	Note	2020 £'m	2019 (restated) £'m
Gross earned premiums	3	**233.9**	238.1
Earned premiums ceded to reinsurers	3	**(145.7)**	(136.0)
Net earned premiums	3	**88.2**	102.1
Other revenue	3	**709.1**	739.4
Total revenue	3	**797.3**	841.5
Gross claims incurred	26	**(159.9)**	(129.7)
Reinsurers' share of claims incurred	26	**129.1**	120.1
Net claims incurred	26	**(30.8)**	(9.6)
Other cost of sales		**(395.1)**	(395.4)
Total cost of sales	3	**(425.9)**	(405.0)
Gross profit		**371.4**	436.5
Administrative and selling expenses	4	**(251.3)**	(244.5)
Impairment of assets	5	**(400.5)**	(315.9)
Investment income	6	**1.2**	0.7
Finance costs	7	**(21.8)**	(12.6)
Finance income	8	**0.1**	1.0
Loss before tax		**(300.9)**	(134.8)
Tax expense	10	**(11.9)**	(27.4)
Loss for the year		**(312.8)**	(162.2)
Attributable to:			
Equity holders of the parent		**(312.8)**	(162.2)
Earnings Per Share:			
Basic	12	**(27.9p)**	(14.5p)
Diluted	12	**(27.9p)**	(14.5p)

For details of the restatement please see notes 2.5 and 39.

The notes on pages 130 to 194 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2020

	Note	2020 £'m	2019 (restated) £'m
Loss for the year		**(312.8)**	(162.2)
Other comprehensive income			
Other comprehensive income to be reclassified to income statement in subsequent years			
Net (losses)/gains on hedging instruments during the period	19	**(11.2)**	0.5
Recycling of previous gains to income statement on matured hedges	19	**(2.6)**	(2.9)
Total net losses on cash flow hedges		**(13.8)**	(2.4)
Associated tax effect		**2.4**	0.4
Net gains/(losses) on fair value financial assets during the period		**8.1**	(1.3)
Associated tax effect		**(1.4)**	0.2
Total other comprehensive losses with recycling to income statement		**(4.7)**	(3.1)
Other comprehensive income not to be reclassified to income statement in subsequent years			
Re-measurement (losses)/gains on defined benefit plans	25	**(5.4)**	2.1
Associated tax effect		**0.9**	(0.4)
Total other comprehensive (losses)/gains without recycling to income statement		**(4.5)**	1.7
Total other comprehensive losses		**(9.2)**	(1.4)
Total comprehensive losses for the year		**(322.0)**	(163.6)
Attributable to:			
Equity holders of the parent		**(322.0)**	(163.6)

The notes on pages 130 to 194 form an integral part of these consolidated financial statements.

	Note	**2020 £'m**	2019 (restated) £'m
Assets			
Goodwill	14	**778.4**	1,175.0
Intangible fixed assets	15	**57.1**	62.8
Property, plant and equipment	17	**425.0**	181.4
Right of use assets	18	**25.7**	22.6
Financial assets	19	**378.1**	426.2
Deferred tax assets	10	**22.3**	14.9
Reinsurance assets	26	**62.1**	96.8
Inventories		**5.4**	4.0
Trade and other receivables	22	**209.0**	216.6
Assets held for sale	36	**33.8**	–
Cash and short term deposits	23	**97.9**	122.9
Total assets		**2,094.8**	2,323.2
Liabilities			
Retirement benefit scheme obligations	25	**5.5**	2.8
Gross insurance contract liabilities	26	**443.6**	490.6
Provisions	29	**7.7**	10.0
Financial liabilities	19	**690.3**	481.7
Deferred tax liabilities	10	**4.2**	7.8
Current tax liabilities		**7.7**	17.2
Contract liabilities	27	**153.2**	144.7
Trade and other payables	24	**185.9**	207.5
Liabilities held for sale	36	**8.5**	–
Total liabilities		**1,506.6**	1,362.3
Equity			
Issued capital	31	**11.2**	11.2
Share premium		**519.3**	519.3
Retained earnings		**65.4**	401.4
Share-based payment reserve		**7.8**	13.3
Fair value reserve		**4.9**	(1.8)
Hedging reserve		**(20.4)**	17.5
Total equity		**588.2**	960.9
Total equity and liabilities		**2,094.8**	2,323.2

For details of the restatement, please see notes 2.5 and 39.

The notes on pages 130 to 194 form an integral part of these consolidated financial statements.

Signed for and on behalf of the Board on 8 April 2020 by

E A Sutherland
Group Chief Executive Officer

J B Quin
Group Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2020

	Attributable to the equity holders of the parent						
	Issued capital £'m	Share premium £'m	Retained earnings £'m	Share-based payment reserve £'m	Fair value reserve £'m	Hedging reserve £'m	Total £'m
At 1 February 2019 (as reported)	**11.2**	**519.3**	**404.8**	**13.3**	**(1.8)**	**17.5**	**964.3**
Effect of adoption of IFRS 16 (note 39)	**–**	**–**	**(3.4)**	**–**	**–**	**–**	**(3.4)**
At 1 February 2019 (restated)	**11.2**	**519.3**	**401.4**	**13.3**	**(1.8)**	**17.5**	**960.9**
Loss for the year	**–**	**–**	**(312.8)**	**–**	**–**	**–**	**(312.8)**
Other comprehensive (losses)/income excluding recycling	**–**	**–**	**(4.5)**	**–**	**6.7**	**(9.3)**	**(7.1)**
Recycling of previous gains to income statement	**–**	**–**	**–**	**–**	**–**	**(2.1)**	**(2.1)**
Total comprehensive (losses)/income	**–**	**–**	**(317.3)**	**–**	**6.7**	**(11.4)**	**(322.0)**
Recognition of non-financial asset from hedging reserve (note 19)	**–**	**–**	**–**	**–**	**–**	**(26.5)**	**(26.5)**
Dividends paid (note 11)	**–**	**–**	**(25.8)**	**–**	**–**	**–**	**(25.8)**
Share-based payment charge (note 34)	**–**	**–**	**–**	**2.2**	**–**	**–**	**2.2**
Exercise of share options	**–**	**–**	**7.1**	**(7.7)**	**–**	**–**	**(0.6)**
At 31 January 2020	**11.2**	**519.3**	**65.4**	**7.8**	**4.9**	**(20.4)**	**588.2**
At 1 February 2018 (as reported)	11.2	519.3	664.8	11.4	(0.7)	19.5	1,225.5
Effect of adoption of IFRS 16 (note 39)	–	–	(3.2)	–	–	–	(3.2)
At 1 February 2018 (restated)	11.2	519.3	661.6	11.4	(0.7)	19.5	1,222.3
Loss for the year (restated)	–	–	(162.2)	–	–	–	(162.2)
Other comprehensive income/(losses) excluding recycling	–	–	1.7	–	(1.1)	0.4	1.0
Recycling of previous gains to income statement	–	–	–	–	–	(2.4)	(2.4)
Total comprehensive losses (restated)	–	–	(160.5)	–	(1.1)	(2.0)	(163.6)
Dividends paid (note 11)	–	–	(100.9)	–	–	–	(100.9)
Share-based payment charge (note 34)	–	–	–	3.8	–	–	3.8
Exercise of share options	–	–	1.2	(1.9)	–	–	(0.7)
At 31 January 2019 (restated)	**11.2**	**519.3**	**401.4**	**13.3**	**(1.8)**	**17.5**	**960.9**

The notes on pages 130 to 194 form an integral part of these consolidated financial statements.

	Note	2020 £'m	2019 (restated) £'m
Loss before tax		**(300.9)**	(134.8)
Depreciation, impairment and profit on disposal, of property, plant & equipment and right of use assets		**43.7**	35.7
Amortisation and impairment of intangible assets		**408.1**	329.6
Share-based payment transactions		**2.1**	3.6
Profit on assets held for sale		**–**	(3.8)
Finance costs		**21.8**	12.6
Finance income		**(0.1)**	(1.0)
Interest income from investments		**(1.2)**	(0.7)
Movements in other assets and liabilities		**(37.8)**	(44.5)
		135.7	196.7
Interest received		**1.2**	0.7
Interest paid		**(19.9)**	(14.3)
Income tax paid		**(25.1)**	(34.8)
Net cash flows from operating activities		**91.9**	148.3
Investing activities			
Proceeds from sale of property, plant and equipment, and right of use assets		**6.3**	0.1
Purchase of and payments for the construction of property, plant and equipment and intangible assets		**(295.3)**	(63.0)
Net disposal/(purchase) of financial assets		**32.8**	(36.9)
Net cash flows used in investing activities		**(256.2)**	(99.8)
Financing activities			
Payment of principal portion of lease liabilities	30	**(15.0)**	(12.3)
Proceeds from borrowings	30	**279.0**	58.0
Repayment of borrowings	30	**(84.2)**	(63.0)
Debt issue costs	30	**(7.9)**	–
Dividends paid		**(25.8)**	(100.9)
Net cash flows from/(used in) financing activities		**146.1**	(118.2)
Net decrease in cash and cash equivalents		**(18.2)**	(69.7)
Cash and cash equivalents at the start of the year		**157.3**	227.0
Cash and cash equivalents at the end of the year	23	**139.1**	157.3

The notes on pages 130 to 194 form an integral part of these consolidated financial statements.

1 Corporate information

Saga plc (the 'Company') is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 (registration number 08804263). The Company is registered in England and its registered office is located at Enbrook Park, Folkestone, Kent CT20 3SE.

Saga Group offers a wide range of products and services to its customer base which includes general insurance products, package and cruise holidays, personal finance products and a monthly subscription magazine.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and with the Companies Act 2006.

