 February 2019 (restated)	**11.2**	**519.3**	**401.4**	**13.3**	**(1.8)**	**17.5**	**960.9**
Loss for the year	**–**	**–**	**(312.8)**	**–**	**–**	**–**	**(312.8)**
Other comprehensive (losses)/income excluding recycling	**–**	**–**	**(4.5)**	**–**	**6.7**	**(9.3)**	**(7.1)**
Recycling of previous gains to income statement	**–**	**–**	**–**	**–**	**–**	**(2.1)**	**(2.1)**
Total comprehensive (losses)/income	**–**	**–**	**(317.3)**	**–**	**6.7**	**(11.4)**	**(322.0)**
Recognition of non-financial asset from hedging reserve (note 19)	**–**	**–**	**–**	**–**	**–**	**(26.5)**	**(26.5)**
Dividends paid (note 11)	**–**	**–**	**(25.8)**	**–**	**–**	**–**	**(25.8)**
Share-based payment charge (note 34)	**–**	**–**	**–**	**2.2**	**–**	**–**	**2.2**
Exercise of share options	**–**	**–**	**7.1**	**(7.7)**	**–**	**–**	**(0.6)**
At 31 January 2020	**11.2**	**519.3**	**65.4**	**7.8**	**4.9**	**(20.4)**	**588.2**
At 1 February 2018 (as reported)	11.2	519.3	664.8	11.4	(0.7)	19.5	1,225.5
Effect of adoption of IFRS 16 (note 39)	–	–	(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	–	–	1.7	–	(1.1)	0.4	1.0
Recycling of previous gains to income statement	–	–	–	–	–	(2.4)	(2.4)
Total comprehensive losses (restated)	–	–	(160.5)	–	(1.1)	(2.0)	(163.6)
Dividends paid (note 11)	–	–	(100.9)	–	–	–	(100.9)
Share-based payment charge (note 34)	–	–	–	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**

The notes on pages 130 to 194 form an integral part of these consolidated financial statements.

	Note	2020 £'m	2019 (restated) £'m
Loss before tax		**(300.9)**	(134.8)
Depreciation, impairment and profit on disposal, of property, plant & equipment and right of use assets		**43.7**	35.7
Amortisation and impairment of intangible assets		**408.1**	329.6
Share-based payment transactions		**2.1**	3.6
Profit on assets held for sale		**–**	(3.8)
Finance costs		**21.8**	12.6
Finance income		**(0.1)**	(1.0)
Interest income from investments		**(1.2)**	(0.7)
Movements in other assets and liabilities		**(37.8)**	(44.5)
		135.7	196.7
Interest received		**1.2**	0.7
Interest paid		**(19.9)**	(14.3)
Income tax paid		**(25.1)**	(34.8)
Net cash flows from operating activities		**91.9**	148.3
Investing activities			
Proceeds from sale of property, plant and equipment, and right of use assets		**6.3**	0.1
Purchase of and payments for the construction of property, plant and equipment and intangible assets		**(295.3)**	(63.0)
Net disposal/(purchase) of financial assets		**32.8**	(36.9)
Net cash flows used in investing activities		**(256.2)**	(99.8)
Financing activities			
Payment of principal portion of lease liabilities	30	**(15.0)**	(12.3)
Proceeds from borrowings	30	**279.0**	58.0
Repayment of borrowings	30	**(84.2)**	(63.0)
Debt issue costs	30	**(7.9)**	–
Dividends paid		**(25.8)**	(100.9)
Net cash flows from/(used in) financing activities		**146.1**	(118.2)
Net decrease in cash and cash equivalents		**(18.2)**	(69.7)
Cash and cash equivalents at the start of the year		**157.3**	227.0
Cash and cash equivalents at the end of the year	23	**139.1**	157.3

The notes on pages 130 to 194 form an integral part of these consolidated financial statements.

1 Corporate information
Saga plc (the 'Company') is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 (registration number 08804263). The Company is registered in England and its registered office is located at Enbrook Park, Folkestone, Kent CT20 3SE.

Saga Group offers a wide range of products and services to its customer base which includes general insurance products, package and cruise holidays, personal finance products and a monthly subscription magazine.

2.1 Basis of preparation
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and with the Companies Act 2006.

The consolidated financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated. The Group has reviewed the appropriateness of the going concern basis in preparing the financial statements, particularly in light of the COVID-19 pandemic, details of which are included below. Based on those assumptions, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the financial statements.

The Group's consolidated financial statements are presented in pounds sterling which is also the parent company's functional currency, and all values are rounded to the nearest hundred thousand (£'m), except when otherwise indicated. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The preparation of financial statements in compliance with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.6.

The consolidated income statement format has been amended to ensure compliance with IFRS 4 'Insurance Contracts' by reporting gross and net insurance revenue and cost of sales.

This is the first set of the Group's annual financial statements in which IFRS 16 'Leases' has been applied. Changes to significant accounting policies are described in section 2.3 on pages 131 to 142.

Going concern
The Directors continue to have a reasonable expectation that the Group has adequate resources to continue in operation for the next twelve months and that the going concern basis of accounting remains appropriate.
The Group's business activities, together with the factors likely to affect its future development and performance, its exposure to risk and its management of these risks, details of its financial instruments and derivative activities, and details of other financial and non-financial liabilities, are described throughout the annual report (see principal risks and uncertainties on pages 32 and 33; Operating and Financial Review on pages 34 to 47; Audit, Risk and Internal Control on pages 70 to 73; Audit Committee Report on pages 74 to 77; Risk Committee Report on pages 78 to 80; and notes on pages 130 to 194). As a consequence, the Directors believe that the Group is well-placed to successfully manage its business risks.

The COVID-19 outbreak has created a major challenge and a high level of uncertainty for all companies. Our Insurance division, being the largest operating segment in the Group, continues to perform well and cash generation is expected to be resilient, but we have had to pause trading in our Travel division. Where possible, we have equipped our staff to work from home and are focusing our efforts on protecting our people and giving strong support to our customers.

We have taken prompt action to protect the Group's cash flow including reducing costs, suspending dividends to shareholders, making a precautionary £50m drawdown on the revolving credit facility in March 2020 and we have renegotiated the net debt to EBITDA (excluding Cruise) covenant on our short term banking facilities from 3.5x to 4.75x.

The Group has undertaken stress testing that considered a range of potential impacts of the COVID-19 pandemic on its financial resilience. In a severe but plausible central scenario, the Directors have assumed: the cessation of cruises until mid-September, with a slow recovery of load factors beyond that date, from 30% initially in September 2020, increasing to 60% by January 2021, then increasing across the course of 2021 to a pre COVID-19 level of 87% by January 2022; a delay in the delivery of the new ocean cruise ship, the Spirit of Adventure, from August 2020 to the end of November 2020; the impact of a cessation of holidays trading for five months until August; with adverse impacts on cancellations and booking rates for both holidays and cruises continuing into 2021. The scenario also assumed trading stresses in relation to the Insurance business, namely an expected reduction in travel insurance broker sales during 2020 and a potential adverse impact on profits relating to Private Medical Insurance, with an estimated combined total profit impact on the Insurance business of a net £10m per annum in 2020/21 and 2021/22. The analysis also used prudent assumptions for refunds of customer bookings, made limited allowance for deferral of tax payments until the second half of the year and did not assume any deferral of capital payments on the debt facility for the Spirit of Discovery ship.

2.1 Basis of preparation (continued)

Going concern (continued)

In addition to this, the Directors considered a further, more severe scenario that assumed the cessation of cruise and holidays trading until January 2021, including further mitigating actions such as the deferral of capital payments on the debt facility used to fund the purchase of the Spirit of Discovery, deferral of certain tax payments into the 2021/22 financial year and a further reduction in operating costs.

While the impact of the COVID-19 situation cannot be accurately predicted and it is not possible to assess all possible future implications for the company, based on this analysis and in the scenarios assessed, the Group believes that it has a secure financial position that will enable it to trade through the current disruption of the travel market.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 January each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an investee entity and has the ability to affect those returns through its power over the investee entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiary companies are consolidated using the acquisition method.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases.

In preparing these consolidated financial statements, any intra-group receivables, payables, income and expenses arising from intra-group trading are eliminated. Where accounting policies used in individual financial statements of a subsidiary company differ from Group policies, adjustments are made to bring these policies in line with Group policies.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where a subsidiary which constituted a separate major line of business is disposed of, it is disclosed as a discontinued operation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

Revenue from Contracts with Customers

a. Revenue recognition

Revenue represents amounts receivable from the sale or supply of goods and services provided to customers in the ordinary course of business and is recognised to the extent that it is probable that the future economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is received. The recognition policies for the Group's various revenue streams by segment are as follows:

i) Insurance

Twelve-month insurance policies with no option to fix the premium at renewal ("annual policies"):

Insurance premiums received for risks underwritten by the Group are recognised on a straight-line time-apportioned basis over the period of the policy. The portion of those premiums ceded to reinsurers is also recognised on a straight-line time-apportioned basis over the duration of the policy as a reduction to revenue.

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 are 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 have a period of unexpired risk at the reporting date, and which relate to the period after the reporting date, are treated as unearned and included in gross insurance contract liabilities in the statement of financial position. The portion of those unearned premiums ceded to excess of loss reinsurers is recognised as a reinsurance asset on the face of the statement of financial position. The portion of those unearned premiums ceded to quota share reinsurers is recognised as an asset within trade payables, since there is a right of set off within the contract.

2.3 Summary of significant accounting policies (continued)

a. Revenue recognition (continued)

Changes to premiums are recognised on the effective date of the 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. The portion of premiums ceded to reinsurers is recognised in the same manner as for annual policies.

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 determined in profit and loss 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's price. The carrying value of the revenue deferred in this instance is recognised within contract liabilities in the statement of financial position.

All insurance policies (both three-year fixed-price policies and annual policies):

Income from credit provided to customers to facilitate payment of their insurance premiums over the life of their policy is treated as part of the revenue from insurance operations and recognised over the period of the policy in proportion to the outstanding premium balance.

Profit commissions due under co-insurance or reinsurance arrangements are recognised and valued in accordance with the contractual terms to which they are subject, when it is highly probable that a significant reversal of revenue will not occur, and on the same basis, where appropriate, as the related reinsured liabilities.

For revenue earned from credit hire and repair services for non-fault claims ('credit hire' and 'credit repair'), the Group initially recognises the revenue at fair value, which is based on a historical assessment of debt recovery and discount levels. Credit hire revenue is recognised from the date that a vehicle is placed on hire equally over the duration of the hire. Credit repair revenue represents income from the recovery of the costs of repair of customers' vehicles. Credit repair revenue is recognised when the work has been completed. Late payment penalties afforded under the terms of the Association of British Insurers General Terms of Agreement ('ABI GTA') are recognised as they become payable by the insurance company.

ii) Travel

Revenue from tour operations and cruise holidays where the Group does not operate the cruise ship is recognised in line with the performance obligations that are included in a package holiday, namely the provision of flights, accommodation, transfers and travel insurance. Revenue is recognised as and when each performance obligation is satisfied.

Revenue in respect of cruise holidays where the Group operates the cruise ship is also recognised in line with the performance obligations being the cruise itself, flights (where applicable), travel insurance and transfers. The portion of revenue allocated to the cruise itself is recognised on a per diem basis over the duration of the cruise in line with when the performance obligation is satisfied. The portion of revenue allocated to each of flights (where applicable), travel insurance and transfers is recognised as and when each performance obligation is satisfied.

An element of revenue which represents the non-refundable deposit received at the time of booking is recognised in the income statement immediately in line with the prevailing rate of cancellation.

Revenue from sales in resort, for example for optional excursions, or onboard a cruise ship operated by the Group, for example bar sales or optional excursions, is recognised as it is earned.

Revenue from tour operations and cruising holidays received in advance of when each performance obligation is satisfied is included as deferred revenue within contract liabilities in the statement of financial position.

iii) Other Businesses and Central Costs

Personal finance

Revenue from personal finance products is recognised when the customer contracts with the provider of the relevant personal finance product where the revenue comprises a one-off payment by the provider of the product.

Where the personal finance product is one that delivers a recurring income stream, the present value of the future expected revenue to be received is recognised when the customer contracts with the provider of the relevant personal finance product, and it is highly probable that a significant reversal of revenue recognised will not occur. For The Saga Savings Product, commissions are earned over the duration of the contract in line with the contractual amount due to the Company.

2.3 Summary of significant accounting policies (continued)

a. Revenue recognition (continued)

Magazine subscriptions

Magazine subscription revenue is recognised on a straight-line basis over the period of the subscription. Revenue generated from advertising within the magazine is recognised when the magazine is provided to the customer.

The element of subscriptions and advertising revenue relating to the period after the reporting date is recognised as deferred revenue within contract liabilities in the statement of financial position.

Printing and mailing

Revenue from printing and mailing services is recognised in line with the performance obligations within customer contracts.

b. Cost recognition

i) Insurance acquisition costs

Acquisition costs arising from the selling or renewing of insurance policies underwritten by the Group are recognised on a straight-line time-apportioned basis over the period of the policy in which the related revenues are earned. The proportion of acquisition costs relating to premiums treated as unearned at the reporting date are deferred and included as other receivables in the statement of financial position.

Incremental costs of obtaining an insurance contract not underwritten by the Group, namely fees charged by price-comparison websites, are recognised as an asset within trade and other receivables on the face of the statement of financial position. Such costs are amortised in line with the pattern of revenue for the related insurance contract, which incorporate the propensity for that contract to renew in future periods based on the prevailing rate of renewal for these types of contract. If the expected amortisation period is one year or less, then incremental costs are expensed when incurred.

ii) Claims costs

Claims costs incurred in respect of insurance policies underwritten by the Group include estimates for claims made for losses reported as occurring during the period together with the related handling costs, any adjustments to claims outstanding from previous periods, and an estimate for the cost of claims incurred during the period but not reported as at the reporting date. The portion of costs recovered from reinsurance is recognised as a reduction to those costs in the same period in which the costs are recognised.

Further detail is provided in note 26.

iii) Finance costs

Finance costs comprise interest paid and payable that is calculated using the effective interest rate ('EIR') method, and it is recognised in the income statement as it accrues. Accrued interest is included within the carrying value of the interest-bearing financial liability in the statement of financial position. Finance costs also include debt issue costs that were initially recognised in the statement of financial position and amortised over the life of the debt, debt issue costs in respect of renegotiating existing facilities that are immediately recognised in the income statement and net fair value losses on derivative financial instruments.

iv) All other expenses

All other expenses are recognised in the income statement as they are incurred.

c. Recognition of other income statement items

i) Investment income

Investment income in the form of interest is recognised in the income statement as it accrues and is calculated using the effective interest rate method. Fees and commissions which are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income in the form of dividends is recognised when the right to receive payment is established. For listed securities, this is the date that the security is listed as ex-dividend.

ii) Gains and losses on financial investments at fair value through profit or loss

Realised and unrealised gains and losses on financial investments are recorded as finance income or finance costs in the income statement. Unrealised gains and losses arising on financial assets measured at fair value through profit and loss, which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or the purchase value for investments acquired during the year, net of the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year. Realised gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value at the date of sale.

2.3 Summary of significant accounting policies (continued)

d. Taxes

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax assets and liabilities also include adjustments in respect of tax expected to be payable or recoverable in respect of previous periods. Current income tax relating to items recognised in other comprehensive income and directly in equity is recognised in other comprehensive income or equity and not in the income statement.

ii) Deferred tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income or equity, in which case the deferred tax is recognised in other comprehensive income or equity as appropriate.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

e. Foreign currencies

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rate at the date that the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevalent at the reporting date.

f. Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Intangible assets acquired in a business combination are measured at their fair value at the date of acquisition and, following initial recognition, are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding internally developed software, are not capitalised and the related expenditure is reflected in the income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets and goodwill are assessed as either finite or indefinite. Estimated useful lives are as follows:

Goodwill	Indefinite
Brands	10 years
Customer relationships	Over the life of the customer relationship
Contracts acquired	Over the life of the contract
Software	3-10 years

2.3 Summary of significant accounting policies (continued)

f. Intangible assets (continued)

Intangible assets with finite lives are amortised over their useful economic life on a basis appropriate to the consumption of the asset and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets and goodwill with indefinite useful lives are not amortised but are tested for impairment at least annually, either individually or at the CGU level. Where the carrying value of the asset exceeds the recoverable amount, an impairment loss is recognised in the income statement immediately. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

g. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date at fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial and non-financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument within the scope of IFRS 9 'Financial Instruments' is measured at fair value with the changes in fair value recognised in the income statement.

Any excess of the cost of acquisition over the fair values of the identifiable assets and liabilities is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable assets and liabilities of the acquired business, the difference is recognised directly in the income statement in the year of acquisition.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to CGUs at the point of acquisition and is reviewed at least annually for impairment.

h. Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that a non-financial asset may be impaired. If such an indication exists, the recoverable amount is estimated and compared with the carrying amount. If the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to its recoverable amount and the impairment loss is recognised immediately in the income statement.

Recoverable amount is calculated as the higher of fair value less costs to sell, and value-in-use. In assessing value-in-use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its value-in use calculations on detailed budgets, plans and long term growth assumptions, which are prepared separately for each of the Group's CGUs to which individual assets are allocated.

2.3 Summary of significant accounting policies (continued)

i. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

Assets in the course of construction at the balance sheet date are classified separately. These assets are transferred to other asset categories when they become available for their intended use.

Depreciation is charged to the income statement on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Land and assets in the course of construction are not depreciated. Estimated useful lives are as follows:

Buildings, properties and related fixtures:	
Buildings	50 years
Fixtures & fittings	3-20 years
Cruise ships	2-30 years
Computers	3-6 years
Plant, vehicles and other equipment	3-10 years

Costs relating to cruise ship mandatory dry-dockings are capitalised and depreciated over the period up to the next dry-docking, where appropriate. All other repairs and maintenance costs are recognised in the income statement as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Estimated residual values and useful lives are reviewed annually.

j. Non-current assets held for sale

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

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

2.3 Summary of significant accounting policies (continued)

k. Financial instruments

i) Financial assets

On initial recognition, a financial asset is classified as either amortised cost, fair value through other comprehensive income (FVOCI); or fair value through profit and loss (FVTPL). The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

	Initial recognition	Subsequent measurement
Amortised cost	A financial asset is measured at amortised cost if it meets both of the following conditions and is not elected to be designated as FVTPL: • It is held within a business model whose objective is to hold assets to collect contractual cash flows, and • Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by any impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss as they are incurred. Any gain or loss on derecognition is recognised in profit or loss immediately.
FVOCI	A debt investment is measured at FVOCI if it meets both of the following conditions and is not elected to be designated as FVTPL: • It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and • Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.	Debt instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are recycled to profit or loss. Equity investments are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
FVTPL	All financial assets not classified as amortised cost or FVOCI as described above are classified as FVTPL and held at fair value. This includes all derivative financial assets. On initial recognition, the Group may irrevocably elect to designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. This election is made on an individual instrument basis.	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss, unless such instrument is designated in a hedging relationship (see (vi) below).

