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

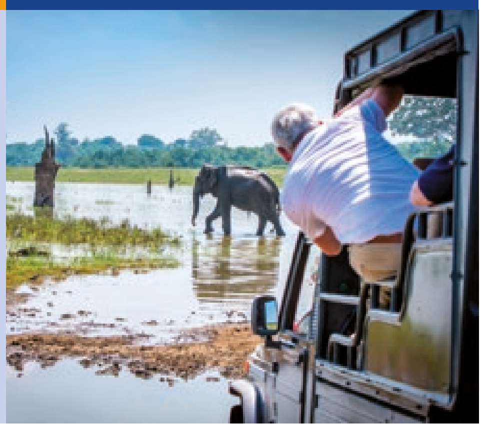
Drove engagement with the launch of a Possibilities app and a digital edition of the Saga magazine exclusive to Possibilities' members

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.

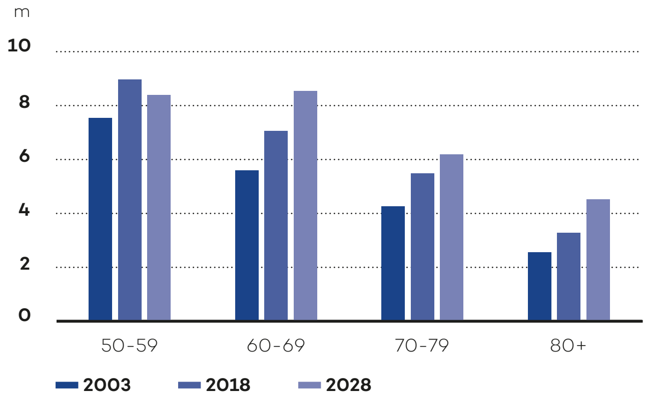
The Saga customer

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

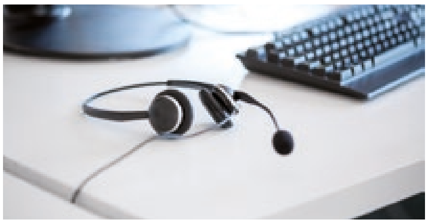
SUSTAINABILITY STRATEGY PAGE 18

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.

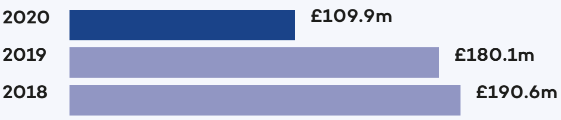
- Improved the sustained engagement score from 70% in 2018/19 to 73% in 2019/20
- Enhanced our engagement through the People Committee, our workforce advisory panel. The Committee gathered the views and opinions of our people and provided feedback to the plc Board
- Saga continued to be a member of the 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.

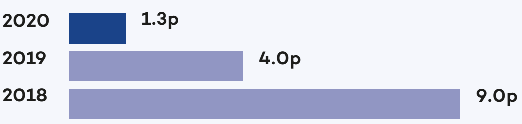
Purpose
This measure is linked to the Group's KPI, Underlying Profit Before Tax, and represents what management considers to be the underlying shareholder value generated in the period.

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.

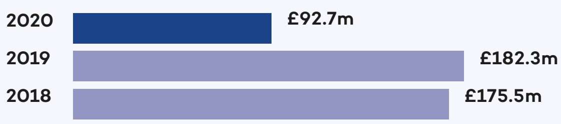
Purpose
This measure highlights an element of shareholders' return.

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.

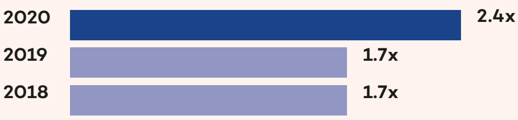
Purpose
This measure indicates the cash generation of the business.

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.

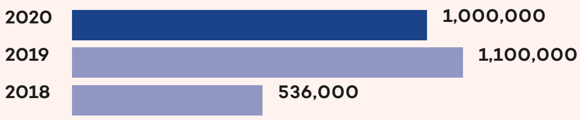
Purpose
This measure represents the Group's financial flexibility.