The consolidated financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated. The Group has reviewed the appropriateness of the going concern basis in preparing the financial statements, particularly in light of the COVID-19 pandemic, details of which are included below. Based on those assumptions, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the financial statements.

The Group's consolidated financial statements are presented in pounds sterling which is also the parent company's functional currency, and all values are rounded to the nearest hundred thousand (£'m), except when otherwise indicated. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The preparation of financial statements in compliance with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.6.

The consolidated income statement format has been amended to ensure compliance with IFRS 4 'Insurance Contracts' by reporting gross and net insurance revenue and cost of sales.

This is the first set of the Group's annual financial statements in which IFRS 16 'Leases' has been applied. Changes to significant accounting policies are described in section 2.3 on pages 131 to 142.

Going concern

The Directors continue to have a reasonable expectation that the Group has adequate resources to continue in operation for the next twelve months and that the going concern basis of accounting remains appropriate.
The Group's business activities, together with the factors likely to affect its future development and performance, its exposure to risk and its management of these risks, details of its financial instruments and derivative activities, and details of other financial and non-financial liabilities, are described throughout the annual report (see principal risks and uncertainties on pages 32 and 33; Operating and Financial Review on pages 34 to 47; Audit, Risk and Internal Control on pages 70 to 73; Audit Committee Report on pages 74 to 77; Risk Committee Report on pages 78 to 80; and notes on pages 130 to 194). As a consequence, the Directors believe that the Group is well-placed to successfully manage its business risks.

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

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

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

2.1 Basis of preparation (continued)

Going concern (continued)

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

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

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 January each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an investee entity and has the ability to affect those returns through its power over the investee entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiary companies are consolidated using the acquisition method.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases.

In preparing these consolidated financial statements, any intra-group receivables, payables, income and expenses arising from intra-group trading are eliminated. Where accounting policies used in individual financial statements of a subsidiary company differ from Group policies, adjustments are made to bring these policies in line with Group policies.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where a subsidiary which constituted a separate major line of business is disposed of, it is disclosed as a discontinued operation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

Revenue from Contracts with Customers

a. Revenue recognition

Revenue represents amounts receivable from the sale or supply of goods and services provided to customers in the ordinary course of business and is recognised to the extent that it is probable that the future economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is received. The recognition policies for the Group's various revenue streams by segment are as follows:

i) Insurance

Twelve-month insurance policies with no option to fix the premium at renewal ("annual policies"):

Insurance premiums received for risks underwritten by the Group are recognised on a straight-line time-apportioned basis over the period of the policy. The portion of those premiums ceded to reinsurers is also recognised on a straight-line time-apportioned basis over the duration of the policy as a reduction to revenue.

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

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

Premiums in respect of insurance policies underwritten by the Group that have a period of unexpired risk at the reporting date, and which relate to the period after the reporting date, are treated as unearned and included in gross insurance contract liabilities in the statement of financial position. The portion of those unearned premiums ceded to excess of loss reinsurers is recognised as a reinsurance asset on the face of the statement of financial position. The portion of those unearned premiums ceded to quota share reinsurers is recognised as an asset within trade payables, since there is a right of set off within the contract.

2.3 Summary of significant accounting policies (continued)

a. Revenue recognition (continued)

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

Twelve-month insurance policies with the option to fix the premium over three years ("three-year fixed-price policies"):
Insurance premiums received over the duration of three-year fixed-price policies underwritten by the Group are recognised over the three years of cover. Premiums allocated to each of the three policy years are recognised on a straight-line time-apportioned basis within each policy year. The carrying value of the revenue deferred in this instance is recognised as unearned premium within gross insurance contract liabilities in the statement of financial position. The portion of premiums ceded to reinsurers is recognised in the same manner as for annual policies.

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

All insurance policies (both three-year fixed-price policies and annual policies):
Income from credit provided to customers to facilitate payment of their insurance premiums over the life of their policy is treated as part of the revenue from insurance operations and recognised over the period of the policy in proportion to the outstanding premium balance.

Profit commissions due under co-insurance or reinsurance arrangements are recognised and valued in accordance with the contractual terms to which they are subject, when it is highly probable that a significant reversal of revenue will not occur, and on the same basis, where appropriate, as the related reinsured liabilities.

For revenue earned from credit hire and repair services for non-fault claims ('credit hire' and 'credit repair'), the Group initially recognises the revenue at fair value, which is based on a historical assessment of debt recovery and discount levels. Credit hire revenue is recognised from the date that a vehicle is placed on hire equally over the duration of the hire. Credit repair revenue represents income from the recovery of the costs of repair of customers' vehicles. Credit repair revenue is recognised when the work has been completed. Late payment penalties afforded under the terms of the Association of British Insurers General Terms of Agreement ('ABI GTA') are recognised as they become payable by the insurance company.

ii) Travel
Revenue from tour operations and cruise holidays where the Group does not operate the cruise ship is recognised in line with the performance obligations that are included in a package holiday, namely the provision of flights, accommodation, transfers and travel insurance. Revenue is recognised as and when each performance obligation is satisfied.

Revenue in respect of cruise holidays where the Group operates the cruise ship is also recognised in line with the performance obligations being the cruise itself, flights (where applicable), travel insurance and transfers. The portion of revenue allocated to the cruise itself is recognised on a per diem basis over the duration of the cruise in line with when the performance obligation is satisfied. The portion of revenue allocated to each of flights (where applicable), travel insurance and transfers is recognised as and when each performance obligation is satisfied.

An element of revenue which represents the non-refundable deposit received at the time of booking is recognised in the income statement immediately in line with the prevailing rate of cancellation.

Revenue from sales in resort, for example for optional excursions, or onboard a cruise ship operated by the Group, for example bar sales or optional excursions, is recognised as it is earned.

Revenue from tour operations and cruising holidays received in advance of when each performance obligation is satisfied is included as deferred revenue within contract liabilities in the statement of financial position.

iii) Other Businesses and Central Costs
Personal finance
Revenue from personal finance products is recognised when the customer contracts with the provider of the relevant personal finance product where the revenue comprises a one-off payment by the provider of the product.

Where the personal finance product is one that delivers a recurring income stream, the present value of the future expected revenue to be received is recognised when the customer contracts with the provider of the relevant personal finance product, and it is highly probable that a significant reversal of revenue recognised will not occur. For The Saga Savings Product, commissions are earned over the duration of the contract in line with the contractual amount due to the Company.

2.3 Summary of significant accounting policies (continued)

a. Revenue recognition (continued)

Magazine subscriptions

Magazine subscription revenue is recognised on a straight-line basis over the period of the subscription. Revenue generated from advertising within the magazine is recognised when the magazine is provided to the customer.

The element of subscriptions and advertising revenue relating to the period after the reporting date is recognised as deferred revenue within contract liabilities in the statement of financial position.

Printing and mailing

Revenue from printing and mailing services is recognised in line with the performance obligations within customer contracts.

b. Cost recognition

i) Insurance acquisition costs

Acquisition costs arising from the selling or renewing of insurance policies underwritten by the Group are recognised on a straight-line time-apportioned basis over the period of the policy in which the related revenues are earned. The proportion of acquisition costs relating to premiums treated as unearned at the reporting date are deferred and included as other receivables in the statement of financial position.

Incremental costs of obtaining an insurance contract not underwritten by the Group, namely fees charged by price-comparison websites, are recognised as an asset within trade and other receivables on the face of the statement of financial position. Such costs are amortised in line with the pattern of revenue for the related insurance contract, which incorporate the propensity for that contract to renew in future periods based on the prevailing rate of renewal for these types of contract. If the expected amortisation period is one year or less, then incremental costs are expensed when incurred.

ii) Claims costs

Claims costs incurred in respect of insurance policies underwritten by the Group include estimates for claims made for losses reported as occurring during the period together with the related handling costs, any adjustments to claims outstanding from previous periods, and an estimate for the cost of claims incurred during the period but not reported as at the reporting date. The portion of costs recovered from reinsurance is recognised as a reduction to those costs in the same period in which the costs are recognised.

Further detail is provided in note 26.

iii) Finance costs

Finance costs comprise interest paid and payable that is calculated using the effective interest rate ('EIR') method, and it is recognised in the income statement as it accrues. Accrued interest is included within the carrying value of the interest-bearing financial liability in the statement of financial position. Finance costs also include debt issue costs that were initially recognised in the statement of financial position and amortised over the life of the debt, debt issue costs in respect of renegotiating existing facilities that are immediately recognised in the income statement and net fair value losses on derivative financial instruments.

iv) All other expenses

All other expenses are recognised in the income statement as they are incurred.

c. Recognition of other income statement items

i) Investment income

Investment income in the form of interest is recognised in the income statement as it accrues and is calculated using the effective interest rate method. Fees and commissions which are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income in the form of dividends is recognised when the right to receive payment is established. For listed securities, this is the date that the security is listed as ex-dividend.

ii) Gains and losses on financial investments at fair value through profit or loss

Realised and unrealised gains and losses on financial investments are recorded as finance income or finance costs in the income statement. Unrealised gains and losses arising on financial assets measured at fair value through profit and loss, which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or the purchase value for investments acquired during the year, net of the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year. Realised gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value at the date of sale.