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or when the Group has transferred substantially all the risks and rewards relating to the asset to a third party.

2.3 Summary of significant accounting policies (continued)

k. Financial instruments (continued)

ii) Impairment of financial assets

The expected credit loss (ECL) impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI.

The Group measures loss allowances at an amount equal to 12 month ECLs, except for the following, which are measured as lifetime ECLs:

- Debt securities that are determined to have high credit risk at the reporting date.
- Other debt securities and bank balances for which credit risk has increased significantly since initial recognition.
- Trade receivables and contract assets that result from transactions within the scope of IFRS 15.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the definition of 'investment grade'. The Group considers this to be BBB or higher as per Standard & Poor's rating scale.

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Group's exposure. Loss allowances for ECLs on financial assets measured at amortised cost are recognised as a provision in the statement of financial position with a corresponding charge to the income statement. For debt instruments measured at FVOCI the loss allowance is recognised in the statement of comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

iii) Financial liabilities

Initial recognition and measurement

All financial liabilities are classified as financial liabilities at amortised cost on initial recognition except for derivatives, which are classified at FVTPL, the gains or losses for which are recognised through other comprehensive income if the instrument is designated as a hedging instrument in an effective hedge.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, derivative financial instruments and lease liabilities.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings and other payables are subsequently measured at amortised cost using the effective interest rate ('EIR') method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

iv) Derivatives

Derivatives are measured at fair value both initially and subsequent to initial recognition. All changes in fair value of non-designated derivatives are recognised in the income statement immediately. Changes in fair value of derivatives designated as cash flow hedges are initially recognised in other comprehensive income until such a point that they are recycled to profit or loss in the same period as the hedged item is recognised in profit or loss, or immediately if the hedged item is no longer expected to occur.

Derivatives are presented as assets when the fair values are positive and as liabilities when the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

2.3 Summary of significant accounting policies (continued)

k. Financial instruments (continued)

v) Fair values

The Group measures all financial instruments at fair value at each reporting date, other than those instruments measured at amortised cost.

Fair value is the price that would be required to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market accessible by the Group for the asset or liability or, in the absence of a principal market, in the most advantageous market accessible by the Group for the asset or liability.

The fair values are quoted market prices where there is an active market or are based on valuation techniques when there is no active market or the instruments are unlisted. Valuation techniques include the use of recent arm's-length market transactions, discounted cash flow analysis and other commonly used valuation techniques.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

vi) Hedge accounting

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

The Group has elected to adopt the general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange contracts and commodity swap contracts to hedge the variability in cash flows arising from changes in foreign currency rates and oil prices respectively. For foreign exchange contracts, the Group designates the fair value change of the full forward price as the hedging instrument in cash flow hedging relationships. For commodity hedging, the Group designates the fair value change of the benchmark oil price. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity. Any ineffective portion of the fair value gain or loss is recognised immediately within the income statement.

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

l. Leases

The Group has adopted IFRS 16 'Leases' for the first time in the year ended 31 January 2020. The Group applied IFRS 16 retrospectively and the details of the new accounting policies for leases are disclosed below.

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

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: the contract involves the use of an identified asset; the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Group has the right to direct the use of the asset.

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. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. 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 Group's incremental borrowing rate is used. This is the rate that the Group 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.

2.3 Summary of significant accounting policies (continued)

l. Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method and the lease liability is measured at amortised cost using the effective interest rate method.

Right-of-use assets are initially 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 usage of the asset, which is seasonal.

Payments associated with short term leases of equipment and all leases of low-value assets are expensed in profit or loss as incurred in line with the exemption allowed under paragraph 6 of IFRS 16. 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.

Income arising from operating leases where the Group acts as lessor is recognised on a straight-line basis over the lease term and is included in operating income.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and fees that an entity incurs in connection with the borrowing of funds.

n. Cash and short term deposits

Cash and short term deposits in the statement of financial position comprise cash at bank and in hand and short term deposits with a maturity of three months or less from their inception date.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, short term deposits as defined above and short term highly liquid investments (including money market funds) with original maturities of three months or less that are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

o. Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. Loss allowances are measured as lifetime ECLs.

p. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred prior to completion and disposal.

q. Insurance contract liabilities

Insurance contract liabilities include an outstanding claims provision, a provision for unearned premiums and, if required, a provision for premium deficiency.

Outstanding claims provision

The provision for outstanding claims is set on an individual claim basis and is based on the ultimate cost of all claims notified but not settled less amounts already paid by the reporting date, together with a provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported at the statement of financial position date, which is estimated using actuarial methods. The outstanding claims provision is not discounted for the time value of money, with the exception of claims settled as periodical payment orders (PPOs).

The amount of any anticipated reinsurance, salvage or subrogation recoveries is separately identified and reported within reinsurance assets and insurance contract liabilities respectively.

Differences between the provisions at the reporting date and settlements and provisions in the following year (known as 'run off deviations') are recognised in the income statement as they arise.

2.3 Summary of significant accounting policies (continued)

q. Insurance contract liabilities (continued)

Provision for unearned premiums

The provision for unearned premiums represents the portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is recognised in the income statement as premium income over the term of the contract on a straight-line basis.

Provision for premium deficiency

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

r. Reinsurance assets

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on insurance contracts issued are classified as reinsurance contracts. A contract is only accounted for as a reinsurance contract where there is significant insurance risk transfer between the insurer and reinsurer.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities under excess of loss cover. Amounts recoverable from reinsurers are estimated in a consistent manner with the outstanding claims provisions in accordance with the relevant reinsurance contract.

The Group assesses its reinsurance assets for impairment at each balance sheet date. For assets that are directly exposed to long tail PPO liabilities a general provision for impairment is provided, calculated on a wholesale basis by reference to published credit rating default curves. For all other reinsurance assets, the carrying value is written down to its recoverable amount only if there is objective evidence of impairment.

For the funds-withheld quota share agreement in motor insurance, the obligation to pay funds and the right to receive reimbursement for incurred claims are presented on a net basis because there is a legally enforceable right to offset these amounts and there is an intention to settle on a net basis or realise both the asset and settle the liability simultaneously. The reinsurance assets recognised under these agreements are recognised as an offset against premium ceded under the same agreement therefore, within trade and other payables.

s. Share-based payments

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

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

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted Earnings Per Share.

2.3 Summary of significant accounting policies (continued)

t. Retirement benefit schemes

During the year, the Group operated a defined benefit pension plan that requires contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method.

Actuarial gains and losses arising in the year are credited/charged to other comprehensive income and comprise the effects of changes in actuarial assumptions and experience adjustments due to differences between the previous actuarial assumptions and what has actually occurred. In particular, the difference between the interest income and the actual return on plan assets is recognised in other comprehensive income.

Other movements in the net surplus or deficit, which include the current service cost, any past service cost and the effect of any curtailment or settlements, are recognised in the income statement. Past service costs are recognised in the income statement on the earlier of the date of plan curtailment and the date that the Group recognises restructuring-related costs. The interest cost less interest income on assets held in the plans is also charged to the income statement.

The defined benefit schemes are funded, with assets of the schemes held separately from those of the Group, in separate Trustee administered funds. Scheme assets are measured using market values and scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. Full actuarial valuations are obtained at least triennially and are updated at each reporting date. The resulting defined benefit asset or liability is presented separately on the face of the statement of financial position. The value of a pension benefit asset is restricted to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

For defined contribution schemes, the amounts charged to the income statement are the contributions payable in the year.

u. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

v. Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the year end, but for which payment has not yet been made.

w. Equity

The Group has ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

2.4 Standards issued but not yet effective

The following is a list of standards and amendments to standards that are in issue but are not effective or adopted as at 31 January 2020. Except where separately disclosed, the effective dates of each of these standards are yet to have been endorsed by the EU and are dependent on the implementation policy adopted by the UK after leaving the EU.

a. IFRS 17 'Insurance Contracts'

IFRS 17 was issued in May 2017 and established a principles-based accounting approach for insurance contracts and will replace IFRS 4. The Group has begun work to determine the full impact of this standard on the Group's financial statements. Our initial assessment is that the standard is likely to have a material impact on the Group's financial statements as it represents a significant change to current insurance accounting requirements. It is proposed that the standard will be effective for annual reporting periods beginning on or after 1 January 2022. The standard has yet to be endorsed by the EU.

b. Amendments to 'References to the Conceptual Framework in IFRS standards

Together with the revised Conceptual Framework published in March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application being permitted, and were endorsed by the EU on 29 November 2019. The amendments will have no effect on the Group's financial statements.

c. Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020, and were endorsed by the EU on 15 January 2020. The amendments are not likely to have a material effect on the Group's financial statements.

d. Definition of a Business (Amendments to IFRS 3)

The amendments in Definition of a Business clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and substantive process that together significantly contribute to the ability to create outputs. The definitions of a business and outputs are narrowed by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. The amendments are effective for annual periods beginning on or after 1 January 2020 and will have no effect on the Group's financial statements.

e. Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments in Definition of Material clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The amendments are effective for annual periods beginning on or after 1 January 2020 and were endorsed by the EU on 29 November 2019. The amendments will have no effect on the Group's financial statements.

f. Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are effective for annual periods beginning on or after 1 January 2022 and are not likely to have a material effect on the Group's financial statements.

2.5 First time adoption of new standards

The Group has adopted IFRS 16 'Leases' for the first time in the year ended 31 January 2020. 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. See note 39 for a reconciliation between the reported and restated comparatives. A practical expedient has been applied where a single discount rate has been applied to a portfolio of leases with similar characteristics.

As a result of adopting IFRS16 the Group recognises new assets and liabilities for its lease of river cruise ships, leased properties, shipping telecommunications equipment and motor vehicles. The nature of expenses relating to these leases changes because the Group recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities, instead of a periodic operating lease expense.

The transition to IFRS 16 has increased the loss after tax by £0.2m for the year ended 31 January 2019. Net assets have decreased by £3.4m as at 31 January 2019.

2.6 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the Group to select accounting policies and make estimates and assumptions that affect items reported in the primary consolidated financial statements and notes to the consolidated financial statements.

The major areas of judgement used as part of accounting policy application are summarised below:

Significant judgements

Acc. policy	Items involving judgement	Critical accounting judgement
2.3a	Revenue recognition – performance obligations	Identification of performance obligations within contracts with customers, and the subsequent allocation of the transaction price to each performance obligation.
2.3ai	Classification of insurance contracts	Assessment of whether significant insurance risk is transferred, and in particular assessment of whether reinsurance arrangements constitute a reinsurance contract under IFRS 4, for example, the funds-withheld quota share contract.
2.3h	Impairment testing of goodwill and other major classes of assets	The Group determines whether goodwill needs to be impaired on an annual basis, or more frequently as required. In the year to 31 January 2020, management has deemed it necessary to impair the goodwill allocated to the Insurance CGU, and impair the goodwill and other intangibles allocated to the Destinology CGU. In the year to 31 January 2020, management has also exercised its judgement in relation to the impairment of the cruise ship, the Saga Sapphire.
2.3k	Financial instruments	Classification of financial instruments, including assessment of market observability of valuation inputs.
2.3l	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.

2.6 Significant accounting judgements, estimates and assumptions (continued)

Significant estimates

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may therefore differ from those estimates.

The table below sets out those items the Group considers susceptible to changes in critical estimates and assumptions together with the relevant accounting policy.

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3ai	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 expected cost plus a margin 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 that releases the Group from its obligation to fix the customer price.
2.3bi	Cost recognition – incremental costs of obtaining an insurance contract	Incremental costs of obtaining an insurance contract not underwritten by the Group, namely fees charged by price-comparison websites, are recognised as an asset on the statement of financial position. Such costs are amortised in line with the pattern of revenue for the related insurance contract, which incorporate the propensity for that contract to renew in future periods based on the prevailing rate of renewal for these types of contract.
2.3h	Goodwill impairment testing	The Group determines whether goodwill needs to be impaired on an annual basis. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, discounted at a suitably risk-adjusted rate in order to calculate present value. Sensitivity analysis has been undertaken to determine the effect of changing the discount rate, the terminal value and future cash flows on the present value calculation, which is shown in note 16a on pages 159 and 160.
2.3f & 2.3i	Useful economic lives of intangible assets and PPE	The useful economic lives and residual values of intangible assets and property, plant and equipment are assessed upon the capitalisation of each asset and at each reporting date and are based upon the expected consumption of future economic benefits of the asset. Assets which are in the course of construction are not amortised and are assessed for impairment in line with the requirements of IAS 36.
2.3h	Impairment of cruise ships	In the year to 31 January 2020, management has exercised its judgement in relation to the impairment of the cruise ship, the Saga Sapphire. Management has recalculated the recoverable amount of the Saga Sapphire based on the higher of fair value less costs to sell and its value in use. The recoverable amount was below that calculated by management in the previous year and as such, an impairment charge of £6.3m on the Saga Sapphire has been recognised.

2.6 Significant accounting judgements, estimates and assumptions (continued)

Significant estimates (continued)

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3q	Valuation of insurance contract liabilities	For insurance contracts, estimates have to be made both for the expected cost of claims known but not yet settled (case reserves) and for the expected cost of claims incurred but not yet reported (IBNR), as at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years. Historical claims development is primarily analysed by accident year, geographical area, significant business line and peril. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the best estimate of the ultimate cost of claims. The ultimate cost of claims is not discounted except for those in respect of PPOs, which have been discounted at -1.5% for the year ended 31 January 2020 (2019: -1.5%). The valuation of these claims involves making assumptions about the rate of inflation and the expected rate of return on assets to determine the discount rate. Due to the size of PPO claims, the ultimate cost is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date, and the sensitivity of this assumption is shown in note 20d on pages 171 and 172.
2.3t	Valuation of pension benefit obligation	The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. All significant assumptions and estimates involved in arriving at the valuation of the pension scheme obligation are set out in note 25 on pages 175 to 177.

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 comprises the provision of general insurance products. Revenue is derived primarily from insurance premiums and broking revenues. This segment is further analysed into four product sub-segments:
  - Retail broking, consisting of:
    - Motor broking
    - Home broking
    - Other insurance broking
  - Underwriting.
- *Travel:* the segment 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, flights and other transport arrangements.
- *Other Businesses and Central Costs:* the segment comprises the Group's other businesses, its central cost base and Membership scheme. The other businesses include the financial services product offering, the domiciliary care services offering, a monthly subscription magazine product and the Group's internal mailing house.

Segment performance is evaluated using the Group's key performance measure of Underlying Profit Before Tax. Items not allocated to a segment relate to transactions that do not form part of the ongoing segment performance or which are managed at a Group level.

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

Goodwill, Group bond and bank loans are not allocated to segments as they are also managed on a Group basis.

3 Segmental information (continued)

2020	Insurance: Motor broking £'m	Insurance: Home broking £'m	Insurance: Other insurance broking £'m	Insurance: Under-writing £'m	Insurance: Total £'m	Travel £'m	Other Businesses and Central Costs £'m	Adjustments £'m	Total £'m
Revenue	**104.7**	**62.5**	**67.9**	**69.1**	**304.2**	**464.1**	**35.6**	**(6.6)**	**797.3**
Cost of sales	(2.8)	–	(12.9)	(30.1)	(45.8)	(365.0)	(15.1)	–	(425.9)
Gross profit	**101.9**	**62.5**	**55.0**	**39.0**	**258.4**	**99.1**	**20.5**	**(6.6)**	**371.4**
Administrative and selling expenses	(73.9)	(29.4)	(25.9)	(2.4)	(131.6)	(77.4)	(48.9)	6.6	(251.3)
Impairment of assets	–	–	–	–	–	(13.3)	(4.2)	(383.0)	(400.5)
Investment income	–	–	–	4.0	4.0	0.4	(3.2)	–	1.2
Finance costs	–	–	–	–	–	(8.0)	(13.8)	–	(21.8)
Finance income	–	–	–	–	–	–	0.1	–	0.1
Profit/(loss) before tax	**28.0**	**33.1**	**29.1**	**40.6**	**130.8**	**0.8**	**(49.5)**	**(383.0)**	**(300.9)**
Reconciliation to Underlying Profit/(Loss) Before Tax									
Profit/(loss) before tax	**28.0**	**33.1**	**29.1**	**40.6**	**130.8**	**0.8**	**(49.5)**	**(383.0)**	**(300.9)**
Net fair value loss on derivative financial instruments	–	–	–	–	–	1.1	–	–	1.1
Impairment of assets	–	–	–	–	–	13.6	3.3	–	16.9
Impairment of goodwill	–	–	–	–	–	–	–	383.0	383.0
Impact of insolvency of Thomas Cook	–	–	–	–	–	3.9	–	–	3.9
Restructuring costs	–	–	–	–	–	0.4	5.5	–	5.9
Underlying Profit/(Loss) Before Tax	**28.0**	**33.1**	**29.1**	**40.6**	**130.8**	**19.8**	**(40.7)**	**–**	**109.9**
Total assets less liabilities					**283.2**	**71.9**	**(144.6)**	**377.7**	**588.2**

All revenue is generated solely in the UK.

3 Segmental information (continued)

2019 (restated)	Insurance: Motor broking £'m	Insurance: Home broking £'m	Insurance: Other insurance broking £'m	Insurance: Under-writing £'m	Insurance: Total £'m	Travel £'m	Other Businesses and Central Costs £'m	Adjustments £'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
Underlying Profit/ (Loss) Before Tax	**34.0**	**45.1**	**26.7**	**86.7**	**192.5**	**21.6**	**(34.0)**	**–**	**180.1**
Total assets less liabilities					**335.9**	**73.4**	**(184.2)**	**735.8**	**960.9**

For details on the restatement, please see notes 2.5 and 39.

All revenue is generated solely in the UK.

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

	2020 £'m	2019 £'m
Goodwill (note 14)	**778.4**	1,175.0
Group bond and bank loans	**(400.7)**	(439.2)
	377.7	735.8

3 Segmental information (continued)

a. Disaggregation of revenue

	2020					
	Insurance					
Major product lines	**Earned premium on insurance underwritten by the Group £'m**	**Other revenue £'m**	**Total insurance £'m**	**Travel £'m**	**Other Businesses and Central Costs £'m**	**Total £'m**
Gross earned premium on insurance underwritten by the Group	233.9		233.9			233.9
Less: ceded to reinsurers	(145.7)		(145.7)			(145.7)
Net revenue on:						
• Motor broking	23.8	80.9	104.7			104.7
• Home broking	–	62.5	62.5			62.5
• Other broking	1.3	66.6	67.9			67.9
• Underwriting	63.1	6.0	69.1			69.1
Tour operations				346.1		346.1
Cruise				118.0		118.0
Personal finance					7.4	7.4
Healthcare					6.1	6.1
Media					13.3	13.3
Other					2.2	2.2
	88.2	216.0	304.2	464.1	29.0	797.3

	2019					
	Insurance					
Major product lines	Earned premium on insurance underwritten by the Group £'m	Other revenue £'m	Total insurance £'m	Travel £'m	Other Businesses and Central Costs £'m	Total £'m
Gross earned premium on insurance underwritten by the Group	238.1		238.1			238.1
Less: ceded to reinsurers	(136.0)		(136.0)			(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

3 Segmental information (continued)

b. Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers as accounted for under IFRS 15 (the amounts stated here do not include amounts accounted for under IFRS 4):

	2020 £'m	2019 £'m
Contract cost assets	**2.6**	4.5
Contract liabilities	**153.2**	144.7

The contract cost assets relate to commissions paid to price comparison websites to acquire new business policies not underwritten by the Group.