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.

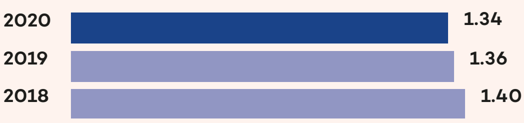
Purpose
This metric is an important measure to track the Group's plan to grow its membership base.

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.

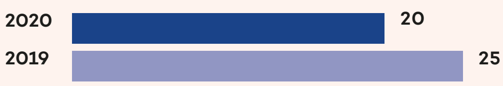
Purpose
This metric indicates how the Group is tracking against its aim to increase multiple product holdings within its customer base.

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:

SHAREHOLDERS
AGMs, investor roadshows, investor conferences

PARTNERS AND SUPPLIERS
Contract negotiations and reviews, external benchmarking

COMMUNITY
Local charity relationships, volunteer days, community events

Board Committees

Saga Board

People Committee

CUSTOMERS AND POSSIBILITIES MEMBERS
Customer satisfaction surveys, promoter scores, focus groups

COLLEAGUES
Colleague surveys, engagement scores, listening forums, People Committee

REGULATORS
FCA, CAA and ABTA

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

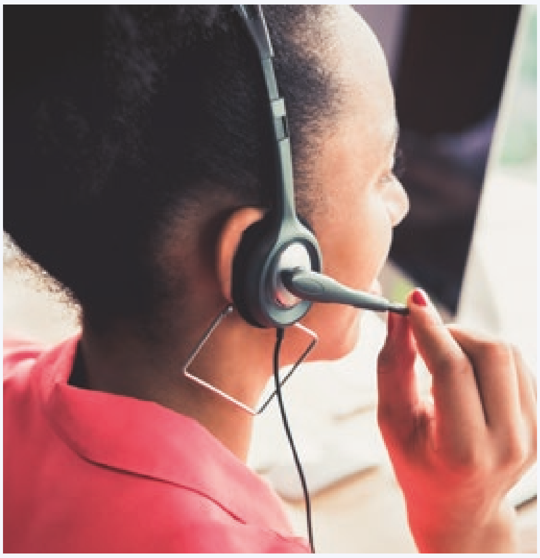
Notes:
1 Directors of the Company including Executive and Non-Executive
2 All divisional directors, and employees with strategic input and influence
3 All Saga employees (excluding Directors and senior managers)

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

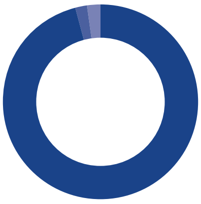
We are working in collaboration with our new waste disposal provider to reduce our waste and improve recycling. The new process will enable us to more accurately split our office waste into three clear waste streams and continue our nil to landfill for our Saga branded office sites. The data we receive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

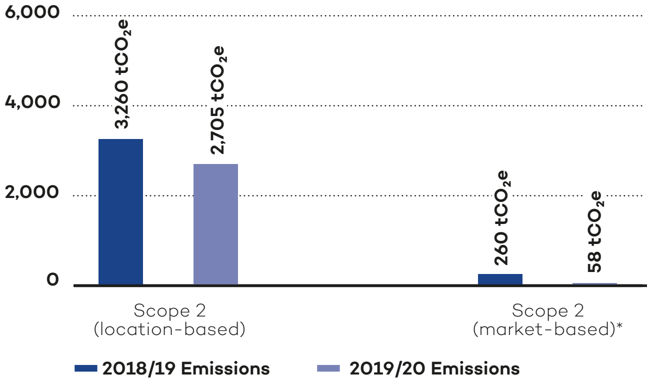
A third of Saga's company car fleet is either electric or hybrid vehicles. During the year we continued to encourage company car drivers to select more environmentally friendly options. Additional electric charging points have been installed in our office car parks to support this. We have continued 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.

£m	**12m to Jan 2020** Reported	Quota share	Underlying	*Change*	12m to Jan 2019 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

£m	**12m to Jan 2020** Tour Operations	Cruising	Total Travel	*Change*	12m to Jan 2019 (restated) 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