2.3 Summary of significant accounting policies (continued)

d. Taxes

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax assets and liabilities also include adjustments in respect of tax expected to be payable or recoverable in respect of previous periods. Current income tax relating to items recognised in other comprehensive income and directly in equity is recognised in other comprehensive income or equity and not in the income statement.

ii) Deferred tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income or equity, in which case the deferred tax is recognised in other comprehensive income or equity as appropriate.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

e. Foreign currencies

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rate at the date that the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevalent at the reporting date.

f. Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Intangible assets acquired in a business combination are measured at their fair value at the date of acquisition and, following initial recognition, are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding internally developed software, are not capitalised and the related expenditure is reflected in the income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets and goodwill are assessed as either finite or indefinite. Estimated useful lives are as follows:

Goodwill	Indefinite
Brands	10 years
Customer relationships	Over the life of the customer relationship
Contracts acquired	Over the life of the contract
Software	3-10 years

2.3 Summary of significant accounting policies (continued)

f. Intangible assets (continued)

Intangible assets with finite lives are amortised over their useful economic life on a basis appropriate to the consumption of the asset and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets and goodwill with indefinite useful lives are not amortised but are tested for impairment at least annually, either individually or at the CGU level. Where the carrying value of the asset exceeds the recoverable amount, an impairment loss is recognised in the income statement immediately. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

g. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date at fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial and non-financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument within the scope of IFRS 9 'Financial Instruments' is measured at fair value with the changes in fair value recognised in the income statement.

Any excess of the cost of acquisition over the fair values of the identifiable assets and liabilities is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable assets and liabilities of the acquired business, the difference is recognised directly in the income statement in the year of acquisition.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to CGUs at the point of acquisition and is reviewed at least annually for impairment.

h. Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that a non-financial asset may be impaired. If such an indication exists, the recoverable amount is estimated and compared with the carrying amount. If the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to its recoverable amount and the impairment loss is recognised immediately in the income statement.

Recoverable amount is calculated as the higher of fair value less costs to sell, and value-in-use. In assessing value-in-use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its value-in use calculations on detailed budgets, plans and long term growth assumptions, which are prepared separately for each of the Group's CGUs to which individual assets are allocated.

2.3 Summary of significant accounting policies (continued)

i. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

Assets in the course of construction at the balance sheet date are classified separately. These assets are transferred to other asset categories when they become available for their intended use.

Depreciation is charged to the income statement on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Land and assets in the course of construction are not depreciated. Estimated useful lives are as follows:

Buildings, properties and related fixtures:	
Buildings	50 years
Fixtures & fittings	3-20 years
Cruise ships	2-30 years
Computers	3-6 years
Plant, vehicles and other equipment	3-10 years

Costs relating to cruise ship mandatory dry-dockings are capitalised and depreciated over the period up to the next dry-docking, where appropriate. All other repairs and maintenance costs are recognised in the income statement as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Estimated residual values and useful lives are reviewed annually.

j. Non-current assets held for sale

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

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

2.3 Summary of significant accounting policies (continued)

k. Financial instruments

i) Financial assets

On initial recognition, a financial asset is classified as either amortised cost, fair value through other comprehensive income (FVOCI); or fair value through profit and loss (FVTPL). The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

	Initial recognition	Subsequent measurement
Amortised cost	A financial asset is measured at amortised cost if it meets both of the following conditions and is not elected to be designated as FVTPL: • It is held within a business model whose objective is to hold assets to collect contractual cash flows, and • Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by any impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss as they are incurred. Any gain or loss on derecognition is recognised in profit or loss immediately.
FVOCI	A debt investment is measured at FVOCI if it meets both of the following conditions and is not elected to be designated as FVTPL: • It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and • Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.	Debt instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are recycled to profit or loss. Equity investments are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
FVTPL	All financial assets not classified as amortised cost or FVOCI as described above are classified as FVTPL and held at fair value. This includes all derivative financial assets. On initial recognition, the Group may irrevocably elect to designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. This election is made on an individual instrument basis.	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss, unless such instrument is designated in a hedging relationship (see (vi) below).

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or when the Group has transferred substantially all the risks and rewards relating to the asset to a third party.

2.3 Summary of significant accounting policies (continued)

k. Financial instruments (continued)

ii) Impairment of financial assets

The expected credit loss (ECL) impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI.

The Group measures loss allowances at an amount equal to 12 month ECLs, except for the following, which are measured as lifetime ECLs:

- Debt securities that are determined to have high credit risk at the reporting date.
- Other debt securities and bank balances for which credit risk has increased significantly since initial recognition.
- Trade receivables and contract assets that result from transactions within the scope of IFRS 15.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the definition of 'investment grade'. The Group considers this to be BBB or higher as per Standard & Poor's rating scale.

Measurement of ECLs

ECLs are measured as a probability-weighted estimate of credit losses. Credit losses are measured as the probability of default in conjunction with the present value of the Group's exposure. Loss allowances for ECLs on financial assets measured at amortised cost are recognised as a provision in the statement of financial position with a corresponding charge to the income statement. For debt instruments measured at FVOCI the loss allowance is recognised in the statement of comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

iii) Financial liabilities

Initial recognition and measurement

All financial liabilities are classified as financial liabilities at amortised cost on initial recognition except for derivatives, which are classified at FVTPL, the gains or losses for which are recognised through other comprehensive income if the instrument is designated as a hedging instrument in an effective hedge.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, derivative financial instruments and lease liabilities.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings and other payables are subsequently measured at amortised cost using the effective interest rate ('EIR') method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

iv) Derivatives

Derivatives are measured at fair value both initially and subsequent to initial recognition. All changes in fair value of non-designated derivatives are recognised in the income statement immediately. Changes in fair value of derivatives designated as cash flow hedges are initially recognised in other comprehensive income until such a point that they are recycled to profit or loss in the same period as the hedged item is recognised in profit or loss, or immediately if the hedged item is no longer expected to occur.

Derivatives are presented as assets when the fair values are positive and as liabilities when the fair values are negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

2.3 Summary of significant accounting policies (continued)

k. Financial instruments (continued)

v) Fair values

The Group measures all financial instruments at fair value at each reporting date, other than those instruments measured at amortised cost.

Fair value is the price that would be required to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market accessible by the Group for the asset or liability or, in the absence of a principal market, in the most advantageous market accessible by the Group for the asset or liability.

The fair values are quoted market prices where there is an active market or are based on valuation techniques when there is no active market or the instruments are unlisted. Valuation techniques include the use of recent arm's-length market transactions, discounted cash flow analysis and other commonly used valuation techniques.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

vi) Hedge accounting

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

The Group has elected to adopt the general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange contracts and commodity swap contracts to hedge the variability in cash flows arising from changes in foreign currency rates and oil prices respectively. For foreign exchange contracts, the Group designates the fair value change of the full forward price as the hedging instrument in cash flow hedging relationships. For commodity hedging, the Group designates the fair value change of the benchmark oil price. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity. Any ineffective portion of the fair value gain or loss is recognised immediately within the income statement.

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

l. Leases

The Group has adopted IFRS 16 'Leases' for the first time in the year ended 31 January 2020. The Group applied IFRS 16 retrospectively and the details of the new accounting policies for leases are disclosed below.

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

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: the contract involves the use of an identified asset; the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Group has the right to direct the use of the asset.

Leases are initially recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Where it is reasonably certain that an extension option will be triggered in a contract, lease payments to be made in respect of the option will be included in the measurement of the lease liability.

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

2.3 Summary of significant accounting policies (continued)

l. Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period using the effective interest rate method and the lease liability is measured at amortised cost using the effective interest rate method.

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

Payments associated with short term leases of equipment and all leases of low-value assets are expensed in profit or loss as incurred in line with the exemption allowed under paragraph 6 of IFRS 16. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture with an individual item value of US$5,000 or less.

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

Income arising from operating leases where the Group acts as lessor is recognised on a straight-line basis over the lease term and is included in operating income.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and fees that an entity incurs in connection with the borrowing of funds.

n. Cash and short term deposits

Cash and short term deposits in the statement of financial position comprise cash at bank and in hand and short term deposits with a maturity of three months or less from their inception date.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, short term deposits as defined above and short term highly liquid investments (including money market funds) with original maturities of three months or less that are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

o. Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. Loss allowances are measured as lifetime ECLs.

p. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred prior to completion and disposal.

q. Insurance contract liabilities

Insurance contract liabilities include an outstanding claims provision, a provision for unearned premiums and, if required, a provision for premium deficiency.

Outstanding claims provision

The provision for outstanding claims is set on an individual claim basis and is based on the ultimate cost of all claims notified but not settled less amounts already paid by the reporting date, together with a provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported at the statement of financial position date, which is estimated using actuarial methods. The outstanding claims provision is not discounted for the time value of money, with the exception of claims settled as periodical payment orders (PPOs).

The amount of any anticipated reinsurance, salvage or subrogation recoveries is separately identified and reported within reinsurance assets and insurance contract liabilities respectively.

Differences between the provisions at the reporting date and settlements and provisions in the following year (known as 'run off deviations') are recognised in the income statement as they arise.

2.3 Summary of significant accounting policies (continued)

q. Insurance contract liabilities (continued)

Provision for unearned premiums

The provision for unearned premiums represents the portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is recognised in the income statement as premium income over the term of the contract on a straight-line basis.

Provision for premium deficiency

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

r. Reinsurance assets

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on insurance contracts issued are classified as reinsurance contracts. A contract is only accounted for as a reinsurance contract where there is significant insurance risk transfer between the insurer and reinsurer.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities under excess of loss cover. Amounts recoverable from reinsurers are estimated in a consistent manner with the outstanding claims provisions in accordance with the relevant reinsurance contract.

The Group assesses its reinsurance assets for impairment at each balance sheet date. For assets that are directly exposed to long tail PPO liabilities a general provision for impairment is provided, calculated on a wholesale basis by reference to published credit rating default curves. For all other reinsurance assets, the carrying value is written down to its recoverable amount only if there is objective evidence of impairment.