Management expects that incremental commission fees paid to price comparison websites as a result of obtaining insurance contracts are recoverable. The Group has therefore capitalised them as contract assets amounting to £5.9m for the year ended 31 January 2020 (2019: £7.8m). These fees are amortised over the period of the expected renewal cycle. In the year to 31 January 2020, the amount of amortisation was £5.9m (2019: £6.1m) and there was no impairment loss in relation to the costs capitalised.

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

The contract liabilities relate to the deferral of revenue for performance obligations not satisfied as at 31 January 2019 and the advance consideration received from customers for holidays or cruises booked but not travelled and insurance premiums received in advance of the inception date.

Significant changes in the contract assets and the contract liabilities during the year are as follows:

	2020		2019	
	Contract cost assets	**Contract liabilities**	Contract cost assets	Contract liabilities
Balance as at 1 February	**4.5**	**144.7**	2.8	142.7
Released to the income statement in the period	**(5.9)**	**(131.3)**	(6.1)	(133.6)
Additional contract balances incurred during the period	**5.9**	**140.4**	7.8	135.6
Reclassification to assets/liabilities held for sale	**(1.9)**	**(0.6)**	–	–
Balance as at 31 January	**2.6**	**153.2**	4.5	144.7

c. Transaction price allocated to the remaining performance obligations

As at 31 January 2020, the amount allocated to the Group's Membership scheme, Saga Possibilities, is £0.6m (2019: £0.8m). This will be recognised as revenue over the duration of Membership, which is expected to be over the next one to three years depending on the duration of each Membership contract.

The transaction price allocated to three year fixed price insurance policy renewal options where the remaining performance obligations are not expected to be satisfied within the next 12 months is £0.8m (2019: £nil). This is expected to be recognised as revenue in the next one to three years.

The transaction price allocated to customer contracts within the Travel segment where the remaining performance obligations are not expected to be satisfied within the next 12 months is £1.1m (2019: £13.3m). This is expected to be recognised as revenue in the subsequent one to two years.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

4 Administrative and selling expenses

	2020 £'m	2019 (restated) £'m
Staff costs (excluding restructuring costs)	**98.7**	99.1
Marketing and fulfilment costs	**69.3**	65.3
Short term and low value asset lease rentals	**0.3**	0.2
Auditors' remuneration	**1.7**	1.3
Other administrative costs	**57.6**	59.0
Amounts ceded under reinsurance contracts	**(4.6)**	(4.3)
Depreciation – property, plant and equipment (note 17)	**4.1**	4.8
Depreciation – right of use assets (note 18)	**2.0**	2.0
Amortisation of intangible assets (note 15)	**16.7**	18.7
Restructuring costs	**1.6**	–
Cost of Thomas Cook insolvency	**3.9**	–
Non-trading items	**–**	(1.6)
	251.3	244.5

a. Auditors' remuneration

	2020 £'m	2019 £'m
Audit of the parent company and consolidated financial statements	**0.6**	0.3
Audit of subsidiary financial statements	**0.9**	0.8
Audit-related assurance services	**0.2**	0.2
Total auditors' remuneration	**1.7**	1.3

5 Impairment of assets

During the year, the Group has impaired the carrying value of the goodwill balance allocated to the Insurance CGU by £370.0m (2019: £310.0m) and Destinology CGU by £13.0m (2019: £nil). The Group has also impaired software and acquired intangibles in the Destinology CGU by £1.3m (2019: £nil) and £5.7m (2019: £nil) respectively. See note 16a for further details.

The Group has impaired property, plant and equipment and right of use assets in its mailing business by £3.1m (2019: £nil) and £0.2m (2019: £nil) respectively. The Group has also impaired software and property, plant and equipment in its healthcare business by £0.8m and £0.1m respectively (2019: £nil and £nil).

In the prior year the Group also impaired the carrying value of the Saga Pearl II and the Saga Sapphire in line with third party valuations received. In the current year management has recalculated the recoverable amount of the Saga Sapphire based on the higher of fair value less costs to sell and its value in use. The recoverable amount was below that calculated by management in the previous year and as such, an impairment charge of £6.3m on the Saga Sapphire has been recognised. The total impairment charge of £6.3m (2019: £5.9m) includes a write-down of the carrying value of property, plant and equipment of £6.3m (2019: £4.3m) (note 17) and a write-down of the carrying value of technical stock of £nil (2019: £1.6m).

6 Investment income

	2020 £'m	2019 £'m
Interest income recognised using the EIR method	**5.7**	4.8
Gains on assets measured at FVTPL	**0.9**	1.6
Amounts ceded under reinsurance contracts	**(5.4)**	(5.7)
	1.2	0.7

7 Finance costs

	2020 £'m	2019 (restated) £'m
Interest and charges on debt and borrowings	**19.5**	11.5
Net fair value loss on derivative financial instruments	**1.1**	–
Net interest and finance charges payable on lease liabilities	**1.2**	1.1
	21.8	12.6

8 Finance income

	2020 £'m	2019 £'m
Net finance income on pension schemes	**0.1**	–
Net fair value gain on derivative financial instruments	**–**	1.0
	0.1	1.0

9 Directors and employees

Amounts charged to the income statement for the year are as follows:

	2020 £'m	2019 £'m
Wages and salaries	**104.5**	102.9
Social security costs	**10.5**	10.7
Pension costs (note 25)	**10.6**	10.3
Total staff costs	**125.6**	123.9

Staff costs (including restructuring and redundancy costs) of £25.8m (2019: £23.2m) and £99.8m (2019: £100.7m) have been allocated to cost of sales and to administrative and selling expenses respectively.

Average monthly number of employees:

	2020	2019
Insurance	**1,766**	1,911
Travel	**2,408**	2,134
Other Businesses and Central Costs	**1,030**	997
Total staff numbers	**5,204**	5,042

During the year, the Group purchased Saffron Maritime Limited, which employs the crew that work on the Group's cruise ships. In the current year, the number of employees in the Travel segment includes 1,120 crew who were employed directly by the Group. For the prior year the number of employees in the Travel segment included 852 crew who were employed indirectly via a manning agency.

Directors' remuneration

The information required by the Companies Act 2006 and the Listing Rules of the FCA is contained on pages 81 to 108 in the Directors' Remuneration Report.

9 Directors and employees (continued)

Compensation of key management personnel of the Group

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and comprise the Directors of the Company and the Chief Executive Officers of the major businesses within the trading segments.

The amounts recognised as an expense during the financial year in respect of key management personnel are as follows:

	2020 £'m	2019 £'m
Short term benefits	5.1	4.7
Share-based payments	0.5	1.0
	5.6	5.7

10 Tax

The major components of the income tax expense are:

	2020 £'m	2019 £'m
Consolidated income statement		
Current income tax		
Current income tax charge	16.4	36.5
Adjustments in respect of previous years	(0.8)	0.4
	15.6	36.9
Deferred tax		
Relating to origination and reversal of temporary differences	(1.1)	(8.9)
Adjustments in respect of previous years	(2.6)	(0.6)
	(3.7)	(9.5)
Tax expense in the income statement	11.9	27.4

Reconciliation of tax expense to loss before tax multiplied by the UK corporation tax rate:

	2020 £'m	2019 (restated) £'m
Loss before tax	(300.9)	(134.8)
Tax at rate of 19.00% (2019: 19.00%)	(57.2)	(25.6)
Adjustments in respect of previous years	(3.4)	(0.2)
Expenses not deductible for tax purposes:		
Impairment of goodwill	72.8	58.9
Associated deferred tax on impairment of goodwill	–	(6.7)
Other non-deductible expenses/non-taxed income	(0.3)	1.0
Tax expense in the income statement	11.9	27.4

The Group's tax expense for the year was £11.9m (2019: £27.4m) representing a tax effective rate of 14.5% before the impairment of goodwill and associated deferred tax (2019 restated: 19.5%).

Adjustments in respect of previous years includes an adjustment for the over provision of tax charge in previous years of £3.4m (2019: £0.2m).

10 Tax (continued)

Deferred tax

	Consolidated statement of financial position		Consolidated income statement	
	2020 £'m	2019 (restated) £'m	**2020 £'m**	2019 (restated) £'m
Excess of depreciation over capital allowances	**8.5**	4.5	**(4.0)**	(0.9)
Intangible assets	**–**	(1.3)	**(1.3)**	(0.3)
Retirement benefit scheme liabilities	**0.9**	0.5	**0.5**	0.3
Short term temporary differences	**8.7**	3.4	**1.1**	(8.6)
Deferred tax credit			**(3.7)**	(9.5)
Net deferred tax assets	**18.1**	7.1		

Short term temporary differences include deferred tax recognised on designated hedges recognised through OCI, the share-based payment reserve and general bad debt provision. Deferred tax is reflected in the statement of financial position as follows:

	2020 £'m	2019 (restated) £'m
Deferred tax assets	**22.3**	14.9
Deferred tax liabilities	**(4.2)**	(7.8)
Net deferred tax assets	**18.1**	7.1

Reconciliation of net deferred tax assets

	2020 £'m	2019 (restated) £'m
At 1 February	**7.1**	(2.6)
Tax credit recognised in the income statement	**3.7**	9.5
Tax credit recognised in other comprehensive income	**1.9**	0.2
Tax credit recognised directly into the hedging reserve	**5.4**	-
At 31 January	**18.1**	7.1

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%. We expect net deferred tax assets/(liabilities) to be normally settled within 12 months. On 11 March 2020, it was announced that the corporation tax rate will remain at 19% from 1 April 2020.

The Group has tax losses which arose in the UK of £4.2m (2019: £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 was able to recognise all unrecognised deferred tax assets, the profit would increase by £0.7m (2019: £0.7m).

11 Dividends

Declared and paid during the year:	2020 £'m	2019 £'m
Final dividend for the year ended 31 January 2019: 1.0 pence per share (2019: 6.0 pence per share)	**11.2**	67.1
Interim dividend for the year ended 31 January 2020: 1.3 pence per share (2019: 3.0 pence per share)	**14.6**	33.6
	25.8	100.7
Proposed after the end of the reporting period and not recognised as a liability:		
Final dividend for the year ended 31 January 2020: nil pence per share (2019: 1.0 pence per share)	**–**	11.2

Given the uncertain implications of COVID-19, the board of Directors do not recommend the payment of a final dividend for the 2019/20 financial year.

In addition to the dividends declared and paid during the year stated above, dividend equivalents of £nil (2019: £0.2m) have been paid. These dividend equivalents relate to previously declared dividends which only become payable when certain share options are exercised.

Saga plc has £48.8m of distributable reserves at 31 January 2020 available for distribution to support the Dividend Policy. The distributable reserves of Saga plc are £48.8m as at 31 January 2020 which are equal to the retained earnings reserve. If necessary, its subsidiary companies hold significant reserves from which a dividend can be paid. Subsidiary distributable reserves are available immediately with the exception of companies within the Travel and Underwriting segments, which require regulatory approval before any dividends can be declared and paid.

12 Earnings Per Share

Basic EPS is calculated by dividing the loss 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 other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

The calculation of basic and diluted EPS is as follows:

	2020 £'m	2019 (restated) £'m
Loss attributable to ordinary equity holders	**(312.8)**	(162.2)
Weighted average number of ordinary shares	**m**	m
Shares in issue at 1 February	**1,119.1**	1,118.1
IPO share options exercised	**0.2**	–
LTIP share options exercised	**0.1**	0.9
Other share options exercised	**–**	0.1
Weighted average number for basic EPS and diluted EPS	**1,119.4**	1,119.1
Basic EPS	**(27.9p)**	(14.5p)
Diluted EPS	**(27.9p)**	(14.5p)

12 Earnings Per Share (continued)

The table below reconciles between basic EPS and Underlying Basic EPS:

	2020	2019
Basic EPS	**(27.9p)**	(14.5p)
Adjusted for:		
Derivative losses	**0.1p**	–
Impairment of property, plant and equipment and software	**1.6p**	0.5p
Impairment of goodwill and associated deferred tax	**34.1p**	27.1p
Impact of insolvency of Thomas Cook	**0.4p**	–
Restructuring costs	**0.6p**	–
Underlying Basic EPS	**8.9p**	13.1p

13 Business combinations and acquisition of non-controlling interests

Acquisitions during the year ended 31 January 2020

During the year, the Group purchased Saffron Maritime Limited for £20k.

14 Goodwill

	Goodwill £'m
Cost	
At 1 February 2018 and 31 January 2019	1,485.0
Reclassification to assets held for sale	(13.6)
At 31 January 2020	**1,471.4**
Impairment	
At 1 February 2018	–
Charge for the year	310.0
At 31 January 2019	310.0
Charge for the year (note 16a)	383.0
At 31 January 2020	**693.0**
Net book value	
At 31 January 2020	**778.4**
At 31 January 2019	1,175.0

Goodwill deductible for tax purposes amounts to £nil (2019: £nil).

15 Intangible fixed assets

	Contracts £'m	Brands £'m	Customer relationships £'m	Software £'m	Total £'m
Cost					
At 1 February 2018	5.8	17.9	11.3	119.5	154.5
Additions – internally developed	–	–	–	21.5	21.5
Disposals	–	–	–	(16.3)	(16.3)
Transfer of asset class	–	–	–	(0.3)	(0.3)
At 31 January 2019	5.8	17.9	11.3	124.4	159.4
Additions – internally developed	**–**	**–**	**–**	**21.5**	**21.5**
Disposals	**–**	**–**	**–**	**(1.2)**	**(1.2)**
Transfer of asset class	**–**	**–**	**–**	**5.7**	**5.7**
Reclassification to assets held for sale	**(5.8)**	**(5.2)**	**(3.9)**	**(6.0)**	**(20.9)**
At 31 January 2020	**–**	**12.7**	**7.4**	**144.4**	**164.5**
Amortisation and impairment					
At 1 February 2018	3.3	6.5	10.4	73.1	93.3
Amortisation	1.1	1.8	0.7	16.0	19.6
Disposals	–	–	–	(16.3)	(16.3)
At 31 January 2019	4.4	8.3	11.1	72.8	96.6
Amortisation	**1.0**	**1.8**	**0.2**	**14.3**	**17.3**
Impairment of assets	**–**	**5.7**	**–**	**2.1**	**7.8**
Disposals	**–**	**–**	**–**	**(1.2)**	**(1.2)**
Transfer of asset class	**–**	**–**	**–**	**4.2**	**4.2**
Reclassification to assets held for sale	**(5.4)**	**(3.1)**	**(3.9)**	**(4.9)**	**(17.3)**
At 31 January 2020	**–**	**12.7**	**7.4**	**87.3**	**107.4**
Net book value					
At 31 January 2020	**–**	**–**	**–**	**57.1**	**57.1**
At 31 January 2019	1.4	9.6	0.2	51.6	62.8

Contracts, brands and customer relationships assets acquired through business combinations have been reviewed for indicators of impairment (see note 16b).

The amortisation charge for the year is analysed as follows:

	2020 £'m	2019 £'m
Cost of sales	**0.6**	0.9
Administrative and selling expenses (note 4)	**16.7**	18.7
	17.3	19.6

During the year, the Group disposed of assets with a net book value of £nil (2019: £nil). Profit arising on disposal was £nil (2019: £nil).

16 Impairment of intangible assets

a. Goodwill

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

	2020 £'m	2019 £'m
Insurance, excluding Bennetts	**718.6**	1,088.6
Insurance, Bennetts	**–**	13.6
Travel, excluding Destinology	**–**	59.8
Cruise	**35.8**	–
Tour Operations, excluding Destinology	**24.0**	–
Travel, Destinology	**–**	13.0
	778.4	1,175.0

The Group has tested all goodwill balances for impairment at 31 January 2020. The impairment test compares the recoverable amount of the goodwill of each CGU to its carrying value, including the allocated goodwill. The goodwill associated with the Destinology business has been considered separately, as this business represents a separate CGU. The goodwill associated with the Bennetts business has been transferred to assets held for sale. Please see note 36 for further details.

During the year, the Group has made structural changes to its Travel business such that the cash flows of the Cruise business are now managed independently of the Tour Operations businesses. This has required a re-evaluation of the determination of the Group's CGUs, and the Travel excluding Destinology CGU has now been subdivided into separate Cruise and Tour Operations excluding Destinology CGUs. The goodwill asset previously allocated to the Travel excluding Destinology CGU has been allocated to the Cruise and Tour Operations excluding Destinology CGUs based on their relative value-in-use measurements.

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from the Group's Board-approved five-year plan to 2024/25. Terminal values have been included using 2.0% (2019: 2.25%) as the expected long term average growth rate of the UK economy, and calculated using the Gordon Growth Model. The cash flows have then been discounted to present value using a suitably risk-adjusted discount rate based on a market participant cost of capital. The pre-tax discount rates used for each CGU were as follows:

	2020	2019
Insurance, excluding Bennetts	**12.6%**	9.6%
Travel, excluding Destinology	**n/a**	11.8%
Cruise	**11.3%**	n/a
Tour Operations, excluding Destinology	**12.2%**	n/a
Travel, Destinology	**12.2%**	12.2%

The value-in-use calculation is sensitive to the assumptions used for forecast cash flows, the long term growth rate and the discount rate selected, all of which require significant judgement. Accordingly, stress testing has been performed on these key assumptions as part of the impairment review to determine whether any reasonably foreseeable change in those assumptions would cause the recoverable amount of the CGU to be lower than its carrying amount of goodwill and other directly attributable assets and liabilities. This stress testing has included a reasonable estimate of the impact of the COVID-19 crisis.

16 Impairment of intangible assets (continued)

a. Goodwill (continued)

The resultant headroom/(deficit) for each of the CGUs against the brought forward carrying value is as follows:

	Headroom /(deficit) £'m
Insurance, excluding Bennetts	(370.0)
Cruise	70.0
Tour Operations, excluding Destinology	62.0
Travel, Destinology	(13.0)

For the Insurance excluding Bennetts CGU, management have used board approved business plans to derive the underlying forecast cash flows after making downward adjustments for programmes and initiatives that are as yet not committed, but have discounted these at a materially higher pre-tax discount rate of 12.6% (2019: 9.6%). The 3.0ppt increase in the pre-tax discount rate is as a result of the fall in Saga's market capitalisation and an increase in the risk premium that is being applied to the Insurance CGU in comparison to the previous year. The underlying forecast cash flows have been prepared on a consistent basis to those used in the prior year, in that they do not include the benefit of management initiatives that will serve to enhance the performance of the business in the future, which is line with the requirements of IAS 36.

The underlying forecast cash flows for the Insurance business used in this calculation are broadly unchanged from the prior year, however the increase in the discount rate has driven a lower value-in-use of £791.6m, from which the net asset value of the Insurance excluding Bennetts CGU of £73.0m must also be deducted. The net asset value excludes intercompany and tax receivables and payables that do not relate to the working capital movements used to derive the value-in-use. As a result, management considers it necessary to impair the goodwill asset allocated to the Insurance excluding Bennetts CGU by £370.0m in the year to 31 January 2020.

Due to the deficit calculated in the Destinology base case for the Destinology CGU, management considers it necessary to impair the goodwill asset allocated to the Destinology CGU in full. The impairment charge has allowed for the latest view of the forecast cash flows in light of the current climate in the travel industry.

No impairment of the goodwill asset allocated to the Cruise and Tour Operations excluding Destinology CGUs is considered necessary, even when considering a stress scenario in which cruises and tours are suspended until September 2020 and demand is adversely affected for the rest of 2020/21 and 2021/22, as a result of the COVID-19 crisis. The situation remains highly uncertain, however, and so a more prolonged and severe impact than that currently modelled could result in the need for impairment.

The headroom/(deficit) calculated is most sensitive to the discount rate and terminal growth rate assumed. A quantitative sensitivity analysis for each of these as at 31 January 2020 and its impact on the headroom / (deficit) against brought forward goodwill carrying values is as follows:

	Pre-tax discount rate		Terminal growth rate	
	+1.0ppt £'m	–1.0ppt £'m	+1.0ppt £'m	–1.0ppt £'m
Insurance, excluding Bennetts	(64.0)	77.3	54.7	(45.3)
Cruise	(69.0)	86.0	64.5	(51.9)
Tour Operations, excluding Destinology	(9.7)	11.9	8.7	(7.2)

b. Other intangible assets

Separately identifiable intangible assets are valued and their appropriate useful lives established at the time of acquisition. The carrying values of these assets and their remaining useful lives are reviewed annually for indicators of impairment.

The Group has assessed the recoverable amount of other intangible assets relating to the Destinology business as at 31 January 2020 and concluded that the value of those assets needed to be impaired by £7.0m, in light of the current climate and outlook for the travel industry. The Group has also impaired software assets relating to the healthcare business of £0.8m.

17 Property, plant and equipment

	Freehold land & buildings £'m	Long leasehold land & buildings (restated) £'m	Cruise ships £'m	Assets in the course of construction £'m	Plant & equipment (restated) £'m	Total (restated) £'m
Cost						
At 1 February 2018	45.0	9.2	104.0	60.4	48.1	266.7
Additions	–	–	–	40.6	4.4	45.0
Disposals	–	–	–	–	(0.3)	(0.3)
Transfer of asset class	–	(0.7)	–	–	2.3	1.6
At 31 January 2019	45.0	8.5	104.0	101.0	54.5	313.0
Additions	**–**	**0.1**	**236.2**	**40.3**	**5.4**	**282.0**
Disposals	**(0.4)**	**–**	**(22.6)**	**–**	**(1.0)**	**(24.0)**
Transfer of asset class	**(3.7)**	**0.9**	**67.0**	**(68.5)**	**12.5**	**8.2**
Reclassification to assets held for sale	**(1.1)**	**–**	**–**	**–**	**(2.4)**	**(3.5)**
At 31 January 2020	**39.8**	**9.5**	**384.6**	**72.8**	**69.0**	**575.7**
Depreciation and impairment						
At 1 February 2018	8.4	2.2	58.0	–	38.2	106.8
Provided during the year	0.8	0.2	13.7	–	4.8	19.5
Impairment of assets	–	–	4.3	–	–	4.3
Disposals	–	–	–	–	(0.3)	(0.3)
Transfer of asset class	–	0.1	–	–	1.2	1.3
At 31 January 2019	9.2	2.5	76.0	–	43.9	131.6
Provided during the year	**0.8**	**0.2**	**16.1**	**–**	**4.4**	**21.5**
Impairment of assets	**–**	**–**	**6.3**	**–**	**3.2**	**9.5**
Disposals	**(0.1)**	**–**	**(17.7)**	**–**	**(1.2)**	**(19.0)**
Transfer of asset class	**(4.3)**	**2.9**	**–**	**–**	**11.4**	**10.0**
Reclassification to assets held for sale	**(1.0)**	**–**	**–**	**–**	**(1.9)**	**(2.9)**
At 31 January 2020	**4.6**	**5.6**	**80.7**	**–**	**59.8**	**150.7**
Net book value						
At 31 January 2020	**35.2**	**3.9**	**303.9**	**72.8**	**9.2**	**425.0**
At 31 January 2019 (restated)	35.8	6.0	28.0	101.0	10.6	181.4

The depreciation charge for the year is analysed as follows:

	2020 £'m	2019 £'m
Cost of sales	**17.4**	14.7
Administrative and selling expenses (note 4)	**4.1**	4.8
	21.5	19.5

During the year, the Group disposed of assets with a net book value of £5.0m (2019: £nil). Profit arising on disposal was £0.5m (2019: £0.1m).

During the year, borrowing costs of £3.5m (2019: £2.5m) have been capitalised in property, plant and equipment and £0.8m (2019: £0.5m) has been capitalised in software in intangible assets, which represents 2.8% (2019: 3.2%) of capital expenditure eligible to capitalise borrowing costs.

18 Right of use assets

	Long leasehold land & buildings £'m	River cruise ships £'m	Plant & equipment £'m	Total £'m
Cost				
At 1 February 2018	13.5	25.6	9.7	48.8
Additions	0.7	–	0.8	1.5
Disposals	(0.7)	(9.5)	(0.5)	(10.7)
Transfer of asset class	–	–	(0.6)	(0.6)
At 31 January 2019	13.5	16.1	9.4	39.0
Additions	**0.2**	**15.9**	**3.4**	**19.5**
Disposals	**(0.2)**	**–**	**(5.4)**	**(5.6)**
Transfer of asset class	**–**	**–**	**0.9**	**0.9**
Effect of modification of lease terms	**–**	**(2.6)**	**–**	**(2.6)**
At 31 January 2020	**13.5**	**29.4**	**8.3**	**51.2**
Depreciation and impairment				
At 1 February 2018	2.5	8.9	4.4	15.8
Provided during the year	1.0	8.6	2.3	11.9
Disposals	(0.7)	(9.5)	(0.5)	(10.7)
Transfer of asset class	–	–	(0.6)	(0.6)
At 31 January 2019	2.8	8.0	5.6	16.4
Provided during the year	**1.0**	**10.4**	**2.0**	**13.4**
Impairment of assets	**–**	**–**	**0.2**	**0.2**
Disposals	**(0.2)**	**–**	**(4.9)**	**(5.1)**
Transfer of asset class	**–**	**–**	**0.6**	**0.6**
At 31 January 2020	**3.6**	**18.4**	**3.5**	**25.5**
Net book value				
At 31 January 2020	**9.9**	**11.0**	**4.8**	**25.7**
At 31 January 2019	10.7	8.1	3.8	22.6

The depreciation charge for the year is analysed as follows:

	2020 £'m	2019 £'m
Cost of sales	**11.4**	9.9
Administrative and selling expenses (note 4)	**2.0**	2.0
	13.4	11.9

During the year, the Group disposed of assets with a net book value of £0.5m (2019: £nil). Profit arising on disposal was £0.4m (2019: £nil).

19 Financial assets and financial liabilities

a. Financial assets

	2020 £'m	2019 £'m
Fair value through profit or loss		
Foreign exchange forward contracts	**0.1**	0.4
Fuel oil swaps	**–**	0.6
Loan funds	**7.8**	6.2
Money market funds	**45.9**	37.1
	53.8	44.3
Fair value through profit or loss designated in a hedging relationship		
Foreign exchange forward contracts	**1.0**	31.2
Fuel oil swaps	**0.1**	1.2
	1.1	32.4
Fair value through other comprehensive income		
Debt securities	**274.2**	280.2
	274.2	280.2
Amortised cost		
Deposits with financial institutions	**49.0**	69.3
	49.0	69.3
Total financial assets	**378.1**	426.2
Current	**126.4**	111.4
Non-current	**251.7**	314.8
	378.1	426.2

Debt securities, money market funds and deposits with financial institutions relate to monies held by the Group's insurance business and are subject to contractual restrictions and are not readily available to be used for other purposes within the Group.

19 Financial assets and financial liabilities (continued)

b. Financial liabilities

	2020 £'m	2019 (restated) £'m
Fair value through profit or loss		
Foreign exchange forward contracts	**2.0**	0.5
Fuel oil swaps	**–**	0.1
	2.0	0.6
Fair value through profit or loss designated in a hedging relationship		
Foreign exchange forward contracts	**23.4**	10.1
Fuel oil swaps	**2.5**	1.4
	25.9	11.5
Amortised cost		
Bond and bank loans (note 28)	**624.3**	439.2
Lease liabilities	**28.6**	27.7
Bank overdrafts	**9.5**	2.7
	662.4	469.6
Total financial liabilities	**690.3**	481.7
Current	**95.6**	54.9
Non-current	**594.7**	426.8
	690.3	481.7

All financial assets that are measured at FVTPL are mandatorily measured at FVTPL and all financial liabilities that are measured at FVTPL meet the definition of held for trading.

c. Fair values

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

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

The objective of using valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date which would have been determined by market participants acting at arm's-length.

Observable prices are those that have been seen either from counterparties or from market pricing sources, including Bloomberg. The use of these depends upon the liquidity of the relevant market.

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

i) Level 1

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

ii) Level 2

These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are quoted prices available for similar instruments in active markets.

The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying instrument.

19 Financial assets and financial liabilities (continued)

c. Fair values (continued)

All the derivative financial instruments are categorised as Level 2 as the fair values are obtained from the counterparty, brokers or valued using observable inputs. Where material, CVA/DVA risk adjustment is factored into the fair values of these instruments. As at 31 January 2020, the marked-to-market values of derivative assets are net of a credit valuation adjustment attributable to derivative counterparty default risk.

The fair values are periodically reviewed by the Group's Treasury Committees.

iii) Level 3

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

The following tables provide the quantitative fair value hierarchy of the Group's financial assets and financial liabilities that are held at fair value:

	As at 31 January 2020				As at 31 January 2019			
	Level 1 £'m	**Level 2 £'m**	**Level 3 £'m**	**Total £'m**	Level 1 £'m	Level 2 (restated) £'m	Level 3 £'m	Total (restated) £'m
Financial assets measured at fair value								
Foreign exchange forwards	**–**	**1.1**	**–**	**1.1**	–	31.6	–	31.6
Fuel oil swaps	**–**	**0.1**	**–**	**0.1**	–	1.8	–	1.8
Loan funds	**7.8**	**–**	**–**	**7.8**	6.2	–	–	6.2
Debt securities	**274.2**	**–**	**–**	**274.2**	280.2	–	–	280.2
Money market funds	**45.9**	**–**	**–**	**45.9**	37.1	–	–	37.1
Financial liabilities measured at fair value								
Foreign exchange forwards	**–**	**25.4**	**–**	**25.4**	–	10.6	–	10.6
Fuel oil swaps	**–**	**2.5**	**–**	**2.5**	–	1.5	–	1.5
Financial assets for which fair values are disclosed								
Deposits with institutions	**–**	**49.0**	**–**	**49.0**	–	69.3	–	69.3
Financial liabilities for which fair values are disclosed								
Bond and bank loans	**–**	**624.3**	**–**	**624.3**	–	439.2	–	439.2
Lease liabilities	**–**	**28.6**	**–**	**28.6**	–	27.7	–	27.7
Bank overdrafts	**–**	**9.5**	**–**	**9.5**	–	2.7	–	2.7

There have been no transfers between Level 1 and Level 2 and no non-recurring fair value measurements of assets and liabilities during the year (2019: none).

The value of the debt securities, money market funds and loan funds are based upon publicly available market prices.

Foreign exchange forwards are valued using current spot and forwards rates discounted to present value. They are also adjusted for counterparty credit risk using CDS curves. Fuel oil swaps are valued with reference to the valuations provided by third parties, which use current Platts index rates, discounted to present value.

19 Financial assets and financial liabilities (continued)

d. Cash flow hedges

i) Forward currency risk

During the year ended 31 January 2020, the Group designated 571 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods. These contracts are entered into to minimise the Group's exposure to foreign exchange risk.

	Designated in the year		**At 31 Jan 2020**		At 31 Jan 2019	
Foreign currency cash flow hedging instruments	Volume	£'m	**Volume**	**£'m**	Volume	£'m
Euro (EUR)	163	(3.1)	**245**	**(23.5)**	251	18.0
US dollar (USD)	127	(0.6)	**200**	**0.3**	230	2.5
Other currencies	281	(0.8)	**363**	**(0.9)**	341	0.7
Total	571	(4.5)	**808**	**(24.1)**	822	21.2

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

ii) Commodity price risk

The Group uses derivative financial instruments to mitigate the risk of adverse changes in the price of fuel. The Group enters into fixed price contracts (swaps) in the management of its fuel price exposures. These contracts are expected to reduce the volatility attributable to price fluctuations of fuel and are designated as cash flow hedges. Hedging the price volatility of forecast fuel purchases is in accordance with the risk management strategy outlined by the Board of Directors.

	Designated in the year		**At 31 Jan 2020**		At 31 Jan 2019	
Commodity cash flow hedging instruments	Volume	£'m	**Volume**	**£'m**	Volume	£'m
Hedging instruments	–	–	**50**	**(2.4)**	170	0.2

iii) Hedge maturity profile

The table below summarises the present value of the highly probable forecast cash flows that have been designated in a hedging relationship as at 31 January 2020. These cash flows are expected to become determined in profit or loss in the same period in which the cash flows occur.

Determination period	EUR £'m	USD £'m	Other currencies £'m	Currency hedges £'m	Fuel hedges £'m	Total £'m
1 February 2020 to 31 July 2020	50.5	15.9	9.1	75.5	0.8	76.3
1 August 2020 to 31 January 2021	263.0	18.7	4.2	285.9	0.8	286.7
1 February 2021 to 31 July 2021	14.7	4.3	2.6	21.6	0.4	22.0
1 August 2021 to 31 January 2022	0.9	1.4	0.3	2.6	0.4	3.0
Total	329.1	40.3	16.2	385.6	2.4	388.0

The foreign currency hedges which will be determined in August 2020 include £250.6m relating to the delivery of the new ship (note 35).

During the year, the Group recognised net losses of £4.0m (2019: £5.3m gains) on cash flow hedging instruments through other comprehensive income into the hedging reserve. Additionally, the Group recognised net losses of £7.2m (2019: £6.3m) through other comprehensive income into the hedging reserve, in relation to the specific hedging instrument for the acquisition of two new ships (note 35). The overall net losses of £11.2m (2019: £1.0m) are offset by a net £nil gain (2019: £1.5m) on forecast transactions recognised in the financial statements. The Group has recognised £0.1m gains (2019: £nil) through the income statement in respect of the ineffective portion of hedges measured during the year.

There has been no de-designation of hedges during the year ended 31 January 2020 as a result of cash flows forecast that are no longer expected to occur. During the year, the Group recognised a £2.6m gain (2019: £2.9m) through the income statement in respect of matured hedges which have been recycled from other comprehensive income. The Group also recognised £31.9m (2019: £nil) in property, plant and equipment, in respect of matured hedges which have been recognised directly from the hedging reserve.

20 Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include debt securities, deposits with financial institutions, money market funds and loan funds. The Group also enters into derivative transactions such as foreign exchange forward contracts, fuel and gas oil swaps and interest rate swaps to manage its exposures to various risks.

The Group is exposed to market risk, credit risk, liquidity risk, insurance risk and operational risk. The Group's senior management oversees the management of these risks, supported by the Group Treasury function and Treasury Committees within the key areas of the Group that advise on financial risks and the appropriate financial risk governance framework for the Group. These functions and committees ensure that the Group's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities are for risk management purposes and are carried out by the Group's Treasury function. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The Group manages concentration risk on its financial assets through a policy of diversification that is outlined in the Group Treasury Policy and approved by the Board. The policy defines the exposure limit by asset class and to third party institutions based on the credit ratings of the individual counterparties, combined with the views of the Board. On a monthly basis, exposure to each asset class and counterparty is calculated and reported, and compliance with the policy is monitored.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

a. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to the following market risk factors:

- Foreign currency risk.
- Commodity price risk.
- Equity prices.
- Interest rate risk.

The Group has policies and limits approved by the Board for managing the market risk exposure. These set out the principles that the business should adhere to for managing market risk and establishing the maximum limits that the Group is willing to accept considering strategy, risk appetite and capital resources.

The Group has the ability to monitor market risk exposure on a daily basis and has established limits for each component of market risk.

The Group uses derivatives for hedging its exposure to foreign currency, fuel oil prices and interest rate risks. The market risk policy explicitly prohibits the use of derivatives for speculative purposes.

Equity exposures are managed within allocation parameters agreed by the Board and with reference to agreed benchmarks.

i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The Group uses foreign exchange forward contracts to manage the majority of its transaction exposures. The foreign exchange forward contracts, some of which are formally designated as hedging instruments, are entered into for periods consistent with the foreign currency exposure of the underlying transactions, generally from 1 to 24 months. The foreign exchange forward contracts vary with the level of expected foreign currency sales and purchases.

The following table demonstrates the sensitivity of the fair value of forward exchange contracts to a 5% change in US dollar and Euro exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material. The impact is shown net of tax at the current rate.

20 Financial risk management objectives and policies (continued)

a. Market risk (continued)

	Sensitivity of +/– 5% forex rate change in	Effect on the fair value of forward exchange contracts	Effect on profit after tax and equity
2020	**EUR – Trading**	**+/- £4.8m**	**+/- £0.5m**
	EUR – New ships	**+/- £11.0m**	**+/- £0.0m**
	USD	**+/- £2.9m**	**+/- £0.3m**
2019	EUR – Trading	+/– £5.9m	+/– £0.6m
	EUR – New ships	+/– £23.7m	+/– £0.0m
	USD	+/– £4.0m	+/– £0.6m

Since all of the forward exchange contracts held are part of effective hedging relationships, any change to the fair value of the instrument will be offset by an equal and opposite change to the cost of the hedged item resulting in no effect on profit after tax and equity.

ii) Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase of fuel and gas oil to sail its cruise ships and therefore require a continuous supply of fuel and gas oil. The volatility in the price of fuel and gas oil has led to the decision to enter into commodity fuel and gas oil swap contracts. These contracts are expected to reduce the volatility attributable to price fluctuations of fuel and gas oil. Managing the price volatility of forecast oil purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The Group manages the purchase price using forward commodity purchase contracts based on a 24-month forecast of the required fuel oil supply.

The following table shows the sensitivity of the fair value of fuel oil swaps to changes in the US dollar exchange rate with all other variables held constant. The impact is shown net of tax at the current rate.