For the funds-withheld quota share agreement in motor insurance, the obligation to pay funds and the right to receive reimbursement for incurred claims are presented on a net basis because there is a legally enforceable right to offset these amounts and there is an intention to settle on a net basis or realise both the asset and settle the liability simultaneously. The reinsurance assets recognised under these agreements are recognised as an offset against premium ceded under the same agreement therefore, within trade and other payables.

s. Share-based payments

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

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

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted Earnings Per Share.

2.3 Summary of significant accounting policies (continued)

t. Retirement benefit schemes

During the year, the Group operated a defined benefit pension plan that requires contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method.

Actuarial gains and losses arising in the year are credited/charged to other comprehensive income and comprise the effects of changes in actuarial assumptions and experience adjustments due to differences between the previous actuarial assumptions and what has actually occurred. In particular, the difference between the interest income and the actual return on plan assets is recognised in other comprehensive income.

Other movements in the net surplus or deficit, which include the current service cost, any past service cost and the effect of any curtailment or settlements, are recognised in the income statement. Past service costs are recognised in the income statement on the earlier of the date of plan curtailment and the date that the Group recognises restructuring-related costs. The interest cost less interest income on assets held in the plans is also charged to the income statement.

The defined benefit schemes are funded, with assets of the schemes held separately from those of the Group, in separate Trustee administered funds. Scheme assets are measured using market values and scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. Full actuarial valuations are obtained at least triennially and are updated at each reporting date. The resulting defined benefit asset or liability is presented separately on the face of the statement of financial position. The value of a pension benefit asset is restricted to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

For defined contribution schemes, the amounts charged to the income statement are the contributions payable in the year.

u. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

v. Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the year end, but for which payment has not yet been made.

w. Equity

The Group has ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

2.4 Standards issued but not yet effective

The following is a list of standards and amendments to standards that are in issue but are not effective or adopted as at 31 January 2020. Except where separately disclosed, the effective dates of each of these standards are yet to have been endorsed by the EU and are dependent on the implementation policy adopted by the UK after leaving the EU.

a. IFRS 17 'Insurance Contracts'

IFRS 17 was issued in May 2017 and established a principles-based accounting approach for insurance contracts and will replace IFRS 4. The Group has begun work to determine the full impact of this standard on the Group's financial statements. Our initial assessment is that the standard is likely to have a material impact on the Group's financial statements as it represents a significant change to current insurance accounting requirements. It is proposed that the standard will be effective for annual reporting periods beginning on or after 1 January 2022. The standard has yet to be endorsed by the EU.

b. Amendments to 'References to the Conceptual Framework in IFRS standards

Together with the revised Conceptual Framework published in March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application being permitted, and were endorsed by the EU on 29 November 2019. The amendments will have no effect on the Group's financial statements.

c. Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020, and were endorsed by the EU on 15 January 2020. The amendments are not likely to have a material effect on the Group's financial statements.

d. Definition of a Business (Amendments to IFRS 3)

The amendments in Definition of a Business clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and substantive process that together significantly contribute to the ability to create outputs. The definitions of a business and outputs are narrowed by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. The amendments are effective for annual periods beginning on or after 1 January 2020 and will have no effect on the Group's financial statements.

e. Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments in Definition of Material clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The amendments are effective for annual periods beginning on or after 1 January 2020 and were endorsed by the EU on 29 November 2019. The amendments will have no effect on the Group's financial statements.

f. Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are effective for annual periods beginning on or after 1 January 2022 and are not likely to have a material effect on the Group's financial statements.

2.5 First time adoption of new standards

The Group has adopted IFRS 16 'Leases' for the first time in the year ended 31 January 2020. The Group has elected to apply the fully retrospective approach to IFRS 16 and has therefore restated comparative information to include the impact of adopting the new standard. See note 39 for a reconciliation between the reported and restated comparatives. A practical expedient has been applied where a single discount rate has been applied to a portfolio of leases with similar characteristics.

As a result of adopting IFRS16 the Group recognises new assets and liabilities for its lease of river cruise ships, leased properties, shipping telecommunications equipment and motor vehicles. The nature of expenses relating to these leases changes because the Group recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities, instead of a periodic operating lease expense.

The transition to IFRS 16 has increased the loss after tax by £0.2m for the year ended 31 January 2019. Net assets have decreased by £3.4m as at 31 January 2019.

2.6 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the Group to select accounting policies and make estimates and assumptions that affect items reported in the primary consolidated financial statements and notes to the consolidated financial statements.

The major areas of judgement used as part of accounting policy application are summarised below:

Significant judgements

Acc. policy	Items involving judgement	Critical accounting judgement
2.3a	Revenue recognition – performance obligations	Identification of performance obligations within contracts with customers, and the subsequent allocation of the transaction price to each performance obligation.
2.3ai	Classification of insurance contracts	Assessment of whether significant insurance risk is transferred, and in particular assessment of whether reinsurance arrangements constitute a reinsurance contract under IFRS 4, for example, the funds-withheld quota share contract.
2.3h	Impairment testing of goodwill and other major classes of assets	The Group determines whether goodwill needs to be impaired on an annual basis, or more frequently as required. In the year to 31 January 2020, management has deemed it necessary to impair the goodwill allocated to the Insurance CGU, and impair the goodwill and other intangibles allocated to the Destinology CGU. In the year to 31 January 2020, management has also exercised its judgement in relation to the impairment of the cruise ship, the Saga Sapphire.
2.3k	Financial instruments	Classification of financial instruments, including assessment of market observability of valuation inputs.
2.3l	Leases – extension and termination options	Assessment of whether it is probable that the Group will exercise any extension of termination options included within lease contracts.

2.6 Significant accounting judgements, estimates and assumptions (continued)

Significant estimates

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may therefore differ from those estimates.

The table below sets out those items the Group considers susceptible to changes in critical estimates and assumptions together with the relevant accounting policy.

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3ai	Revenue recognition – three-year fixed-price insurance policies	The stand-alone selling price of the option to fix within the Group's three-year fixed-price insurance policies has been estimated using the expected cost plus a margin approach as set out in paragraph 79 (b) of IFRS 15. An allowance has also been made for the likelihood that the option will be exercised by factoring in the expected rate of renewal at the first and second renewal dates. The amount of revenue deferred upon initial recognition is therefore reduced to the extent that it is estimated that customers will not exercise the option due to the fact that they either decide not to renew or they make a claim that releases the Group from its obligation to fix the customer price.
2.3bi	Cost recognition – incremental costs of obtaining an insurance contract	Incremental costs of obtaining an insurance contract not underwritten by the Group, namely fees charged by price-comparison websites, are recognised as an asset on the statement of financial position. Such costs are amortised in line with the pattern of revenue for the related insurance contract, which incorporate the propensity for that contract to renew in future periods based on the prevailing rate of renewal for these types of contract.
2.3h	Goodwill impairment testing	The Group determines whether goodwill needs to be impaired on an annual basis. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, discounted at a suitably risk-adjusted rate in order to calculate present value. Sensitivity analysis has been undertaken to determine the effect of changing the discount rate, the terminal value and future cash flows on the present value calculation, which is shown in note 16a on pages 159 and 160.
2.3f & 2.3i	Useful economic lives of intangible assets and PPE	The useful economic lives and residual values of intangible assets and property, plant and equipment are assessed upon the capitalisation of each asset and at each reporting date and are based upon the expected consumption of future economic benefits of the asset. Assets which are in the course of construction are not amortised and are assessed for impairment in line with the requirements of IAS 36.
2.3h	Impairment of cruise ships	In the year to 31 January 2020, management has exercised its judgement in relation to the impairment of the cruise ship, the Saga Sapphire. Management has recalculated the recoverable amount of the Saga Sapphire based on the higher of fair value less costs to sell and its value in use. The recoverable amount was below that calculated by management in the previous year and as such, an impairment charge of £6.3m on the Saga Sapphire has been recognised.

2.6 Significant accounting judgements, estimates and assumptions (continued)

Significant estimates (continued)

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3q	Valuation of insurance contract liabilities	For insurance contracts, estimates have to be made both for the expected cost of claims known but not yet settled (case reserves) and for the expected cost of claims incurred but not yet reported (IBNR), as at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years. Historical claims development is primarily analysed by accident year, geographical area, significant business line and peril. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the best estimate of the ultimate cost of claims. The ultimate cost of claims is not discounted except for those in respect of PPOs, which have been discounted at -1.5% for the year ended 31 January 2020 (2019: -1.5%). The valuation of these claims involves making assumptions about the rate of inflation and the expected rate of return on assets to determine the discount rate. Due to the size of PPO claims, the ultimate cost is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date, and the sensitivity of this assumption is shown in note 20d on pages 171 and 172.
2.3t	Valuation of pension benefit obligation	The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. All significant assumptions and estimates involved in arriving at the valuation of the pension scheme obligation are set out in note 25 on pages 175 to 177.

3 Segmental information

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

- *Insurance:* the segment comprises the provision of general insurance products. Revenue is derived primarily from insurance premiums and broking revenues. This segment is further analysed into four product sub-segments:
  - Retail broking, consisting of:
    - Motor broking
    - Home broking
    - Other insurance broking
  - Underwriting.
- *Travel:* the segment comprises the operation and delivery of package tours and cruise holiday products. The Group owns and operates two cruise ships. All other holiday products are packaged together with third party supplied accommodation, flights and other transport arrangements.
- *Other Businesses and Central Costs:* the segment comprises the Group's other businesses, its central cost base and Membership scheme. The other businesses include the financial services product offering, the domiciliary care services offering, a monthly subscription magazine product and the Group's internal mailing house.

Segment performance is evaluated using the Group's key performance measure of Underlying Profit Before Tax. Items not allocated to a segment relate to transactions that do not form part of the ongoing segment performance or which are managed at a Group level.

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

Goodwill, Group bond and bank loans are not allocated to segments as they are also managed on a Group basis.

3 Segmental information (continued)

2020	Insurance: Motor broking £'m	Insurance: Home broking £'m	Insurance: Other insurance broking £'m	Insurance: Under-writing £'m	Insurance: Total £'m	Travel £'m	Other Businesses and Central Costs £'m	Adjustments £'m	Total £'m
Revenue	**104.7**	**62.5**	**67.9**	**69.1**	**304.2**	**464.1**	**35.6**	**(6.6)**	**797.3**
Cost of sales	(2.8)	–	(12.9)	(30.1)	(45.8)	(365.0)	(15.1)	–	(425.9)
Gross profit	**101.9**	**62.5**	**55.0**	**39.0**	**258.4**	**99.1**	**20.5**	**(6.6)**	**371.4**
Administrative and selling expenses	(73.9)	(29.4)	(25.9)	(2.4)	(131.6)	(77.4)	(48.9)	6.6	(251.3)
Impairment of assets	–	–	–	–	–	(13.3)	(4.2)	(383.0)	(400.5)
Investment income	–	–	–	4.0	4.0	0.4	(3.2)	–	1.2
Finance costs	–	–	–	–	–	(8.0)	(13.8)	–	(21.8)
Finance income	–	–	–	–	–	–	0.1	–	0.1
Profit/(loss) before tax	**28.0**	**33.1**	**29.1**	**40.6**	**130.8**	**0.8**	**(49.5)**	**(383.0)**	**(300.9)**
Reconciliation to Underlying Profit/(Loss) Before Tax									
Profit/(loss) before tax	**28.0**	**33.1**	**29.1**	**40.6**	**130.8**	**0.8**	**(49.5)**	**(383.0)**	**(300.9)**
Net fair value loss on derivative financial instruments	–	–	–	–	–	1.1	–	–	1.1
Impairment of assets	–	–	–	–	–	13.6	3.3	–	16.9
Impairment of goodwill	–	–	–	–	–	–	–	383.0	383.0
Impact of insolvency of Thomas Cook	–	–	–	–	–	3.9	–	–	3.9
Restructuring costs	–	–	–	–	–	0.4	5.5	–	5.9
Underlying Profit/(Loss) Before Tax	**28.0**	**33.1**	**29.1**	**40.6**	**130.8**	**19.8**	**(40.7)**	**–**	**109.9**
Total assets less liabilities					**283.2**	**71.9**	**(144.6)**	**377.7**	**588.2**

All revenue is generated solely in the UK.

3 Segmental information (continued)

2019 (restated)	Insurance: Motor broking £'m	Insurance: Home broking £'m	Insurance: Other insurance broking £'m	Insurance: Under-writing £'m	Insurance: Total £'m	Travel £'m	Other Businesses and Central Costs £'m	Adjustments £'m	Total £'m
Revenue	**113.4**	**74.5**	**68.8**	**93.3**	**350.0**	**457.4**	**40.5**	**(6.4)**	**841.5**
Cost of sales	(2.2)	–	(12.9)	(8.4)	(23.5)	(363.3)	(18.2)	–	(405.0)
Gross profit	**111.2**	**74.5**	**55.9**	**84.9**	**326.5**	**94.1**	**22.3**	**(6.4)**	**436.5**
Administrative and selling expenses	(77.2)	(29.4)	(29.2)	(2.5)	(138.3)	(72.7)	(39.9)	6.4	(244.5)
Impairment of assets	–	–	–	–	–	(5.9)	–	(310.0)	(315.9)
Investment income	–	–	–	4.3	4.3	0.2	(3.8)	–	0.7
Finance costs	–	–	–	–	–	–	(12.6)	–	(12.6)
Finance income	–	–	–	–	–	1.0	–	–	1.0
Profit/(loss) before tax	**34.0**	**45.1**	**26.7**	**86.7**	**192.5**	**16.7**	**(34.0)**	**(310.0)**	**(134.8)**
Reconciliation to Underlying Profit/(Loss) Before Tax									
Profit/(loss) before tax	**34.0**	**45.1**	**26.7**	**86.7**	**192.5**	**16.7**	**(34.0)**	**(310.0)**	**(134.8)**
Net fair value gain on derivative financial instruments	–	–	–	–	–	(1.0)	–	–	(1.0)
Impairment of cruise ships	–	–	–	–	–	5.9	–	–	5.9
Impairment of goodwill	–	–	–	–	–	–	–	310.0	310.0
Underlying Profit/(Loss) Before Tax	**34.0**	**45.1**	**26.7**	**86.7**	**192.5**	**21.6**	**(34.0)**	**–**	**180.1**
Total assets less liabilities					**335.9**	**73.4**	**(184.2)**	**735.8**	**960.9**

For details on the restatement, please see notes 2.5 and 39.

All revenue is generated solely in the UK.

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

	2020 £'m	2019 £'m
Goodwill (note 14)	**778.4**	1,175.0
Group bond and bank loans	**(400.7)**	(439.2)
	377.7	735.8

3 Segmental information (continued)

a. Disaggregation of revenue

Major product lines	**2020 Insurance: Earned premium on insurance underwritten by the Group £'m**	**2020 Insurance: Other revenue £'m**	**2020 Insurance: Total insurance £'m**	**2020 Travel £'m**	**2020 Other Businesses and Central Costs £'m**	**2020 Total £'m**
Gross earned premium on insurance underwritten by the Group	**233.9**		**233.9**			**233.9**
Less: ceded to reinsurers	**(145.7)**		**(145.7)**			**(145.7)**
Net revenue on:						
• Motor broking	**23.8**	**80.9**	**104.7**			**104.7**
• Home broking	**–**	**62.5**	**62.5**			**62.5**
• Other broking	**1.3**	**66.6**	**67.9**			**67.9**
• Underwriting	**63.1**	**6.0**	**69.1**			**69.1**
Tour operations				**346.1**		**346.1**
Cruise				**118.0**		**118.0**
Personal finance					**7.4**	**7.4**
Healthcare					**6.1**	**6.1**
Media					**13.3**	**13.3**
Other					**2.2**	**2.2**
	88.2	**216.0**	**304.2**	**464.1**	**29.0**	**797.3**

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

3 Segmental information (continued)

b. Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers as accounted for under IFRS 15 (the amounts stated here do not include amounts accounted for under IFRS 4):

	2020 £'m	2019 £'m
Contract cost assets	**2.6**	4.5
Contract liabilities	**153.2**	144.7

The contract cost assets relate to commissions paid to price comparison websites to acquire new business policies not underwritten by the Group.

Management expects that incremental commission fees paid to price comparison websites as a result of obtaining insurance contracts are recoverable. The Group has therefore capitalised them as contract assets amounting to £5.9m for the year ended 31 January 2020 (2019: £7.8m). These fees are amortised over the period of the expected renewal cycle. In the year to 31 January 2020, the amount of amortisation was £5.9m (2019: £6.1m) and there was no impairment loss in relation to the costs capitalised.

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

The contract liabilities relate to the deferral of revenue for performance obligations not satisfied as at 31 January 2019 and the advance consideration received from customers for holidays or cruises booked but not travelled and insurance premiums received in advance of the inception date.

Significant changes in the contract assets and the contract liabilities during the year are as follows:

	2020		2019	
	Contract cost assets	Contract liabilities	Contract cost assets	Contract liabilities
Balance as at 1 February	**4.5**	**144.7**	2.8	142.7
Released to the income statement in the period	**(5.9)**	**(131.3)**	(6.1)	(133.6)
Additional contract balances incurred during the period	**5.9**	**140.4**	7.8	135.6
Reclassification to assets/liabilities held for sale	**(1.9)**	**(0.6)**	–	–
Balance as at 31 January	**2.6**	**153.2**	4.5	144.7

c. Transaction price allocated to the remaining performance obligations

As at 31 January 2020, the amount allocated to the Group's Membership scheme, Saga Possibilities, is £0.6m (2019: £0.8m). This will be recognised as revenue over the duration of Membership, which is expected to be over the next one to three years depending on the duration of each Membership contract.

The transaction price allocated to three year fixed price insurance policy renewal options where the remaining performance obligations are not expected to be satisfied within the next 12 months is £0.8m (2019: £nil). This is expected to be recognised as revenue in the next one to three years.

The transaction price allocated to customer contracts within the Travel segment where the remaining performance obligations are not expected to be satisfied within the next 12 months is £1.1m (2019: £13.3m). This is expected to be recognised as revenue in the subsequent one to two years.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

4 Administrative and selling expenses

	2020 £'m	2019 (restated) £'m
Staff costs (excluding restructuring costs)	**98.7**	99.1
Marketing and fulfilment costs	**69.3**	65.3
Short term and low value asset lease rentals	**0.3**	0.2
Auditors' remuneration	**1.7**	1.3
Other administrative costs	**57.6**	59.0
Amounts ceded under reinsurance contracts	**(4.6)**	(4.3)
Depreciation – property, plant and equipment (note 17)	**4.1**	4.8
Depreciation – right of use assets (note 18)	**2.0**	2.0
Amortisation of intangible assets (note 15)	**16.7**	18.7
Restructuring costs	**1.6**	–
Cost of Thomas Cook insolvency	**3.9**	–
Non-trading items	**–**	(1.6)
	251.3	244.5

a. Auditors' remuneration

	2020 £'m	2019 £'m
Audit of the parent company and consolidated financial statements	**0.6**	0.3
Audit of subsidiary financial statements	**0.9**	0.8
Audit-related assurance services	**0.2**	0.2
Total auditors' remuneration	**1.7**	1.3

5 Impairment of assets

During the year, the Group has impaired the carrying value of the goodwill balance allocated to the Insurance CGU by £370.0m (2019: £310.0m) and Destinology CGU by £13.0m (2019: £nil). The Group has also impaired software and acquired intangibles in the Destinology CGU by £1.3m (2019: £nil) and £5.7m (2019: £nil) respectively. See note 16a for further details.