	Sensitivity of +/– 5% rate change in	Effect on profit after tax and equity
2020	**USD – Fuel oil price**	**+/- £0.0m**
2019	USD – Fuel oil price	+/– £0.1m

iii) Interest rate risk

Interest rate risk arises primarily from medium and long term investments in fixed interest securities. The market value of these investments is affected by the movement in interest rates. This is managed by a policy of holding the majority of investments to maturity by closely matching asset and liability duration.

It is also ensured that the investment portfolio has a diversified range of investments such that there is a combination of fixed and floating rate securities, as well as other types of investments such as RPI linked securities.

Interest rate risk also arises in respect of the Group's borrowings where the interest rate attaching to those borrowings is not fixed. Where the Group perceives there to be a significant interest rate risk, it manages its exposure to such risks by purchasing interest rate caps to limit the risk.

The following table shows the sensitivity of financial assets and liabilities to changes in the LIBOR rate. The impact is shown net of tax at the current rate.

	Sensitivity of +/– 0.25% rate change in	Effect on profit after tax and equity
2020	**LIBOR**	**+/- £0.2m**
2019	LIBOR	+/– £0.3m

20 Financial risk management objectives and policies (continued)

b. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk in relation to its financial and reinsurance assets, outstanding derivatives and trade and other receivables. The Group assesses its counterparty exposure in relation to the investment of surplus cash, fuel oil and foreign currency contracts, and undrawn credit facilities. The Group primarily uses published credit ratings to assess counterparty strength and therefore to define the credit limit for each counterparty in accordance with approved treasury policies.

The credit risk in respect of trade and other receivables is generally limited as payment from customers is generally required before services are provided. An exception to this in light of the Thomas Cook insolvency is agency debtors, where if a third party tour operator takes a booking on behalf of the Travel business but is forced into liquidation, the Group would still be required to provide the service but would not receive the full amount owed from the third party tour operator. At 31 January 2020, the maximum exposure to credit risk for trade receivables by operating segment was as follows:

	2020 £'m	2019 £'m
Insurance	**50.9**	51.4
Travel	**5.5**	2.3
Other Businesses and Central Costs	**6.8**	7.0
	63.2	60.7
Reclassification to assets held for sale	**(8.2)**	–
	55.0	60.7

Amounts past due but not impaired by operating segment were as follows:

	2020 £'m	2019 £'m
Insurance	**15.8**	15.4
Travel	**1.1**	1.1
Other Businesses and Central Costs	**0.8**	1.7
	17.7	18.2
Reclassification to assets held for sale	**(0.4)**	–
	17.3	18.2

Management believes that the unimpaired amounts that are current and past due by more than 30 days are still collectable in full, based on historical payment behaviour.

Credit risk in relation to deposits and derivative counterparties is managed by the Group's Treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed on a regular basis, and updated throughout the year subject to approval by the Board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through any potential counterparty failure.

20 Financial risk management objectives and policies (continued)

b. Credit risk (continued)

The Group is exposed to the risk of default on the reinsurance arrangements in its insurance business when amounts recoverable under those arrangements become due. Credit risk in respect of reinsurance arrangements is assessed at the time of entering into a reinsurance contract. The Group's reinsurance programme is only placed with reinsurers which meet the Group's financial strength criteria.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 January 2020 and 31 January 2019 is the carrying amount except for derivative financial instruments. The Group's maximum exposure for financial guarantees and financial derivative instruments is noted under liquidity risk. None of the financial assets were impaired at the reporting date.

The Group's financial assets and reinsurance assets are analysed by Moody's rating as follows:

Ratings analysis

31 January 2020

£'m	AAA	AA	A	BBB	Unrated	Total
Debt securities	**15.3**	**117.5**	**54.1**	**87.3**	**–**	**274.2**
Money market funds	**45.9**	**–**	**–**	**–**	**–**	**45.9**
Deposits with financial institutions	**–**	**30.4**	**–**	**18.6**	**–**	**49.0**
Derivative assets	**–**	**–**	**0.7**	**0.5**	**–**	**1.2**
Loan funds	**–**	**–**	**–**	**1.6**	**6.2**	**7.8**
	61.2	**147.9**	**54.8**	**108.0**	**6.2**	**378.1**
Reinsurance assets	**–**	**36.4**	**26.5**	**–**	**0.6**	**63.5**
Total	**61.2**	**184.3**	**81.3**	**108.0**	**6.8**	**441.6**

31 January 2019

£'m	AAA	AA	A	BBB	Unrated	Total
Debt securities	14.8	140.3	41.2	83.9	–	280.2
Money market funds	37.1	–	–	–	–	37.1
Deposits with financial institutions	–	50.8	–	18.5	–	69.3
Derivative assets	–	–	32.6	0.8	–	33.4
Loan funds	–	–	–	–	6.2	6.2
	51.9	191.1	73.8	103.2	6.2	426.2
Reinsurance assets	–	55.5	40.9	–	0.4	96.8
Total	51.9	246.6	114.7	103.2	6.6	523.0

c. Liquidity risk

Liquidity risk is the risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure them only at excessive cost. The Group's approach to managing liquidity risk is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash or availability on its revolving credit facility. The Group manages its obligations to pay claims to policyholders as they fall due by matching the maturity of investments to the expected maturity of claims payments.

The table below analyses the maturity of the Group's financial liabilities and insurance contract liabilities on contractual payments. The analysis of non-derivative financial liabilities is based on the remaining period at the reporting date to the contractual maturity date. The analysis of claims outstanding is based on the expected dates on which the claims will be settled.

31 January 2020

£'m	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Loans and borrowings	**–**	**50.4**	**20.4**	**431.3**	**132.7**	**634.8**
Interest on loans and borrowings	**–**	**21.4**	**18.6**	**38.8**	**16.2**	**95.0**
Insurance contract liabilities	**–**	**69.3**	**53.2**	**107.6**	**179.9**	**410.0**
Derivative liabilities	**–**	**4.2**	**23.7**	**–**	**–**	**27.9**
	–	**145.3**	**115.9**	**577.7**	**328.8**	**1,167.7**

20 Financial risk management objectives and policies (continued)
c. Liquidity risk (continued)

31 January 2019

£'m	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Loans and borrowings	–	50.0	20.0	120.0	250.0	440.0
Interest on loans and borrowings	–	12.1	11.6	28.8	4.2	56.7
Insurance contract liabilities	–	85.5	58.6	131.3	186.1	461.5
Derivative liabilities	–	2.6	8.8	0.1	–	11.5
	–	150.2	99.0	280.2	440.3	969.7

The amounts included above do not include the financing arrangements for the purchase of the new cruise ship to be delivered during the year ended 31 January 2021 (note 35).

d. Insurance risk
Insurance risk arises from the inherent uncertainties as to the occurrence, cost and timing of insured events that could lead to significant individual or aggregated claims in terms of quantity or value. This could be for a number of reasons, including weather-related events, large individual claims, changes in claimant behaviour patterns such as increased levels of fraudulent activities, the use of PPOs, prospective or retrospective legislative changes, unresponsive and inaccurate pricing or reserving methodologies and the deterioration in the Group's ability to effectively and efficiently handle claims while delivering excellent customer service.

The Group manages insurance risk within its risk management framework as set out by the Board. The key policies and processes of mitigating these risks have been implemented, which include underwriting partnership arrangements, reinsurance and excess of loss contracts, pricing policies and claims management, and administration policies.

i) Underwriting and pricing risk
The Group primarily underwrites motor insurance for private cars in the UK. The book consists of a large number of individual risks which are widely spread geographically which helps to minimise concentration risk. The Group has controls in place to restrict access to its products to only those risks that it wishes to underwrite.

The Group has management information to allow it to monitor underwriting performance on a continuous basis and the ability to make pricing and underwriting changes quickly. The Group undertakes detailed statistical analyses of underwriting experience for each rating factor and combinations of rating factors to enable it to adjust pricing for emerging trends.

ii) Reserving risk
Reserving risk is the risk that insufficient funds have been set aside to settle claims as they fall due. The Group undertakes regular internal actuarial reviews and commissions external actuarial reviews at least once a year. These reviews estimate the future liabilities in order to consider the adequacy of the provisions.

Claims which are subject to PPOs are a significant source of uncertainty in the claim's reserves. Cash flow projections are undertaken for PPO claims to estimate the gross and net of reinsurance provisions required. PPO provisions are discounted to reflect expectations of future investment returns and cost inflation.

iii) Reinsurance
The Group purchases reinsurance to reduce the impact of individual large losses or accumulations from a single catastrophic event. During 2016, the Group entered into a funds-withheld quota share reinsurance contract that reinsures 75% of the Group's motor claim risks limited by a loss ratio cap of 120%, effective for three years from 1 February 2016. A new quota share reinsurance contract has been entered into that reinsures 80% of the Group's motor claims risks limited by a loss ratio cap of 130%, effective from 1 February 2019. Prior to this, the Group had quota share reinsurance in place for third party branded motor business for drivers aged under 50. The Group also purchases individual excess of loss protections for the motor portfolio to limit the impact of a single large claim. Similar protections are in place for all years for which the Group has underwritten motor business.

Reinsurance recoveries on individual excess of loss protections can take many years to collect, particularly if a claim is subject to a PPO. This means that the Group has exposure to reinsurance credit risk for many years. Reinsurers are therefore required to have strong credit ratings and their financial health is regularly monitored.

20 Financial risk management objectives and policies (continued)

d. Insurance risk (continued)

iv) Sensitivities

The following table demonstrates the impact on profit and loss and equity of a 1 percentage point variation in the recorded loss ratio at 31 January 2020 and 31 January 2019. The impact of a 1% change in claims outstanding is also shown at the same dates. The impact is shown net of reinsurance and tax at the current rate.

	2020	2019
Impact of 1 percentage point change in loss ratio	**+/- £0.7m**	+/– £0.8m
Impact of 1% change in claims outstanding	**+/- £1.2m**	+/– £1.5m
Impact of a 0.25 percentage point change in discount rate for PPOs	**+/- £3.3m**	+/– £1.7m

e. Operational risk

Effective operational risk management requires the Group to identify, assess, manage, monitor, report and mitigate all areas of exposure. The Group operates across a range of segments and operational risk is inherent in all of the Group's products and services, arising from the operation of assets, from external events and dependencies, and from internal processes and systems.

The Group manages its operational risk through the risk management framework agreed by the Board, and through the use of risk management tools which together ensure that operational risks are identified, managed and mitigated to the level accepted, and that contingency processes and disaster recovery plans are in place. Regular reporting is undertaken to segment boards and includes details of new and emerging risks, as well as monitoring of existing risks. Testing of contingency processes and disaster recovery plans is undertaken to ensure the effectiveness of these processes.

All of the Group's operations are dependent on the proper functioning of its IT and communication systems; on its properties and other infrastructure assets; on the need to adequately maintain and protect customer and employee data and other information; and on the ability of the Group to attract and retain staff. Specific areas of operational risk by segment include:

i) Insurance

The Insurance segment is required to comply with various operational regulatory requirements primarily in the UK but also within Gibraltar for its underwriting business. To the extent that significant external events could increase the incidence of claims, these would place additional strain on the claims handling function but any financial impact of such an event is considered to be an insurance risk.

ii) Travel

The Travel segment operates two cruise ships which are the Group's largest trading assets. Risk to the operation of these cruise ships arises from the impact of mechanical or other malfunction, non-compliance with regulatory requirements, and from global weather and socio-economic events. The tour holidays operated by the segment are also affected by global weather and socio-economic events which impact either the Group directly or its suppliers. The Travel segment is in operation with multiple suppliers which minimises the impact of any socio-economic events affecting its suppliers. The COVID-19 pandemic has created an unprecedented challenge for the Group and a high level of uncertainty for all companies. Further detail relating to this is provided within the basis of preparation and going concern sections in note 2.1 on pages 130 and 131.

iii) Other Businesses and Central Costs

The financial services product business is required to comply with various operational regulatory requirements in the UK.

The Healthcare business provides a range of domiciliary services. Risk to the operation of this service arises mainly from the availability of appropriately skilled staff to deliver the level and standard of care required, and from the oversight of the delivery of these services.

21 Interests in unconsolidated structured entities

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual agreements. The Group has interests in unconsolidated structured entities in the form of investment funds comprising:

- bank loan funds
- money market funds.

The nature and purpose of the bank loan funds are to diversify the investment portfolio and enhance the overall yield, whilst maintaining an acceptable level of risk for the portfolio as a whole.

Bank loan funds invest in secured loans to companies rated below investment grade.

The nature and purpose of the money market funds is to provide maximum security and liquidity for the funds invested whilst also providing an adequate return. The money market funds used by the Group are all members of the Institutional Money Market Funds Association. They are thus required to maintain specified liquidity and diversification characteristics of their underlying portfolios, which comprise investment grade investments in financial institutions.

The Group invests in unconsolidated structured entities as part of its investment activities. The Group does not sponsor any of the unconsolidated structured entities.

At 31 January 2020, the Group's total interest in unconsolidated structured entities was £53.7m analysed as follows:

	Carrying value £'m	Interest income £'m	Fair value gains £'m
Loan funds	7.8	0.3	–
Money market funds	45.9	0.4	–

These investments are typically managed under credit risk management as described in note 20. The Group's maximum exposure to loss on the interests presented above is the carrying amount of the Group's investments. No further loss can be made by the Group in relation to these investments. For this reason, the total assets of the entities are not considered meaningful for the purposes of understanding the related risks and so have not been presented.

22 Trade and other receivables

	2020 £'m	2019 £'m
Trade receivables	135.7	135.2
Other receivables	14.3	18.3
Prepayments	36.8	40.5
Contract cost assets	2.6	4.5
Deferred acquisition costs	14.6	14.5
Other taxes and social security costs	5.0	3.6
	209.0	216.6

The ageing of trade receivables is as follows:

			Past due				
	Total £'m	Neither past due nor impaired £'m	< 30 days £'m	30-60 days £'m	61-90 days £'m	91-120 days £'m	> 120 days £'m
2020	135.7	118.4	2.9	1.7	1.6	2.5	8.6
2019	135.2	117.0	4.9	2.9	2.0	1.3	7.1

22 Trade and other receivables (continued)

As at 31 January 2020, impairment provisions totalling £21.2m (2019: £15.9m) were made against trade receivables with an initial value of £156.9m (2019: £151.1m). The movements in the provision for impairment of receivables are as follows:

	Credit-impaired £'m	Not credit-impaired £'m	Total £'m
At 1 February 2018	1.1	9.6	10.7
Charge for the year	1.4	14.8	16.2
Utilised in the year	(1.3)	(9.7)	(11.0)
At 31 January 2019	1.2	14.7	15.9
Charge for the year	0.7	13.6	14.3
Utilised in the year	(0.8)	(8.1)	(8.9)
Unused amounts reversed	(0.1)	–	(0.1)
At 31 January 2020	**1.0**	**20.2**	**21.2**

See note 20 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired. We expect trade and other receivables to be normally settled within 12 months.

23 Cash and cash equivalents

	2020 £'m	2019 £'m
Cash at bank and in hand	**73.1**	91.9
Short term deposits	**24.8**	31.0
Cash and short term deposits	**97.9**	122.9
Money market funds	**45.9**	37.1
Bank overdraft	**(9.5)**	(2.7)
Cash held by disposal groups	**4.8**	–
Cash and cash equivalents in the cash flow statement	**139.1**	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 £98.2m (2019: £108.6m).

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

The bank overdraft is subject to a guarantee in favour of the Group's bankers and is limited to the amount drawn. The bank overdraft is repayable on demand.

24 Trade and other payables

	2020 £'m	2019 (restated) £'m
Trade and other payables	**121.8**	136.4
Other taxes and social security costs	**12.4**	13.5
Assets in the course of construction	**5.2**	1.7
Accruals	**46.5**	55.9
	185.9	207.5

In the prior year, accruals amounting to £14.4m were incorrectly classified as trade and other payables and as such the prior year comparative has been restated.

All trade and other payables are current in nature.

25 Retirement benefit schemes

The Group operates retirement benefit schemes for the employees of the Group consisting of defined contribution plans and a defined benefit plan.

a. Defined contribution plans

There are a number of defined contribution schemes in the Group. The total charge for the year in respect of the defined contribution schemes was £3.6m (2019: £2.2m).

The assets of these schemes are held separately from those of the Group in funds under the control of Trustees.

b. Defined benefit plan

The Group operates a funded defined benefit scheme, the Saga Pension 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 scheme is governed by the employment laws of the UK. The level of benefits provided depends on the member's length of service and average salary whilst a member of the scheme. The scheme requires contributions to be made to a separately administered fund which is governed by a Board of Trustees and consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

The long term investment objectives of the Trustees and the Group are to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long term costs of the scheme. To meet those objectives, the scheme's assets are invested in different categories of assets, with different maturities designed to match liabilities as they fall due. The investment strategy will continue to evolve over time and is expected to match the liability profile increasingly closely. The pension liability is exposed to inflation rate risks and changes in the life expectancy of members. As the plan assets include investments in quoted equities, the Group is exposed to equity market risk. The Group has provided a super security to the Trustees of the scheme, which ranks before any liabilities under the senior facilities agreement (as detailed in note 28). The value of the security is capped at £32.5m.

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

	2020 £'m	2019 £'m
Fair value of scheme assets	**372.3**	312.4
Present value of defined benefit obligation	**(377.8)**	(315.2)
Defined benefit scheme liability	**(5.5)**	(2.8)

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

25 Retirement benefit schemes (continued)

b. Defined benefit plan (continued)

The following table summarises the components of the net benefit expense recognised in the income statement and amounts recognised in the statement of financial position for the schemes for the year ended 31 January 2020:

	Fair value of scheme assets £'m	Defined benefit obligation £'m	Defined benefit scheme liability £'m
1 February 2019	312.4	(315.2)	**(2.8)**
Pension cost charge to income statement			
Current service cost paid in cash during the period	–	(6.8)	**(6.8)**
Non-cash current service cost uplift	–	(0.2)	**(0.2)**
Total current service cost	–	(7.0)	**(7.0)**
Past service cost	–	–	**–**
Net interest	8.4	(8.3)	**0.1**
Included in income statement	8.4	(15.3)	**(6.9)**
Benefits paid	(9.7)	9.7	**–**
Return on plan assets (excluding amounts included in net interest expense)	51.3	–	**51.3**
Actuarial changes arising from changes in demographic assumptions	–	4.5	**4.5**
Actuarial changes arising from changes in financial assumptions	–	(61.4)	**(61.4)**
Experience adjustments	–	0.2	**0.2**
Sub-total included in other comprehensive income	41.6	(47.0)	**(5.4)**
Total contributions by employer	9.9	(0.3)	**9.6**
31 January 2020	372.3	(377.8)	**(5.5)**

The following table summarises the components of the net benefit expense recognised in the income statement and amounts recognised in the statement of financial position for the schemes for the year ended 31 January 2019:

	Fair value of scheme assets £'m	Defined benefit obligation £'m	Defined benefit scheme liability £'m
1 February 2018	307.3	(314.3)	**(7.0)**
Pension cost charge to income statement			
Current service cost paid in cash during the period	–	(7.6)	**(7.6)**
Non-cash current service cost uplift	–	(0.4)	**(0.4)**
Total current service cost	–	(8.0)	**(8.0)**
Past service cost	–	(0.1)	**(0.1)**
Net interest	8.1	(8.1)	**–**
Included in income statement	8.1	(16.2)	**(8.1)**
Benefits paid	(7.8)	7.8	**–**
Return on plan assets (excluding amounts included in net interest expense)	(5.8)	–	**(5.8)**
Actuarial changes arising from changes in demographic assumptions	–	1.9	**1.9**
Actuarial changes arising from changes in financial assumptions	–	7.5	**7.5**
Experience adjustments	–	(1.5)	**(1.5)**
Sub-total included in other comprehensive income	(13.6)	15.7	**2.1**
Total contributions by employer	10.6	(0.4)	**10.2**
31 January 2019	312.4	(315.2)	**(2.8)**

The past service cost above includes the Group's estimate of the cost of equalising Guaranteed Minimum Pensions, which served to increase the scheme liabilities by £0.1m.