The Group has impaired property, plant and equipment and right of use assets in its mailing business by £3.1m (2019: £nil) and £0.2m (2019: £nil) respectively. The Group has also impaired software and property, plant and equipment in its healthcare business by £0.8m and £0.1m respectively (2019: £nil and £nil).

In the prior year the Group also impaired the carrying value of the Saga Pearl II and the Saga Sapphire in line with third party valuations received. In the current year management has recalculated the recoverable amount of the Saga Sapphire based on the higher of fair value less costs to sell and its value in use. The recoverable amount was below that calculated by management in the previous year and as such, an impairment charge of £6.3m on the Saga Sapphire has been recognised. The total impairment charge of £6.3m (2019: £5.9m) includes a write-down of the carrying value of property, plant and equipment of £6.3m (2019: £4.3m) (note 17) and a write-down of the carrying value of technical stock of £nil (2019: £1.6m).

6 Investment income

	2020 £'m	2019 £'m
Interest income recognised using the EIR method	**5.7**	4.8
Gains on assets measured at FVTPL	**0.9**	1.6
Amounts ceded under reinsurance contracts	**(5.4)**	(5.7)
	1.2	0.7

7 Finance costs

	2020 £'m	2019 (restated) £'m
Interest and charges on debt and borrowings	**19.5**	11.5
Net fair value loss on derivative financial instruments	**1.1**	–
Net interest and finance charges payable on lease liabilities	**1.2**	1.1
	21.8	12.6

8 Finance income

	2020 £'m	2019 £'m
Net finance income on pension schemes	**0.1**	–
Net fair value gain on derivative financial instruments	**–**	1.0
	0.1	1.0

9 Directors and employees

Amounts charged to the income statement for the year are as follows:

	2020 £'m	2019 £'m
Wages and salaries	**104.5**	102.9
Social security costs	**10.5**	10.7
Pension costs (note 25)	**10.6**	10.3
Total staff costs	**125.6**	123.9

Staff costs (including restructuring and redundancy costs) of £25.8m (2019: £23.2m) and £99.8m (2019: £100.7m) have been allocated to cost of sales and to administrative and selling expenses respectively.

Average monthly number of employees:

	2020	2019
Insurance	**1,766**	1,911
Travel	**2,408**	2,134
Other Businesses and Central Costs	**1,030**	997
Total staff numbers	**5,204**	5,042

During the year, the Group purchased Saffron Maritime Limited, which employs the crew that work on the Group's cruise ships. In the current year, the number of employees in the Travel segment includes 1,120 crew who were employed directly by the Group. For the prior year the number of employees in the Travel segment included 852 crew who were employed indirectly via a manning agency.

Directors' remuneration

The information required by the Companies Act 2006 and the Listing Rules of the FCA is contained on pages 81 to 108 in the Directors' Remuneration Report.

9 Directors and employees (continued)

Compensation of key management personnel of the Group

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and comprise the Directors of the Company and the Chief Executive Officers of the major businesses within the trading segments.

The amounts recognised as an expense during the financial year in respect of key management personnel are as follows:

	2020 £'m	2019 £'m
Short term benefits	5.1	4.7
Share-based payments	0.5	1.0
	5.6	5.7

10 Tax

The major components of the income tax expense are:

	2020 £'m	2019 £'m
Consolidated income statement		
Current income tax		
Current income tax charge	16.4	36.5
Adjustments in respect of previous years	(0.8)	0.4
	15.6	36.9
Deferred tax		
Relating to origination and reversal of temporary differences	(1.1)	(8.9)
Adjustments in respect of previous years	(2.6)	(0.6)
	(3.7)	(9.5)
Tax expense in the income statement	11.9	27.4

Reconciliation of tax expense to loss before tax multiplied by the UK corporation tax rate:

	2020 £'m	2019 (restated) £'m
Loss before tax	(300.9)	(134.8)
Tax at rate of 19.00% (2019: 19.00%)	(57.2)	(25.6)
Adjustments in respect of previous years	(3.4)	(0.2)
Expenses not deductible for tax purposes:		
Impairment of goodwill	72.8	58.9
Associated deferred tax on impairment of goodwill	–	(6.7)
Other non-deductible expenses/non-taxed income	(0.3)	1.0
Tax expense in the income statement	11.9	27.4

The Group's tax expense for the year was £11.9m (2019: £27.4m) representing a tax effective rate of 14.5% before the impairment of goodwill and associated deferred tax (2019 restated: 19.5%).

Adjustments in respect of previous years includes an adjustment for the over provision of tax charge in previous years of £3.4m (2019: £0.2m).

10 Tax (continued)

Deferred tax

	Consolidated statement of financial position		Consolidated income statement	
	2020 £'m	2019 (restated) £'m	**2020 £'m**	2019 (restated) £'m
Excess of depreciation over capital allowances	**8.5**	4.5	**(4.0)**	(0.9)
Intangible assets	**–**	(1.3)	**(1.3)**	(0.3)
Retirement benefit scheme liabilities	**0.9**	0.5	**0.5**	0.3
Short term temporary differences	**8.7**	3.4	**1.1**	(8.6)
Deferred tax credit			**(3.7)**	(9.5)
Net deferred tax assets	**18.1**	7.1		

Short term temporary differences include deferred tax recognised on designated hedges recognised through OCI, the share-based payment reserve and general bad debt provision. Deferred tax is reflected in the statement of financial position as follows:

	2020 £'m	2019 (restated) £'m
Deferred tax assets	**22.3**	14.9
Deferred tax liabilities	**(4.2)**	(7.8)
Net deferred tax assets	**18.1**	7.1

Reconciliation of net deferred tax assets

	2020 £'m	2019 (restated) £'m
At 1 February	**7.1**	(2.6)
Tax credit recognised in the income statement	**3.7**	9.5
Tax credit recognised in other comprehensive income	**1.9**	0.2
Tax credit recognised directly into the hedging reserve	**5.4**	-
At 31 January	**18.1**	7.1

Measures were enacted in the Finance Act 2015 to reduce the corporation tax rate from 20% to 19% from 1 April 2017, and to 18% from 1 April 2020. A further reduction to 17% from 1 April 2020 was announced on 16 March 2016 and has been enacted at the balance sheet date. As a result, the closing deferred tax balances have been reflected at 17%. We expect net deferred tax assets/(liabilities) to be normally settled within 12 months. On 11 March 2020, it was announced that the corporation tax rate will remain at 19% from 1 April 2020.

The Group has tax losses which arose in the UK of £4.2m (2019: £4.2m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group. They have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group was able to recognise all unrecognised deferred tax assets, the profit would increase by £0.7m (2019: £0.7m).

11 Dividends

Declared and paid during the year:	2020 £'m	2019 £'m
Final dividend for the year ended 31 January 2019: 1.0 pence per share (2019: 6.0 pence per share)	**11.2**	67.1
Interim dividend for the year ended 31 January 2020: 1.3 pence per share (2019: 3.0 pence per share)	**14.6**	33.6
	25.8	100.7
Proposed after the end of the reporting period and not recognised as a liability:		
Final dividend for the year ended 31 January 2020: nil pence per share (2019: 1.0 pence per share)	**–**	11.2

Given the uncertain implications of COVID-19, the board of Directors do not recommend the payment of a final dividend for the 2019/20 financial year.

In addition to the dividends declared and paid during the year stated above, dividend equivalents of £nil (2019: £0.2m) have been paid. These dividend equivalents relate to previously declared dividends which only become payable when certain share options are exercised.

Saga plc has £48.8m of distributable reserves at 31 January 2020 available for distribution to support the Dividend Policy. The distributable reserves of Saga plc are £48.8m as at 31 January 2020 which are equal to the retained earnings reserve. If necessary, its subsidiary companies hold significant reserves from which a dividend can be paid. Subsidiary distributable reserves are available immediately with the exception of companies within the Travel and Underwriting segments, which require regulatory approval before any dividends can be declared and paid.

12 Earnings Per Share

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

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

The calculation of basic and diluted EPS is as follows:

	2020 £'m	2019 (restated) £'m
Loss attributable to ordinary equity holders	**(312.8)**	(162.2)
Weighted average number of ordinary shares	**m**	m
Shares in issue at 1 February	**1,119.1**	1,118.1
IPO share options exercised	**0.2**	–
LTIP share options exercised	**0.1**	0.9
Other share options exercised	**–**	0.1
Weighted average number for basic EPS and diluted EPS	**1,119.4**	1,119.1
Basic EPS	**(27.9p)**	(14.5p)
Diluted EPS	**(27.9p)**	(14.5p)

12 Earnings Per Share (continued)

The table below reconciles between basic EPS and Underlying Basic EPS:

	2020	2019
Basic EPS	**(27.9p)**	(14.5p)
Adjusted for:		
Derivative losses	**0.1p**	–
Impairment of property, plant and equipment and software	**1.6p**	0.5p
Impairment of goodwill and associated deferred tax	**34.1p**	27.1p
Impact of insolvency of Thomas Cook	**0.4p**	–
Restructuring costs	**0.6p**	–
Underlying Basic EPS	**8.9p**	13.1p

13 Business combinations and acquisition of non-controlling interests

Acquisitions during the year ended 31 January 2020

During the year, the Group purchased Saffron Maritime Limited for £20k.

14 Goodwill

	Goodwill £'m
Cost	
At 1 February 2018 and 31 January 2019	1,485.0
Reclassification to assets held for sale	(13.6)
At 31 January 2020	**1,471.4**
Impairment	
At 1 February 2018	–
Charge for the year	310.0
At 31 January 2019	310.0
Charge for the year (note 16a)	383.0
At 31 January 2020	**693.0**
Net book value	
At 31 January 2020	**778.4**
At 31 January 2019	1,175.0

Goodwill deductible for tax purposes amounts to £nil (2019: £nil).

15 Intangible fixed assets

	Contracts £'m	Brands £'m	Customer relationships £'m	Software £'m	Total £'m
Cost					
At 1 February 2018	5.8	17.9	11.3	119.5	154.5
Additions – internally developed	–	–	–	21.5	21.5
Disposals	–	–	–	(16.3)	(16.3)
Transfer of asset class	–	–	–	(0.3)	(0.3)
At 31 January 2019	5.8	17.9	11.3	124.4	159.4
Additions – internally developed	**–**	**–**	**–**	**21.5**	**21.5**
Disposals	**–**	**–**	**–**	**(1.2)**	**(1.2)**
Transfer of asset class	**–**	**–**	**–**	**5.7**	**5.7**
Reclassification to assets held for sale	**(5.8)**	**(5.2)**	**(3.9)**	**(6.0)**	**(20.9)**
At 31 January 2020	**–**	**12.7**	**7.4**	**144.4**	**164.5**
Amortisation and impairment					
At 1 February 2018	3.3	6.5	10.4	73.1	93.3
Amortisation	1.1	1.8	0.7	16.0	19.6
Disposals	–	–	–	(16.3)	(16.3)
At 31 January 2019	4.4	8.3	11.1	72.8	96.6
Amortisation	**1.0**	**1.8**	**0.2**	**14.3**	**17.3**
Impairment of assets	**–**	**5.7**	**–**	**2.1**	**7.8**
Disposals	**–**	**–**	**–**	**(1.2)**	**(1.2)**
Transfer of asset class	**–**	**–**	**–**	**4.2**	**4.2**
Reclassification to assets held for sale	**(5.4)**	**(3.1)**	**(3.9)**	**(4.9)**	**(17.3)**
At 31 January 2020	**–**	**12.7**	**7.4**	**87.3**	**107.4**
Net book value					
At 31 January 2020	**–**	**–**	**–**	**57.1**	**57.1**
At 31 January 2019	1.4	9.6	0.2	51.6	62.8

Contracts, brands and customer relationships assets acquired through business combinations have been reviewed for indicators of impairment (see note 16b).

The amortisation charge for the year is analysed as follows:

	2020 £'m	2019 £'m
Cost of sales	**0.6**	0.9
Administrative and selling expenses (note 4)	**16.7**	18.7
	17.3	19.6

During the year, the Group disposed of assets with a net book value of £nil (2019: £nil). Profit arising on disposal was £nil (2019: £nil).

16 Impairment of intangible assets

a. Goodwill

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

	2020 £'m	2019 £'m
Insurance, excluding Bennetts	718.6	1,088.6
Insurance, Bennetts	–	13.6
Travel, excluding Destinology	–	59.8
Cruise	35.8	–
Tour Operations, excluding Destinology	24.0	–
Travel, Destinology	–	13.0
	778.4	1,175.0

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

During the year, the Group has made structural changes to its Travel business such that the cash flows of the Cruise business are now managed independently of the Tour Operations businesses. This has required a re-evaluation of the determination of the Group's CGUs, and the Travel excluding Destinology CGU has now been subdivided into separate Cruise and Tour Operations excluding Destinology CGUs. The goodwill asset previously allocated to the Travel excluding Destinology CGU has been allocated to the Cruise and Tour Operations excluding Destinology CGUs based on their relative value-in-use measurements.

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from the Group's Board-approved five-year plan to 2024/25. Terminal values have been included using 2.0% (2019: 2.25%) as the expected long term average growth rate of the UK economy, and calculated using the Gordon Growth Model. The cash flows have then been discounted to present value using a suitably risk-adjusted discount rate based on a market participant cost of capital. The pre-tax discount rates used for each CGU were as follows:

	2020	2019
Insurance, excluding Bennetts	12.6%	9.6%
Travel, excluding Destinology	n/a	11.8%
Cruise	11.3%	n/a
Tour Operations, excluding Destinology	12.2%	n/a
Travel, Destinology	12.2%	12.2%

The value-in-use calculation is sensitive to the assumptions used for forecast cash flows, the long term growth rate and the discount rate selected, all of which require significant judgement. Accordingly, stress testing has been performed on these key assumptions as part of the impairment review to determine whether any reasonably foreseeable change in those assumptions would cause the recoverable amount of the CGU to be lower than its carrying amount of goodwill and other directly attributable assets and liabilities. This stress testing has included a reasonable estimate of the impact of the COVID-19 crisis.

16 Impairment of intangible assets (continued)

a. Goodwill (continued)

The resultant headroom/(deficit) for each of the CGUs against the brought forward carrying value is as follows:

	Headroom /(deficit) £'m
Insurance, excluding Bennetts	(370.0)
Cruise	70.0
Tour Operations, excluding Destinology	62.0
Travel, Destinology	(13.0)

For the Insurance excluding Bennetts CGU, management have used board approved business plans to derive the underlying forecast cash flows after making downward adjustments for programmes and initiatives that are as yet not committed, but have discounted these at a materially higher pre-tax discount rate of 12.6% (2019: 9.6%). The 3.0ppt increase in the pre-tax discount rate is as a result of the fall in Saga's market capitalisation and an increase in the risk premium that is being applied to the Insurance CGU in comparison to the previous year. The underlying forecast cash flows have been prepared on a consistent basis to those used in the prior year, in that they do not include the benefit of management initiatives that will serve to enhance the performance of the business in the future, which is line with the requirements of IAS 36.

The underlying forecast cash flows for the Insurance business used in this calculation are broadly unchanged from the prior year, however the increase in the discount rate has driven a lower value-in-use of £791.6m, from which the net asset value of the Insurance excluding Bennetts CGU of £73.0m must also be deducted. The net asset value excludes intercompany and tax receivables and payables that do not relate to the working capital movements used to derive the value-in-use. As a result, management considers it necessary to impair the goodwill asset allocated to the Insurance excluding Bennetts CGU by £370.0m in the year to 31 January 2020.

Due to the deficit calculated in the Destinology base case for the Destinology CGU, management considers it necessary to impair the goodwill asset allocated to the Destinology CGU in full. The impairment charge has allowed for the latest view of the forecast cash flows in light of the current climate in the travel industry.

No impairment of the goodwill asset allocated to the Cruise and Tour Operations excluding Destinology CGUs is considered necessary, even when considering a stress scenario in which cruises and tours are suspended until September 2020 and demand is adversely affected for the rest of 2020/21 and 2021/22, as a result of the COVID-19 crisis. The situation remains highly uncertain, however, and so a more prolonged and severe impact than that currently modelled could result in the need for impairment.

The headroom/(deficit) calculated is most sensitive to the discount rate and terminal growth rate assumed. A quantitative sensitivity analysis for each of these as at 31 January 2020 and its impact on the headroom / (deficit) against brought forward goodwill carrying values is as follows:

	Pre-tax discount rate		Terminal growth rate	
	+1.0ppt £'m	–1.0ppt £'m	+1.0ppt £'m	–1.0ppt £'m
Insurance, excluding Bennetts	(64.0)	77.3	54.7	(45.3)
Cruise	(69.0)	86.0	64.5	(51.9)
Tour Operations, excluding Destinology	(9.7)	11.9	8.7	(7.2)

b. Other intangible assets

Separately identifiable intangible assets are valued and their appropriate useful lives established at the time of acquisition. The carrying values of these assets and their remaining useful lives are reviewed annually for indicators of impairment.

The Group has assessed the recoverable amount of other intangible assets relating to the Destinology business as at 31 January 2020 and concluded that the value of those assets needed to be impaired by £7.0m, in light of the current climate and outlook for the travel industry. The Group has also impaired software assets relating to the healthcare business of £0.8m.

17 Property, plant and equipment

	Freehold land & buildings £'m	Long leasehold land & buildings (restated) £'m	Cruise ships £'m	Assets in the course of construction £'m	Plant & equipment (restated) £'m	Total (restated) £'m
Cost						
At 1 February 2018	45.0	9.2	104.0	60.4	48.1	266.7
Additions	–	–	–	40.6	4.4	45.0
Disposals	–	–	–	–	(0.3)	(0.3)
Transfer of asset class	–	(0.7)	–	–	2.3	1.6
At 31 January 2019	45.0	8.5	104.0	101.0	54.5	313.0
Additions	**–**	**0.1**	**236.2**	**40.3**	**5.4**	**282.0**
Disposals	**(0.4)**	**–**	**(22.6)**	**–**	**(1.0)**	**(24.0)**
Transfer of asset class	**(3.7)**	**0.9**	**67.0**	**(68.5)**	**12.5**	**8.2**
Reclassification to assets held for sale	**(1.1)**	**–**	**–**	**–**	**(2.4)**	**(3.5)**
At 31 January 2020	**39.8**	**9.5**	**384.6**	**72.8**	**69.0**	**575.7**
Depreciation and impairment						
At 1 February 2018	8.4	2.2	58.0	–	38.2	106.8
Provided during the year	0.8	0.2	13.7	–	4.8	19.5
Impairment of assets	–	–	4.3	–	–	4.3
Disposals	–	–	–	–	(0.3)	(0.3)
Transfer of asset class	–	0.1	–	–	1.2	1.3
At 31 January 2019	9.2	2.5	76.0	–	43.9	131.6
Provided during the year	**0.8**	**0.2**	**16.1**	**–**	**4.4**	**21.5**
Impairment of assets	**–**	**–**	**6.3**	**–**	**3.2**	**9.5**
Disposals	**(0.1)**	**–**	**(17.7)**	**–**	**(1.2)**	**(19.0)**
Transfer of asset class	**(4.3)**	**2.9**	**–**	**–**	**11.4**	**10.0**
Reclassification to assets held for sale	**(1.0)**	**–**	**–**	**–**	**(1.9)**	**(2.9)**
At 31 January 2020	**4.6**	**5.6**	**80.7**	**–**	**59.8**	**150.7**
Net book value						
At 31 January 2020	**35.2**	**3.9**	**303.9**	**72.8**	**9.2**	**425.0**
At 31 January 2019 (restated)	35.8	6.0	28.0	101.0	10.6	181.4

The depreciation charge for the year is analysed as follows:

	2020 £'m	2019 £'m
Cost of sales	**17.4**	14.7
Administrative and selling expenses (note 4)	**4.1**	4.8
	21.5	19.5

During the year, the Group disposed of assets with a net book value of £5.0m (2019: £nil). Profit arising on disposal was £0.5m (2019: £0.1m).