25 Retirement benefit schemes (continued)

b. Defined benefit plan (continued)

The major categories of assets in the Saga scheme are as follows:

	2020 £'m	2019 £'m
Equities	45.0	58.1
Bonds	222.7	171.0
Property	24.5	16.8
Hedge funds	73.2	61.9
Insured annuities	3.9	3.4
Cash and other	3.0	1.2
Total	372.3	312.4

Equities and bonds are all quoted in active markets whilst property and hedge funds are not.

The principal assumptions used in determining pension benefit obligations for the Saga scheme are shown below:

	2020	2019
Real rate of increase in salaries	2.70%	3.00%
Real rate of increase of pensions in payment	2.70%	2.90%
Real rate of increase of pensions in deferment	2.65%	2.90%
Discount rate – pensioner	1.60%	2.60%
Discount rate – non-pensioner	1.70%	2.70%
Inflation – pensioner	2.80%	3.05%
Inflation – non-pensioner	2.70%	3.00%
Life expectancy of a member retiring in 20 years' time – Male	27.3 yrs	27.6 yrs
Life expectancy of a member retiring in 20 years' time – Female	29.4 yrs	29.7 yrs

Mortality assumptions are set using standard tables based on specific experience where available and allow for future mortality improvements. The Saga scheme assumption is that a member currently aged 60 will live on average for a further 26.1 years if they are male and on average for a further 28.2 years if they are female.

A quantitative sensitivity analysis for significant assumptions as at 31 January 2020 and their impact on the net defined benefit obligation is as follows:

Assumptions	Discount rate		Future inflation		Life expectancy		Future salary
Sensitivity	+/– 0.25%		+/– 0.25%		+/– 1 year		+/– 0.5%
	Increase	Decrease	Increase	Decrease	Increase	Decrease	
Impact £'m	(18.8)	20.6	14.1	(14.8)	11.5	(11.0)	0.0

Note: a positive impact represents an increase in the net defined benefit liability.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

The expected contribution to the Saga scheme for the next year is £9.3m and average duration of the defined benefit plan obligation at the end of the reporting period is 23 years.

Formal actuarial valuations take place every three years for the scheme. The assumptions adopted for actuarial valuations are determined by the Trustees and are agreed with the Group and are normally more prudent than the assumptions adopted for IAS 19 purposes, which are best estimate. Where a funding deficit is identified, the Group and the Trustees may agree a deficit recovery plan to pay additional contributions above those needed to fund new pensions accruing in the scheme.

The latest valuation of the Saga scheme was at 31 January 2017. Further to this valuation, a recovery plan is in place for the scheme. Under the agreed recovery plan, the Group made an additional payment of £2.75m during the year ended 31 January 2020 and will make payments totalling a further £25.4m over the next five years, with the last payment being made by 29 February 2024. The total expected contributions in the year ending 31 January 2021 are £9.3m, inclusive of a £3.0m additional payment. No additional liabilities are required to be accrued in relation to the recovery plan since the employer has the right to a refund if a surplus is recognised and the Trustees of the scheme are unable to wind up the scheme before any refund is made.

26 Insurance contract liabilities and reinsurance assets

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

	2020 £'m	2019 £'m
Gross		
Claims outstanding	**338.3**	392.6
Provision for unearned premiums	**105.3**	98.0
Total gross liabilities	**443.6**	490.6

	2020 £'m	2019 £'m
Recoverable from reinsurers		
Claims outstanding	**55.2**	91.2
Provision for unearned premiums	**6.9**	5.6
Total reinsurers' share of insurance liabilities (as presented on the face of the statement of financial position)	**62.1**	96.8
Amounts recoverable under funds – withheld quota share agreements recognised within trade payables:		
– Claims outstanding	**134.0**	118.6
– Provision for unearned premiums	**63.9**	57.9
Total reinsurers' share of insurance liabilities after funds – withheld quota share	**260.0**	273.3
Analysed as:		
Claims outstanding	**189.4**	209.8
Provision for unearned premiums	**70.8**	63.5
Total reinsurers' share of insurance liabilities after funds – withheld quota share	**260.0**	273.3

	2020 £'m	2019 £'m
Net		
Claims outstanding	**283.1**	301.4
Provision for unearned premiums	**98.4**	92.4
Total net insurance liabilities	**381.5**	393.8
Amounts recoverable under funds – withheld quota share agreements recognised within trade payables:		
– Claims outstanding	**(134.0)**	(118.6)
– Provision for unearned premiums	**(63.9)**	(57.9)
Total net insurance liabilities after funds – withheld quota share	**183.6**	217.3
Analysed as:		
Claims outstanding	**149.1**	182.8
Provision for unearned premiums	**34.5**	34.5
Total net insurance liabilities after funds – withheld quota share	**183.6**	217.3

26 Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of movements in claims outstanding	2020 £'m	2019 (restated) £'m
Gross claims outstanding at 1 February	**392.6**	466.4
Less: reinsurance claims outstanding	**(209.8)**	(194.2)
Net claims outstanding at 1 February	**182.8**	272.2
Gross claims incurred	**159.9**	129.7
Less: reinsurance recoveries	**(129.1)**	(120.1)
Net claims incurred	**30.8**	9.6
Gross claims paid	**(214.2)**	(203.5)
Less: received from reinsurance	**149.7**	104.5
Net claims paid	**(64.5)**	(99.0)
Gross claims outstanding at 31 January	**338.3**	392.6
Less: reinsurance claims outstanding	**(189.2)**	(209.8)
Net claims outstanding at 31 January	**149.1**	182.8

Reconciliation of movements in the provision for net unearned premiums	2020 £'m	2019 £'m
Gross unearned premiums at 1 February	**98.0**	115.0
Less: unearned reinsurance premiums	**(63.5)**	(69.4)
Net unearned premiums at 1 February	**34.5**	45.6
Gross premiums written	**241.2**	221.1
Less: outward reinsurance premium	**(153.0)**	(130.1)
Net premiums written	**88.2**	91.0
Gross premiums earned	**(233.9)**	(238.1)
Less reinsurance premium earned	**145.7**	136.0
Net premiums earned (note 3a)	**(88.2)**	(102.1)
Gross unearned premiums at 31 January	**105.3**	98.0
Less: unearned reinsurance premiums	**(70.8)**	(63.5)
Net unearned premiums at 31 January	**34.5**	34.5

The net cost on purchasing reinsurance in 2020 was £6.4m (2019: £5.4m net cost).

On 15 July 2019, the UK Government announced a change to the Ogden discount rate from -0.75% to -0.25%. The insurance liabilities presented here and on the face of the Group's balance sheet incorporate the effect of this change.

a. Discounting
Claims outstanding provisions are calculated on an undiscounted basis, with the exception of PPOs made by the courts as part of a bodily injury claim settlement. Claims outstanding provisions for PPOs are discounted at a rate of –1.5% (2019: –1.5%) representing the Group's view on long term carer wage inflation less the expected return on holding the invested financial assets associated with these claims.

The value of claims outstanding before discounting was £410.0m (2019: £461.5m) gross of reinsurance and £174.6m (2019: £238.9m) net of reinsurance.

26 Insurance contract liabilities and reinsurance assets (continued)

a. Discounting (continued)

The period between the balance sheet date and the estimated final payment date was calculated using Ogden life expectancy tables, with appropriate adjustments where necessary for impaired life. The average life expectancy from PPO settlement date to the final PPO payment was 33 years (2019: 37 years) and the rate of investment return used to determine the discounted value of claims provisions was 2.0% (2019: 2.0%).

b. Analysis of claims incurred: claims development tables

The following tables detail the Group's initial estimate of ultimate gross and net claims incurred over the past 10 years and the re-estimation at subsequent financial period ends.

The following table analyses the gross incurred claims (before deducting reinsurance recoveries) on an accident year basis:

	Financial year ended 31 January												
Analysis of claims incurred	2011 £'m	2012 £'m	2013 £'m	2014 £'m	2015 £'m	2016 £'m	2017 £'m	2018 £'m	2019 £'m	2020 £'m	Total £'m	Claims paid £'m	Gross claims outstanding £'m
Accident year													
2011 and earlier	301.6	(15.2)	(21.6)	(8.5)	(28.9)	(20.5)	(10.9)	(8.0)	(8.8)	(6.5)			43.5
2012		330.3	(25.6)	(33.8)	(7.3)	(19.5)	(10.5)	(9.4)	(2.6)	(1.0)	220.6	(215.5)	5.1
2013			321.2	(14.2)	(45.2)	(22.1)	(13.4)	(5.6)	(5.9)	(2.9)	211.8	(202.4)	9.4
2014				281.9	(18.9)	(25.7)	(7.6)	(11.1)	(10.6)	(2.6)	205.4	(185.8)	19.6
2015					271.3	(6.0)	(6.2)	(8.2)	(15.3)	(5.0)	230.6	(216.4)	14.2
2016						280.4	4.1	(19.3)	(21.7)	(9.0)	234.5	(216.7)	17.8
2017							197.1	4.7	(13.1)	(6.6)	182.1	(150.7)	31.4
2018								194.9	–	(6.4)	188.5	(136.3)	52.2
2019									189.8	–	189.8	(131.2)	58.6
2020										180.3	180.3	(101.7)	78.6
	301.6	315.1	273.9	225.4	171.0	186.6	152.6	138.0	111.8	140.3			330.4
Claims handling costs	10.1	15.6	17.4	17.2	18.0	21.5	11.5	10.5	27.3	19.9			7.9
	311.7	**330.7**	**291.3**	**242.6**	**189.0**	**208.1**	**164.1**	**148.5**	**139.1**	**160.2**			**338.3**

The development of the associated loss ratios on the same basis is as follows:

	Financial year ended 31 January									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Accident year										
2011	80%	80%	78%	77%	72%	70%	69%	68%	67%	66%
2012		77%	71%	63%	62%	57%	55%	52%	52%	52%
2013			76%	72%	62%	56%	53%	52%	51%	50%
2014				75%	70%	63%	61%	58%	55%	55%
2015					81%	80%	78%	75%	71%	69%
2016						87%	88%	82%	75%	73%
2017							67%	69%	65%	62%
2018								75%	75%	73%
2019									80%	80%
2020										77%

26 Insurance contract liabilities and reinsurance assets (continued)

b. Analysis of claims incurred: claims development tables (continued)

The following table analyses the net incurred claims (after deducting reinsurance recoveries) on an accident year basis:

	Financial year ended 31 January												
Analysis of claims incurred	2011 £'m	2012 £'m	2013 £'m	2014 £'m	2015 £'m	2016 £'m	2017 £'m	2018 £'m	2019 £'m	2020 £'m	Total £'m	Claims paid £'m	Net claims outstanding £'m
Accident year													
2011 and earlier	266.0	(16.3)	(20.2)	(11.3)	(19.6)	(12.3)	(16.4)	(8.9)	(8.8)	(6.5)			23.7
2012		302.3	(25.6)	(31.1)	(0.6)	(17.3)	(11.9)	(6.4)	(2.6)	(1.0)	205.8	(204.3)	1.5
2013			315.4	(14.6)	(22.9)	(19.8)	(14.6)	(10.2)	(5.9)	(2.9)	224.5	(222.1)	2.4
2014				276.8	(14.7)	(23.4)	(11.0)	(9.8)	(10.6)	(2.6)	204.7	(185.8)	18.9
2015					219.1	5.3	(9.2)	(11.1)	(15.3)	(5.0)	183.8	(177.2)	6.6
2016						220.9	3.2	(15.1)	(21.7)	(9.0)	178.3	(164.4)	13.9
2017							94.0	1.5	(6.2)	(1.6)	87.7	(73.9)	13.8
2018								78.8	–	(1.0)	77.8	(69.3)	8.5
2019									71.8	–	71.8	(47.9)	23.9
2020										55.6	55.6	(27.6)	28.0
	266.0	286.0	269.6	219.8	161.3	153.4	34.1	18.8	0.7	26.0			141.2
Claims handling costs	10.1	15.6	17.4	17.2	18.0	21.5	11.5	10.5	8.9	4.5			7.9
	276.1	**301.6**	**287.0**	**237.0**	**179.3**	**174.9**	**45.6**	**29.3**	**9.6**	**30.5**			**149.1**

The development of the associated loss ratios on the same basis is as follows:

	Financial year ended 31 January									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Accident year										
2011	78%	78%	76%	75%	71%	69%	67%	65%	64%	63%
2012		76%	70%	62%	62%	57%	54%	53%	52%	52%
2013			75%	72%	66%	62%	58%	56%	54%	54%
2014				75%	71%	65%	62%	59%	56%	55%
2015					67%	69%	66%	63%	58%	56%
2016						70%	71%	66%	59%	56%
2017							56%	56%	53%	52%
2018								66%	66%	65%
2019									70%	70%
2020										63%

Favourable claims development over the year has resulted in a £29.6m (2019: £71.1m) reduction in the net claims incurred in respect of prior years.

27 Contract liabilities

	2020 £'m	2019 £'m
Deferred revenue (note 3b)	**153.2**	144.7
	153.2	144.7
Current	**150.2**	130.5
Non-current	**3.0**	14.2
	153.2	144.7

Deferred revenue comprise amounts received within the Travel segment for holidays and cruises with departure dates after the reporting date, and insurance premiums and sales revenues received in the Insurance segment in respect of insurance policies which commence after the reporting date and represents the performance obligations not yet satisfied as at 31 January 2020.

28 Loans and borrowings

	2020 £'m	2019 £'m
Bond	**250.0**	250.0
Bank loans	**140.0**	160.0
Ship loan	**234.8**	–
Revolving credit facility	**10.0**	30.0
Accrued interest payable	**3.7**	2.2
	638.5	442.2
Less: deferred issue costs	**(14.2)**	(3.0)
	624.3	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 £245.0m. The financing for the new cruise ship, the Spirit of Discovery, represents a 12-year fixed rate sterling loan, backed by an export credit guarantee. The initial loan value of £245.0m is repayable in 24 broadly equal instalments, with the first payment of £10.2m paid in December 2019.

At 31 January 2020, the Group had drawn £10.0m of its £100.0m revolving credit facility and since the refinancing £60.0m of the term loan has been repaid.

At 31 January 2020, debt issue costs were £14.2m (2019: £3.0m) which have increased in the year following the draw down of the financing for its new cruise ship, the Spirit of Discovery.

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. Interest on the ship loan is incurred at an effective annual interest rate of 4.31% (including arrangement and commitment fees).

During the year, the Group charged £19.5m (2019: £11.5m) to the income statement in respect of fees and interest associated with the bonds, term loan, ship loan and revolving credit facility. In addition, finance costs recognised in the income statement includes £1.2m (2019: £1.1m) relating to interest and finance charges on lease liabilities and net fair value losses on derivatives are £1.1m (2019: £nil).

29 Provisions

	PMI £'m	Other £'m	Total £'m
At 1 February 2018	–	4.5	4.5
Utilised during the year	–	(1.5)	(1.5)
Released unutilised	–	(0.1)	(0.1)
Charge for the year	5.2	1.9	7.1
At 31 January 2019	5.2	4.8	10.0
Utilised during the year	(1.5)	(2.6)	(4.1)
Released unutilised during the year	–	(0.5)	(0.5)
Charge for the year	–	2.4	2.4
	3.7	4.1	7.8
Reclassification to assets held for sale	–	(0.1)	(0.1)
At 31 January 2020	**3.7**	**4.0**	**7.7**

	PMI £'m	Other £'m	Total £'m
Current	3.7	2.4	6.1
Non-current	–	1.6	1.6
At 31 January 2020	**3.7**	**4.0**	**7.7**

	PMI £'m	Other £'m	Total £'m
Current	1.5	2.2	3.7
Non-current	3.7	2.6	6.3
At 31 January 2019	5.2	4.8	10.0

The provision in respect of PMI relates to an accumulated loss on the PMI product as a result of prior year claims experience on profit share arrangements.

Other provisions primarily comprise provisions for the return of insurance commission in respect of policies cancelled mid-term after the reporting date or as a result of being cancelled during the statutory cooling off period after the reporting date, credit hire claims handling costs on income booked as at the reporting date, fleet insurance at the estimated cost of settling all outstanding incidents at the reporting date, and an employer liability provision relating to various Group related, self-funded insurance arrangements.

These items are reviewed and updated annually.

30 Reconciliation of liabilities arising from financing activities

The following tables analyse the cash and non-cash movements for liabilities arising from financing activities:

			Non-cash changes			
	2019 (restated) £'m	Cash flows £'m	New Leases £'m	Foreign exchange movement £'m	Other £'m	**2020 £'m**
Lease liabilities (note 35)	27.7	(15.0)	15.9	–	–	**28.6**
Bank loans (note 28)	160.0	(20.0)	–	–	–	**140.0**
Ship loan (note 28)	–	234.8	–	–	–	**234.8**
Revolving credit facility (note 28)	30.0	(20.0)	–	–	–	**10.0**
Bond (note 28)	250.0	–	–	–	–	**250.0**
Deferred issue costs (note 28)	(3.0)	(7.9)	–	–	(3.3)	**(14.2)**

			Non-cash changes			
	2018 (restated) £'m	Cash flows £'m	New Leases £'m	Foreign exchange movement £'m	Other £'m	2019 (restated) £'m
Lease liabilities (note 35)	37.1	(12.3)	2.9	–	–	27.7
Bank loans (note 28)	180.0	(20.0)	–	–	–	160.0
Revolving credit facility (note 28)	15.0	15.0	–	–	–	30.0
Bond (note 28)	250.0	–	–	–	–	250.0
Deferred issue costs (note 28)	(4.2)	–	–	–	1.2	(3.0)

Included within 'Other' is the amortisation of deferred issue costs of £3.4m (2019: £1.2m) and the transfer of debt issue costs paid in the prior year, from prepayments, to deferred issue costs in the current year of £6.7m (2019; £nil).

31 Called up share capital

	Ordinary shares		
	Number	Nominal value £	Value £'m
Allotted, called up and fully paid			
As at 31 January 2018	1,120,295,419	0.01	11.2
Issue of shares	1,707,909	0.01	0.0
As at 31 January 2019	1,122,003,328	0.01	11.2
As at 31 January 2020	**1,122,003,328**	**0.01**	**11.2**

Employee Benefit Trust

The Employee Benefit Trust purchased 13,408,108 shares at their nominal value of £134,000 during the year ended 31 January 2015. There were no associated transaction costs.

During the year, employees exercised options over 167,566 of these shares which were transferred from the Employee Benefit Trust into the direct ownership of the employee. Employees have previously exercised 13,046,409 of these shares in prior periods. The remaining 194,133 shares have been treated as treasury shares at 31 January 2020.

32 Reserves

Share-based payment reserve

Prior to vesting, the share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. More detail is provided in note 34.

Fair value reserve

The fair value reserve comprises the unrealised gains or losses of fair value through other comprehensive income (or FVOCI) assets pending subsequent recognition in profit or loss once the investment is derecognised.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in: (a) profit or loss as the hedged cash flows or items affect profit or loss; or (b) the statement of financial position as the hedged cash flows or items affect property, plant and equipment.

33 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

For the purposes of the Group's capital management, capital comprises total equity of £588.2m (2019 restated: £960.9m) as shown on the consolidated statement of financial position. The Group operates in a number of regulated markets and includes subsidiaries which are required to comply with specific requirements in respect of capital or other resources.

The Group's financial services businesses are regulated primarily by the Financial Services Commission (FSC) in Gibraltar and by the Financial Conduct Authority (FCA) in the UK; and the capital requirements of its travel businesses are regulated by the Civil Aviation Authority (CAA) in the UK. It is the Group's policy to comply with the requirements of these regulators in respect of capital adequacy or other similar tests at all times.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 January 2020 or 31 January 2019.

The Group's regulated underwriting business is based in Gibraltar and regulated by the FSC. The underwriting business is required to ensure that it has a sufficient level of capitalisation in accordance with Solvency II.

(The amounts set out in the following three paragraphs are provisional and unaudited.)

The Group monitored its ability to comply with the requirements of Solvency II throughout the year to 31 January 2020, having previously received approval from the FSC for the Undertaking of Specific Parameters when applying the standard formula to measure capital requirements for this business under Solvency II rules. Under Solvency II, AICL remained well-capitalised, and at 31 January 2020 available capital was £86.2m against a Solvency Capital Requirement of £53.8m, giving 160% coverage. As at 31 January 2019, available capital was £89.7m against a Solvency Capital Requirement of £60.5m, giving 148% coverage. At 31 March 2020, coverage is estimated to have reduced to around 140% based on current asset liability valuations and movements in swap curves since the end of January.

The Group's regulated insurance distribution business is based in the UK and regulated by the FCA. Due to the nature of the business, the capital requirements are significantly less than the underwriting business but the Group is required to comply with the Adequate Resources requirements of Threshold Condition 4 of the FCA Handbook. The Group undertakes a rigorous assessment against the requirements of this Condition on an annual basis and, as a consequence of this, calculates and holds an appropriate amount of capital in respect of the insurance distribution business. The Minimum Regulatory Capital requirement of these businesses at 31 January 2020 was £5.3m (2019: £5.5m).

The regulated travel businesses are required to comply with two main tests based on liquidity and leverage and were measured against agreed covenants on the last day of each month in respect of these tests. The Group monitors its compliance with these tests on a monthly basis including forward-looking compliance using budgets and forecasts. At 31 January 2020 and 31 January 2019, the travel businesses had sufficient coverage against both covenants. As of 31 January 2020 the CAA changed the liquidity test requirement to a fixed 70% coverage rate on the last day of each month, whereas previously it was a variable coverage rate from month to month and has removed the leverage test requirement.

34 Share-based payments

The Group has granted a number of different equity-based awards to employees and customers which it has determined to be share-based payments:

a. Share options and Free Shares offer granted at the time of the IPO

- On 29 May 2014, share options over 13,132,410 shares were granted to certain Directors and employees with no exercise price and no service or performance vesting conditions. There are no cash settlement alternatives.
- Eligible customers and employees who acquired their shares under the Customer or Employee Offers in the Prospectus received one bonus share for every 20 shares they acquired and held continuously for one year to 29 May 2015. As these were bonus shares, there was no exercise price and no cash settlement alternative.

b. Long Term Incentive Plan (LTIP)

- The LTIP is a discretionary executive share plan under which the Board may, within certain limits and subject to applicable performance conditions, grant options over shares in Saga plc. Up to 31 January 2017, these options are 50% linked to a non-market vesting condition, EPS, and 50% linked to a market vesting condition, TSR. From 1 February 2017 to 31 January 2018, these options are 60% linked to non-market vesting conditions (30% linked to basic EPS and 30% linked to organic EPS) and 40% linked to a market vesting condition, TSR. From 1 February 2018, these options are 60% linked to non-market vesting conditions (30% linked to organic EPS and 30% linked to ROCE) and 40% linked to a market vesting condition, TSR. From 1 February 2019, these options are 75% linked to non-market vesting conditions (50% linked to operational and strategic measures and 25% linked to ROCE) and 25% linked to a market vesting condition, TSR.
  - On 12 August 2019, share options over 11,567,708 shares were issued which vest and become exercisable on the third anniversary of the grant date.
  - On 1 October 2019, share options over 594,059 shares were issued which vest and become exercisable on the third anniversary of the grant date.
  - On 6 January 2020, share options over 1,353,965 shares were issued which vest and become exercisable on the third anniversary of the grant date.

c. Other share options

- On 29 May 2014, share options over 2,162,162 shares were issued to the former Chief Executive Officer. Vesting occurred 25% on the third anniversary of the IPO, 25% on the fourth anniversary of the IPO and 50% on the fifth anniversary of the IPO, subject to continuing employment. The award was equity-settled and had no cash alternative. The exercise price of the share options was £1.85. Following the cessation of his employment, and under the scheme rules, these share options have lapsed.
- On 2 December 2015, share options over 99,552 shares were issued to the Chief Marketing Officer at the time which were to vest on the second anniversary of his appointment, subject to continuing employment. Following the cessation of his employment, the vesting period has been extended to 1 May 2020.

d. Deferred Bonus Plan (DBP)

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

e. Employee Free Shares

- 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.

34 Share-based payments (continued)

The table below summarises the movements in the number of share options outstanding for the Group and their weighted average exercise price:

	IPO options	LTIP	DBP	Other options	Employee Free Shares	Total
At 1 February 2019	361,699	13,022,737	715,847	2,261,714	1,648,143	18,010,140
Granted	–	13,515,732	564,695	–	2,035,246	16,115,673
Forfeited	–	(7,603,156)	(257,062)	(2,162,162)	(181,612)	(10,203,992)
Exercised	(167,566)	(99,601)	(19,598)	–	(129,811)	(416,576)
At 31 January 2020	194,133	18,835,712	1,003,882	99,552	3,371,966	23,505,245
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil
Exercisable at 31 January 2020	194,133	838,315	307,814	-	564,382	1,904,644
Average remaining contractual life	0.0 years	1.9 years	1.4 years	0.2 years	1.7 years	1.9 years
Average fair value at grant	£1.85	£0.87	£1.15	£2.02	£0.89	£0.91

The following information is relevant in the determination of the fair value of options granted during the year under the equity- and cash-settled share-based remuneration schemes operated by the Group.

	LTIP – EPS tranche	LTIP – TSR tranche	Employee Free Shares
Model used	Black-Scholes	Monte-Carlo	Black-Scholes
Dividend yield (%)	n/a	n/a	n/a
Risk-free interest rate (%)	0.33%	0.33%	n/a
Expected life of share option	3 years	3 years	3 years
Weighted average share price (£)	£0.44	£0.44	£0.46
Share price volatility	41.9%	31.4%	n/a

As only limited historical data for the Group's share price is available, the Group has estimated the Company's share price volatility as an average of the volatilities of its TSR comparator group over a historical period commensurate with the expected life of the award immediately prior to the date of the grant.

For future valuations, at a date when sufficient Saga share price data becomes available, the Group intends to estimate the Company volatility directly from this data.

The total amount charged to the income statement in the year ended 31 January 2020 is £2.1m (2019: £3.8m). This has been charged to administrative and selling expenses £2.1m (2019: £3.6m) and non-trading items £nil (2019: £0.2m).

The Group did not enter into any share-based payment transactions with parties other than employees during the current period.

35 Commitments and contingencies

a. Lease commitments

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. 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 are included in the measurement of the lease liability. Future minimum lease payments under lease contracts together with the present values of the net minimum lease payments are as follows:

	2020 £'m	2019 (restated) £'m
Within one year	**9.8**	11.6
Between one and five years	**10.8**	7.7
After five years	**45.5**	46.4
Total minimum lease payments	**66.1**	65.7
Less amounts representing finance charges	**(37.5)**	(38.0)
Present value of minimum lease payments	**28.6**	27.7

As at 31 January 2020, the value of lease liabilities contracted for but not provided for in the financial statements in respect of right of use assets amounted to £88.1m (2019: £15.9m). The increase is due to signing off contracts for two new river cruises ships.

b. Commitments

On 20 September 2017, the Saga plc Board approved the purchase of the second cruise ship, the Spirit of Adventure, with a delivery date of August 2020, and the Group exercised the option in December 2017.

Four stage payments for the Spirit of Adventure were made between December 2017 and August 2019. 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 January 2020, the capital amount contracted but not provided for in the financial statements in respect of the ships amounted to £271.9m (2019: £543.5m).

The financing for the Spirit of Adventure represents a 12-year fixed rate sterling loan, backed by an export credit guarantee. The loan value of approximately £295m will be repaid in 24 broadly equal instalments, with the first payment due six months after delivery.

As at 31 January 2020 the Group entered into Euro currency forwards totalling £250.6m to lock in the cost of the ship. The hedge has been designated as a cash flow hedge and remains outstanding as at 31 January 2020 (note 19d).

c. Contingent liabilities

The Civil Aviation Authority and the Association of British Travel Agents regulate the Group's UK tour operating business and requires the Group to put in place bonds to provide customer protection. At 31 January 2020, the Group had £48.0m (2019: £23.9m) of bonds in place.

On 4 May 2017, the Group was notified about legal proceedings against Nestor Primecare Services Limited by the Crown Prosecution Service in relation to a breach of the Health and Safety at Work etc. Act 1974. Under an indemnity included in the sales agreement following the disposal of Nestor Primecare Services Limited, certain entities in the Group may be liable for any penalties incurred.

It is too early in the litigation process to evaluate Saga's position on liability and quantum. As such, no amounts have been provided for this in the financial statements.

36 Assets held for sale

During the year, the Group made the decision to initiate an active program to locate a buyer for its insurance biking brand, Bennetts and its healthcare segment.

As at 31 January 2020, the requirements of IFRS 5 were met and accordingly Bennetts and the healthcare segment have been classified as separate disposal groups held for sale in the statement of financial position. Neither of the disposal groups met the requirements of IFRS 5 to be classified as discontinued operations.

On 17 February 2020 the Group announced that it had reached agreement for the sale of Bennetts for an enterprise value of £26m to Atlanta Investment Holdings C Limited ("Atlanta"). Atlanta is part of The Ardonagh Group, one of the largest independent insurance brokers in the UK. Completion is subject to receiving regulatory approval and other closing conditions.

On 3 March 2020 the Group reached agreement for the sale of its Country Cousins and Patricia White's branded healthcare businesses for an enterprise value of £14m to Limerston Capital LLP. Limerston Capital LLP is a private equity firm with over £300m under management. Country Cousins and Patricia White's are introductory care agencies, and represent two of the three divisions comprising the Group's healthcare segment. The remaining division is Saga Care at Home.

The sale of the Bennetts and the healthcare segments are expected to be completed by 31 January 2021.

The assets and liabilities of the two disposal groups classified as held for sale as at 31 January 2020 are as follows:

	Disposal groups		
	Healthcare segment £'m	Bennetts £'m	Total £'m
Goodwill	–	13.6	**13.6**
Intangible fixed assets	0.3	3.3	**3.6**
Property, plant and equipment	0.3	0.3	**0.6**
Trade receivables and other receivables	1.3	9.9	**11.2**
Cash and short term deposits	1.5	3.3	**4.8**
Total assets	3.4	30.4	**33.8**
Provisions	–	0.1	**0.1**
Contract liabilities	–	0.6	**0.6**
Trade and other payables	0.2	7.6	**7.8**
Total liabilities	0.2	8.3	**8.5**
Net assets directly associated with disposal group	3.2	22.1	**25.3**

No remeasurement on reclassification to held for sale was necessary for either of the disposal groups as the fair value of each disposal group is in excess of its carrying value.

37 Post balance sheet events

The COVID-19 pandemic has created an unprecedented challenge for the Group and a high level of uncertainty for all companies. The board of Directors are focused on protecting the viability of the Group over the coming months. Whilst the Directors consider the event to be non-adjusting in nature, they have duly considered the impact of the crisis on the financial performance and position of the Group. As one of the mitigating actions, the Directors have renegotiated the banking covenants on the Group's short term debt facilities. Further detail relating to this is provided within the basis of preparation and going concern sections in note 2.1 on pages 130 and 131, and it is also referenced in the goodwill impairment review detailed in note 16 on pages 159 and 160. The impact of the pandemic on the financial outlook of the Group is also detailed in the Operating and Financial Review within the Strategic Report on pages 34 to 47.

Please see notes 33 and 36 on pages 185 and 189 respectively for details on post balance sheet events in respect of solvency coverage and assets held for sale respectively.

38 Subsidiaries

The entities listed below are subsidiaries of the Company or Group. All of the undertakings are wholly owned and included within the consolidated financial statements. The registered office address for all entities registered in England is Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. The registered office address of Acromas Insurance Company Limited is 57/63 Line Wall Road, Gibraltar. The registered office address of Saga Cruises GmbH is Industriegebiet Süd, 26871, Papenburg, Niedersachsen, Germany. The registered office address of Saffron Maritime Limited is Aspire Corporate Services Limited, PO Box 191, Elizabeth House, Ruettes Brayes, St Peter Port, Guernsey, GY1 4HW.

Name	Country of registration	Nature of business
Saga Personal Finance Limited	England	Delivery of regulated investment products
ST&H Limited	England	Tour operating
Acromas Insurance Company Limited	Gibraltar	Insurance underwriting
ST&H Transport Limited	England	Tour operating
CHMC Limited	England	Motor accident management
PEC Services Limited	England	Repairer of automotive vehicles
Saga Retirement Villages Limited	England	Marketing of retirement villages
Destinology Limited	England	Tour operating
MetroMail Limited	England	Mailing house
Saga Cruises Limited	England	Cruising
Enbrook Cruises Limited	England	Cruising
Saga Cruises IV Limited	England	Cruising
Saga Cruises V Limited	England	Cruising
Saga Cruises VI Limited	England	Cruising
Saga Cruises GmbH	Germany	Cruising
Saffron Maritime Limited	Guernsey	Cruising
Saga Crewing Services Limited	England	Cruising
Saga Healthcare Limited	England	Provision of domiciliary care
Saga Mid Co Limited	England	Debt service provider
Saga Publishing Limited	England	Publishing
Saga Services Limited	England	Insurance distribution
Saga Transport Limited (formerly Titan Transport Limited)	England	Tour operating
Saga Membership Limited	England	Customer loyalty scheme
Driveline Group Limited	England	Holding company
CHMC Holdings Limited	England	Holding company
Saga 200 Limited	England	Holding company
Saga 300 Limited	England	Holding company
Saga 400 Limited	England	Holding company
Saga Group Limited	England	Holding company
Saga Holdings Limited	England	Holding company
Saga Leisure Limited	England	Holding company
Saga Properties Limited	England	Holding company
ST&H Group Limited	England	Holding company
Bennetts Motorcycling Services Limited (formerly Enbrosun Limited)	England	Dormant company
Confident Services Limited	England	Dormant company
Consolidated Healthcare Agencies Limited	England	Dormant company
Consolidated HC Agency Holdings Limited (formerly Country Cousins (Horsham) Limited)	England	Dormant company
Driveline Europe Limited	England	Dormant company
Driveline Travel Limited	England	Dormant company
Consolidated HC Agencies Limited (formerly Patricia White's Personal Home Care Limited)	England	Dormant company

38 Subsidiaries (continued)

Name	Country of registration	Nature of business
Saga 500 Limited	England	Dormant company
Saga Coach Holidays Limited	England	Dormant company
Saga Cruises BDF Limited	England	Dormant company
Saga Cruises I Limited	England	Dormant company
Saga Cruises II Limited	England	Dormant company
Saga Cruises III Limited	England	Dormant company
Saga Flights.com Limited	England	Dormant company
Saga Holidays Limited	England	Dormant company
Saga Independent Living Limited	England	Dormant company
Saga Funding Limited	England	Dormant company
Saga Communications Limited	England	Dormant company
Saga Radio (North West) Limited	England	Dormant company
Saga Shipping Company Limited	England	Dormant company
Spirit Of Adventure Limited	England	Dormant company
Titan Aviation Limited	England	Dormant company
Titan Transport (UK) Limited	England	Dormant company
Titan Travel (UK) Limited	England	Dormant company
Titan Travel Holdings Limited	England	Dormant company
Titan Travel Limited	England	Dormant company

39 Transition to IFRS 16

	As reported 31 Jan 19 £'m	IFRS 16 adjustment Insurance £'m	Travel £'m	OB&CC £'m	As restated 31 Jan 19 £'m
Gross earned premium	238.1	–	–	–	238.1
Earned premiums ceded to insurers	(136.0)	–	–	–	(136.0)
Net earned premiums	102.1	–	–	–	102.1
Other revenue	739.4	–	–	–	739.4
Total revenue	841.5	–	–	–	841.5
Gross claims incurred	(129.7)	–	–	–	(129.7)
Reinsurers' share of claims incurred	120.1	–	–	–	120.1
Net claims incurred	(9.6)	–	–	–	(9.6)
Other cost of sales	(396.1)	–	0.7	–	(395.4)
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)

39 Transition to IFRS 16 (continued)

	As reported 31 Jan 19 £'m	IFRS 16 adjustment Insurance £'m	Travel £'m	OB&CC £'m	As restated 31 Jan 19 £'m
(Loss)/profit for the year	(162.0)	–	0.1	(0.3)	(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 year	0.5	–	–	–	0.5
Recycling of previous gains to income statement on matured hedges	(2.9)	–	–	–	(2.9)
Total net loss on cash flow hedges	(2.4)	–	–	–	(2.4)
Associated tax effect	0.4	–	–	–	0.4
Net losses on fair value financial assets during the period	(1.3)	–	–	–	(1.3)
Associated tax effect	0.2	–	–	–	0.2
Total other comprehensive losses with recycling to income statement	(3.1)	–	–	–	(3.1)
Other comprehensive income not to be reclassified to the income statement in subsequent periods					
Re-measurement gains on defined benefit plans	2.1	–	–	–	2.1
Tax effect	(0.4)	–	–	–	(0.4)
Total other comprehensive gains without recycling to income statement	1.7	–	–	–	1.7
Total other comprehensive losses	(1.4)	–	–	–	(1.4)
Total comprehensive losses for the year	(163.4)	–	0.1	(0.3)	(163.6)

39 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 Jan 19 £'m	IFRS 16 adjustment £'m	As restated 31 Jan 19 £'m
Goodwill	1,485.0	–	1,485.0	1,175.0	–	1,175.0
Intangible assets	61.2	–	61.2	62.8	–	62.8
Property, plant and equipment	163.4	(3.5)	159.9	183.9	(2.5)	181.4
Right of use assets	–	33.0	33.0	–	22.6	22.6
Financial assets	513.5	–	513.5	426.2	–	426.2
Deferred tax assets	13.7	0.7	14.4	14.2	0.7	14.9
Reinsurance assets	100.2	–	100.2	96.8	–	96.8
Inventories	5.8	–	5.8	4.0	–	4.0
Trade and other receivables	215.1	–	215.1	216.6	–	216.6
Assets held for sale	6.8	–	6.8	–	–	–
Cash and short term deposits	83.2	–	83.2	122.9	–	122.9
Total assets	**2,647.9**	**30.2**	**2,678.1**	**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	490.6	–	490.6
Provisions	4.7	(0.2)	4.5	10.3	(0.3)	10.0
Financial liabilities	468.5	33.7	502.2	457.0	24.7	481.7
Current tax liabilities	15.2	–	15.2	17.2	–	17.2
Deferred tax liabilities	17.0	–	17.0	7.8	–	7.8
Other liabilities	142.7	–	142.7	144.7	–	144.7
Trade and other payables	185.9	(0.1)	185.8	207.7	(0.2)	207.5
Total liabilities	**1,422.4**	**33.4**	**1,455.8**	**1,338.1**	**24.2**	**1,362.3**
Equity						
Issued capital	11.2	–	11.2	11.2	–	11.2
Share premium	519.3	–	519.3	519.3	–	519.3
Retained earnings	664.8	(3.2)	661.6	404.8	(3.4)	401.4
Share-based payment reserve	11.4	–	11.4	13.3	–	13.3
Fair value reserve	(0.7)	–	(0.7)	(1.8)	–	(1.8)
Hedging reserve	19.5	–	19.5	17.5	–	17.5
Total equity	**1,225.5**	**(3.2)**	**1,222.3**	**964.3**	**(3.4)**	**960.9**
Total liabilities and equity	**2,647.9**	**30.2**	**2,678.1**	**2,302.4**	**20.8**	**2,323.2**

	Note	2020 £'m	2019 £'m
Non-current assets			
Investment in subsidiaries	2	**552.3**	1,069.8
Current assets			
Debtors – amounts falling due after more than one year	4	**284.6**	323.2
Debtors – amounts falling due within one year	4	**3.0**	2.8
		287.6	326.0
Creditors – amounts falling due within one year	5	**(4.0)**	(3.2)
Net current assets		**283.6**	322.8
Creditors – amounts falling due after more than one year	6	**(248.6)**	(248.3)
Net assets		**587.3**	1,144.3
Capital and reserves			
Called up share capital	7	**11.2**	11.2
Share premium account		**519.3**	519.3
Profit and loss reserve		**48.8**	600.2
Share based payment reserve		**8.0**	13.6
Total shareholders' funds		**587.3**	1,144.3

The Company has not presented its own profit and loss account as permitted by section 408(3) of the Companies Act 2006 (the 'Act'). The loss included in the financial statements of the Company, determined in accordance with the Act, was £532.7m (2019: £549.3m).

Company number: 08804263

The notes on pages 197 to 200 form an integral part of these financial statements.

Signed for and on behalf of the Board on 8 April 2020 by

E A Sutherland
Group Chief Executive Officer

J B Quin
Group Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'m	Share premium account £'m	Retained earnings £'m	Share-based payment reserve £'m	Total equity £'m
At 31 January 2018	11.2	519.3	1,249.2	11.7	1,791.4
Loss for the financial year	–	–	(549.3)	–	(549.3)
Dividends paid	–	–	(100.9)	–	(100.9)
Share-based payment charge	–	–	–	3.8	3.8
Exercise of share options	–	–	1.2	(1.9)	(0.7)
At 31 January 2019	11.2	519.3	600.2	13.6	1,144.3
Loss for the financial year	**–**	**–**	**(532.7)**	**–**	**(532.7)**
Dividends paid	**–**	**–**	**(25.8)**	**–**	**(25.8)**
Share-based payment charge	**–**	**–**	**–**	**2.1**	**2.1**
Exercise of share options	**–**	**–**	**7.1**	**(7.7)**	**(0.6)**
At 31 January 2020	**11.2**	**519.3**	**48.8**	**8.0**	**587.3**

1 Accounting policies

a. Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006, and are prepared on a going concern basis. (please refer to note 2.1 of the Saga plc consolidated accounts on pages 130 and 131 for assessment of the going concern basis for the Group and the company.).

The Company's financial statements are presented in sterling and all values are rounded to the nearest hundred thousand (£'m) except when otherwise indicated.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2020.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 'Financial Instruments: Disclosures'.
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1.
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements'.
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- The requirements of paragraphs 17 and 18a of IAS 24 'Related Party Disclosures'.
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment'.

b. Investment in subsidiaries

Investment in subsidiaries are accounted for at the lower of cost less impairment and net realisable value and reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

c. Deferred tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is dealt with in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1 Accounting policies (continued)

d. Share-based payments

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

Fair values of share-based payment transactions are calculated using Black-Scholes modelling techniques.

In valuing equity-settled transactions, assessment is made of any vesting conditions to categorise these into market performance conditions, non-market performance conditions and service conditions.

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

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

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

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

e. Financial liabilities

i) Initial recognition and measurement

All financial liabilities are classified as financial liabilities at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities comprise loans and borrowings.

ii) Subsequent measurement

After initial recognition, interest bearing loans and borrowings and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

f. Audit remuneration

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements.

1.1 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the primary Company financial statements and notes to the Company financial statements.

1.1 Significant accounting judgements, estimates and assumptions (continued)

Significant estimates

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may therefore differ from those estimates.

The table below sets out those items the Company considers susceptible to changes in critical estimates and assumptions together with the relevant accounting policy.

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3h	Investment in subsidiaries impairment testing	The Company determines whether investment in subsidiaries needs to be impaired when indicators of impairment exist. This requires an estimation of the value-in-use of the subsidiaries owned by the Company. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the subsidiaries, discounted at a suitably risk-adjusted rate in order to calculate present value. Sensitivity analysis has been undertaken to determine the effect of changing the discount rate, the terminal value and future cash flows on the present value calculation, which is shown in note 2 on pages 199 and 200.

2 Investment in subsidiaries

	£'m
Cost	
At 31 January 2018	4,130.6
Capital contributions arising from share-based payments	1.6
At 31 January 2019	4,132.2
Capital contributions arising from share-based payments	**0.5**
At 31 January 2020	**4,132.7**
Amounts provided for	
At 31 January 2018	2,026.4
Amounts provided in the year	1,036.0
At 31 January 2019	3,062.4
Amounts provided in the year	**518.0**
At 31 January 2020	**3,580.4**
Net book value	
At 31 January 2019	1,069.8
At 31 January 2020	**552.3**

See note 38 to the consolidated financial statements for a list of the Company's investments.

The Company has tested the investment in subsidiaries balance for impairment at 31 January 2020 due to the carrying value being in excess of the Company's market capitalisation. The impairment test compares the recoverable amount of investments to its carrying value.

The recoverable amount of the investment has been determined based on a value-in-use calculation using cash flow projections from the Group's Board-approved five-year plan to 2024/25. Terminal values have been included using 2.0% as the expected long term average growth rate of the UK economy, and calculated using the Gordon Growth Model. The cash flows have then been discounted to present value using a suitably risk-adjusted discount rate derived from the Group's weighted average cost of capital being 8.8%.

In the current year, the recoverable amount when compared against the carrying value of the investment in subsidiaries resulted in a deficit of £518.0m, therefore management considered it necessary to impair the investment in subsidiaries balance to its value-in-use of £552.3m. An impairment charge of £518.0m was recognised in the year to 31 January 2020.

The deficit calculated is most sensitive to the discount rate and terminal growth rate assumed. A quantitative sensitivity analysis for each of these as at 31 January 2020 and its impact on the headroom/(deficit) against the carrying value of investment in subsidiaries is as follows:

2 Investment in subsidiaries (continued)

	Pre-tax discount rate		Terminal growth rate	
	+1.0ppt £'m	–1.0ppt £'m	+1.0ppt £'m	–1.0ppt £'m
Impact	(148.7)	185.3	135.3	(109.8)

In the prior year, the recoverable amount when compared against the carrying value of the investment in subsidiaries resulted in a deficit of £1,036.0m, therefore management considered it necessary to impair the investment in subsidiaries balance to its value-in-use of £1,069.8m. An impairment charge of £1,036.0m was recognised in the year to 31 January 2019.

3 Dividends

The Company did not receive any dividends during the current year.

In the prior year the Company received a dividend of £62.5m per share from one of its subsidiaries, Saga Midco Limited, totalling £500.0m.

4 Debtors

	2020 £'m	2019 £'m
Amounts falling due after more than one year		
Amounts due from Group undertakings	**284.6**	323.2
	284.6	323.2

	2020 £'m	2019 £'m
Amounts falling due within one year		
Deferred tax asset	**1.2**	1.4
Other debtors	**1.8**	1.4
	3.0	2.8

5 Creditors – amounts falling due in less than one year

	2020 £'m	2019 £'m
Other creditors	**2.2**	1.4
Accrued interest payable	**1.8**	1.8
	4.0	3.2

6 Creditors – amounts falling due in more than one year

	2020 £'m	2019 £'m
Bond	**250.0**	250.0
Unamortised issue costs	**(1.4)**	(1.7)
	248.6	248.3

7 Called up share capital

	Ordinary shares		
	Number	Nominal value £	Value £'m
Allotted, called up and fully paid			
At 31 January 2018	1,120,295,419	0.01	11.2
Issue of shares	1,707,909	0.01	0.0
As at 31 January 2019	1,122,003,328	0.01	11.2
As at 31 January 2020	**1,122,003,328**	0.01	11.2

8 Commitments

The Company has provided guarantees for the Group's bond, term loan, ship debt, revolving credit facility and bank overdraft (please refer to notes 23 and 28 of the Saga plc consolidated accounts on pages 174 and 182 respectively for further details.)

Alternate Performance Measures (APM)

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 and set out below. APMs are usually derived from financial statement line 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 loss before tax excluding unrealised fair value gains and losses on derivatives, the impairment of the carrying value of fixed assets including goodwill, the impact of the insolvency of Thomas Cook and restructuring costs. It is reconciled to statutory profit before tax within the Operating and Financial Review on page 35.

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 technical accounting adjustments and one-off financial impacts that are not expected to recur.

Adjusted Trading EBITDA

Adjusted Trading EBITDA is defined as earnings before interest payable, tax, depreciation and amortisation, and excludes the amortisation of acquired intangibles, non-trading costs and impairments. It also excludes the impact of IFRS 16 and the Trading EBITDA relating to the our two new cruise ships, the Spirit of Discovery and Spirit of Adventure in line with the Group's debt covenants. It is reconciled to loss before tax within the Operating and Financial Review on page 43.

This measure is linked to the Group's debt covenants, being the denominator in the Group's leverage ratio calculation.

Underlying basic earnings per share

Underlying basic earnings per share represents basic earnings per share excluding the post-tax effect of unrealised fair value gains and losses on derivatives, the impairment of the carrying value of fixed assets including goodwill, the impact of the insolvency of Thomas Cook and restructuring costs. This measure is reconciled to the statutory basic earnings per share in note 12 to the accounts on page 157.

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.

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 35.

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 42.

Adjusted net debt

Adjusted net debt is the sum of the carrying values of the Group's debt facilities less the amount of available cash it holds but excludes the ship debt and the cruise business available cash. 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 45.

Accident year the financial year in which an insurance loss occurs

Add-on an insurance policy that is actively marketed and sold as an addition to a core policy

AGM Annual General Meeting

AICL Acromas Insurance Company Limited

Available cash cash held by subsidiaries within the Group that is not subject to regulatory restrictions, net of any overdrafts held by those subsidiaries

Board Saga plc Board of Directors

Claims frequency the number of claims incurred divided by the number of policies earned in a given period

Claims reserves accounting provisions that have been set to meet outstanding insurance claims, IBNR and associated claims handling costs

Code the UK Corporate Governance Code published by the UK Financial Reporting Council setting out guidance in the form of principles and provisions to address the principal aspects of corporate governance

Combined operating ratio (COR) the ratio of the claims costs and expenses incurred to underwrite insurance (numerator) to the revenue earned by AICL (denominator) in a given period. Can otherwise be calculated as the sum of the loss ratio and expense ratio

Companies Act the UK Companies Act 2006, as amended from time to time

Company Saga plc

Core policy an insurance policy that is actively marketed and sold on its own

Cruise passenger days the total number of days passengers have travelled on a ship, or ships, in a given period

Cruise passengers the number of passengers that have travelled on a Saga cruise in a given period

DBP Deferred Bonus Plan

Diems the total amount of cruise revenue earned per cruise passenger per day

Discontinued operations operations divested or those that have been classified as held for sale whose trading activities relate to a separate line of business or geographical area

Debt ratio (Leverage) the ratio of adjusted net debt to adjusted Trading EBITDA

DTRs (Disclosure and Transparency Rules) rules published by the UK Financial Conduct Authority relating to the disclosure of information by a company listed in the UK

Earned premium insurance premiums that are recognised in the income statement over the period of cover to which the premiums relate, deferred on a 365ths basis

Executive Director executive director of Saga plc (unless otherwise stated)

Expense ratio the ratio of expenses incurred to underwrite insurance (numerator) to the revenue earned by AICL (denominator) in a given period

Financial Conduct Authority (FCA) the independent UK body that regulates the financial services industry, which includes general insurance

GDPR General Data Protection Regulation

GHG Protocol a global standard for how to measure, manage, and report greenhouse gas emissions

GWP (Gross written premiums) the total premium charged to customers for a core insurance product, excluding Insurance Premium Tax but before the deduction of any outward reinsurance premiums, measured with reference to the cover start date of the policy

Group the Saga plc group

Holidays passengers the number of passengers that have travelled on a Saga, Titan or Destinology holiday in a given period

IASB International Accounting Standards Board

IBNR (incurred but not reported) a claims reserve provided to meet the estimated cost of claims that have occurred, but have not yet been reported to the insurer

IFRS International Financial Reporting Standards

IIA Standards Chartered Institute of Internal Auditors Standards

IPO (Initial Public Offering) the first sale of shares by a previously unlisted company to investors on a securities exchange

Leverage ratio the ratio of adjusted net debt to adjusted Trading EBITDA

LIBOR London inter-bank offered rate

Load factor the total number of cruise passengers booked in proportion to the total cruise ship capacity

Loss ratio a ratio of the claims costs (numerator) to the net earned premium (denominator) in a given period

LR (Listing Rules) a set of mandatory regulations of the UK Financial Conduct Authority and applicable to a company listed in the UK

LTIP Long Term Incentive Plan

Malus an arrangement that permits the forfeiture of unvested remuneration awards in circumstances the Company considers appropriate

Net claims the cost of claims incurred in the period less any claims costs recovered under reinsurance contracts and after the release of any claims reserves

Net earned premium earned premium net of any outward earned reinsurance premium paid

Net interest expense finance costs less finance income

Non-Executive Director (NED) non-executive director of Saga plc

Ogden discount rate the discount rate set by the relevant government bodies, the Lord Chancellor and Scottish Ministers, and used to calculate lump sum awards in bodily injury cases

PBT profit before tax

PECR Privacy and Electronic Communications Regulations

PMI private medical insurance

Policies sold the number of core and add-on insurance policies sold to customers in a given period, measured by reference to the cover start date of the policy

RCF Revolving Credit Facility

Reinsurance contractual arrangements where an insurer transfers part or all of the insurance risk written to another insurer, in exchange for a share of the customer premium

RPI Retail Price Index

Saga Way the internal framework that guides the behaviours of our employees

SIP Share Incentive Plan

Simpler Saga Group wide project launched in January 2020 with the goal of increasing the pace of execution and efficiency across the business. The project involves the review of all areas on the business with a focus on flattening our structures to become closer to our customers and ensuring we are being as efficient as possible.

Solvency capital/Solvency II insurance regulations designed to harmonise European Union insurance regulation. Primarily this concerns the amount of capital that European insurance companies must hold under a measure of capital and risk

Sustainable Development Goals set in 2015 by the United Nations General Assembly are the blueprint to achieve a better and more sustainable future for all. . They address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice

tCO_2e tonnes of carbon dioxide equivalent, which is a measure that allows comparison of the emissions of other greenhouse gases relative to one unit of CO_2

TSR (total shareholder return) the theoretical growth in value of a shareholding over a period, by reference to the beginning and ending share price, and assuming that dividends, including special dividends, are reinvested to purchase additional units of the equity

Unearned premium an amount of insurance premium that has been written but not yet earned

Financial calendar
2020 Annual General Meeting – 22 June 2020

Shareholder information on-line
The Company will publish annual reports, notices of shareholder meetings and other documents which we are required to send to shareholders (shareholder information) on a website. Consenting shareholders will be notified either by post or email, if preferred, each time the Company publishes shareholder information. This allows us to increase speed of communication, reduce our impact on the environment and keep costs to a minimum.

You can change your communication preference via the Saga Shareholder Services Portal www.sagashareholder.co.uk or by contacting Saga Shareholder Services. In order to register on the portal, you require your 11-digit investor code (IVC). You can find your IVC on communications such as your share certificate. The Saga Shareholder Services Portal allows you to manage your shareholding easily and securely on-line. You can also change your personal details; view your holding and get an indicative valuation; view dividend information; register proxy voting instructions; reinvest your dividends to buy additional Saga plc shares; buy and sell shares; and register bank details so that dividends can be paid directly to your account.

Shareholder fraud
Shareholders are advised to be wary of any unsolicited advice or offers, whether over the telephone, through the post or by email. If any such unsolicited communication is received; please check the company or person contacting you is properly authorised by the FCA before getting involved. Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way; you may lose your money. For more information, or if you are approached by fraudsters, please visit the FCA website www.fca.org.uk/consumers/scams, where you can report and find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters; you should contact Action Fraud on 0300 123 2040.

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Information for investors
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Registrars
Link Asset Services

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Shareholder Helpline: 0800 015 5429 – calls to Freephone numbers will vary by provider. If you are outside the UK, call +44 (0)333 300 1581 – calls outside the UK will be charged at the applicable international rate. Lines are open 9am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

enquiries@sagashareholder.co.uk

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Registered in England. Company Number: 08804263

Corporate websites
Information made available on the Group's websites does not, and is not intended to, form part of these Results.

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