During the year, borrowing costs of £3.5m (2019: £2.5m) have been capitalised in property, plant and equipment and £0.8m (2019: £0.5m) has been capitalised in software in intangible assets, which represents 2.8% (2019: 3.2%) of capital expenditure eligible to capitalise borrowing costs.

18 Right of use assets

	Long leasehold land & buildings £'m	River cruise ships £'m	Plant & equipment £'m	Total £'m
Cost				
At 1 February 2018	13.5	25.6	9.7	48.8
Additions	0.7	–	0.8	1.5
Disposals	(0.7)	(9.5)	(0.5)	(10.7)
Transfer of asset class	–	–	(0.6)	(0.6)
At 31 January 2019	13.5	16.1	9.4	39.0
Additions	**0.2**	**15.9**	**3.4**	**19.5**
Disposals	**(0.2)**	**–**	**(5.4)**	**(5.6)**
Transfer of asset class	**–**	**–**	**0.9**	**0.9**
Effect of modification of lease terms	**–**	**(2.6)**	**–**	**(2.6)**
At 31 January 2020	**13.5**	**29.4**	**8.3**	**51.2**
Depreciation and impairment				
At 1 February 2018	2.5	8.9	4.4	15.8
Provided during the year	1.0	8.6	2.3	11.9
Disposals	(0.7)	(9.5)	(0.5)	(10.7)
Transfer of asset class	–	–	(0.6)	(0.6)
At 31 January 2019	2.8	8.0	5.6	16.4
Provided during the year	**1.0**	**10.4**	**2.0**	**13.4**
Impairment of assets	**–**	**–**	**0.2**	**0.2**
Disposals	**(0.2)**	**–**	**(4.9)**	**(5.1)**
Transfer of asset class	**–**	**–**	**0.6**	**0.6**
At 31 January 2020	**3.6**	**18.4**	**3.5**	**25.5**
Net book value				
At 31 January 2020	**9.9**	**11.0**	**4.8**	**25.7**
At 31 January 2019	10.7	8.1	3.8	22.6

The depreciation charge for the year is analysed as follows:

	2020 £'m	2019 £'m
Cost of sales	**11.4**	9.9
Administrative and selling expenses (note 4)	**2.0**	2.0
	13.4	11.9

During the year, the Group disposed of assets with a net book value of £0.5m (2019: £nil). Profit arising on disposal was £0.4m (2019: £nil).

19 Financial assets and financial liabilities

a. Financial assets

	2020 £'m	2019 £'m
Fair value through profit or loss		
Foreign exchange forward contracts	**0.1**	0.4
Fuel oil swaps	**–**	0.6
Loan funds	**7.8**	6.2
Money market funds	**45.9**	37.1
	53.8	44.3
Fair value through profit or loss designated in a hedging relationship		
Foreign exchange forward contracts	**1.0**	31.2
Fuel oil swaps	**0.1**	1.2
	1.1	32.4
Fair value through other comprehensive income		
Debt securities	**274.2**	280.2
	274.2	280.2
Amortised cost		
Deposits with financial institutions	**49.0**	69.3
	49.0	69.3
Total financial assets	**378.1**	426.2
Current	**126.4**	111.4
Non-current	**251.7**	314.8
	378.1	426.2

Debt securities, money market funds and deposits with financial institutions relate to monies held by the Group's insurance business and are subject to contractual restrictions and are not readily available to be used for other purposes within the Group.

19 Financial assets and financial liabilities (continued)

b. Financial liabilities

	2020 £'m	2019 (restated) £'m
Fair value through profit or loss		
Foreign exchange forward contracts	**2.0**	0.5
Fuel oil swaps	**–**	0.1
	2.0	0.6
Fair value through profit or loss designated in a hedging relationship		
Foreign exchange forward contracts	**23.4**	10.1
Fuel oil swaps	**2.5**	1.4
	25.9	11.5
Amortised cost		
Bond and bank loans (note 28)	**624.3**	439.2
Lease liabilities	**28.6**	27.7
Bank overdrafts	**9.5**	2.7
	662.4	469.6
Total financial liabilities	**690.3**	481.7
Current	**95.6**	54.9
Non-current	**594.7**	426.8
	690.3	481.7

All financial assets that are measured at FVTPL are mandatorily measured at FVTPL and all financial liabilities that are measured at FVTPL meet the definition of held for trading.

c. Fair values

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

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

The objective of using valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date which would have been determined by market participants acting at arm's-length.

Observable prices are those that have been seen either from counterparties or from market pricing sources, including Bloomberg. The use of these depends upon the liquidity of the relevant market.

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

i) Level 1

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

ii) Level 2

These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are quoted prices available for similar instruments in active markets.

The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying instrument.

19 Financial assets and financial liabilities (continued)

c. Fair values (continued)

All the derivative financial instruments are categorised as Level 2 as the fair values are obtained from the counterparty, brokers or valued using observable inputs. Where material, CVA/DVA risk adjustment is factored into the fair values of these instruments. As at 31 January 2020, the marked-to-market values of derivative assets are net of a credit valuation adjustment attributable to derivative counterparty default risk.

The fair values are periodically reviewed by the Group's Treasury Committees.

iii) Level 3

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

The following tables provide the quantitative fair value hierarchy of the Group's financial assets and financial liabilities that are held at fair value:

	As at 31 January 2020				As at 31 January 2019			
	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m	Level 1 £'m	Level 2 (restated) £'m	Level 3 £'m	Total (restated) £'m
Financial assets measured at fair value								
Foreign exchange forwards	–	1.1	–	1.1	–	31.6	–	31.6
Fuel oil swaps	–	0.1	–	0.1	–	1.8	–	1.8
Loan funds	7.8	–	–	7.8	6.2	–	–	6.2
Debt securities	274.2	–	–	274.2	280.2	–	–	280.2
Money market funds	45.9	–	–	45.9	37.1	–	–	37.1
Financial liabilities measured at fair value								
Foreign exchange forwards	–	25.4	–	25.4	–	10.6	–	10.6
Fuel oil swaps	–	2.5	–	2.5	–	1.5	–	1.5
Financial assets for which fair values are disclosed								
Deposits with institutions	–	49.0	–	49.0	–	69.3	–	69.3
Financial liabilities for which fair values are disclosed								
Bond and bank loans	–	624.3	–	624.3	–	439.2	–	439.2
Lease liabilities	–	28.6	–	28.6	–	27.7	–	27.7
Bank overdrafts	–	9.5	–	9.5	–	2.7	–	2.7

There have been no transfers between Level 1 and Level 2 and no non-recurring fair value measurements of assets and liabilities during the year (2019: none).

The value of the debt securities, money market funds and loan funds are based upon publicly available market prices.

Foreign exchange forwards are valued using current spot and forwards rates discounted to present value. They are also adjusted for counterparty credit risk using CDS curves. Fuel oil swaps are valued with reference to the valuations provided by third parties, which use current Platts index rates, discounted to present value.

19 Financial assets and financial liabilities (continued)

d. Cash flow hedges

i) Forward currency risk

During the year ended 31 January 2020, the Group designated 571 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods. These contracts are entered into to minimise the Group's exposure to foreign exchange risk.

	Designated in the year		**At 31 Jan 2020**		At 31 Jan 2019	
Foreign currency cash flow hedging instruments	Volume	£'m	**Volume**	**£'m**	Volume	£'m
Euro (EUR)	163	(3.1)	**245**	**(23.5)**	251	18.0
US dollar (USD)	127	(0.6)	**200**	**0.3**	230	2.5
Other currencies	281	(0.8)	**363**	**(0.9)**	341	0.7
Total	571	(4.5)	**808**	**(24.1)**	822	21.2

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

ii) Commodity price risk

The Group uses derivative financial instruments to mitigate the risk of adverse changes in the price of fuel. The Group enters into fixed price contracts (swaps) in the management of its fuel price exposures. These contracts are expected to reduce the volatility attributable to price fluctuations of fuel and are designated as cash flow hedges. Hedging the price volatility of forecast fuel purchases is in accordance with the risk management strategy outlined by the Board of Directors.

	Designated in the year		**At 31 Jan 2020**		At 31 Jan 2019	
Commodity cash flow hedging instruments	Volume	£'m	**Volume**	**£'m**	Volume	£'m
Hedging instruments	–	–	**50**	**(2.4)**	170	0.2

iii) Hedge maturity profile

The table below summarises the present value of the highly probable forecast cash flows that have been designated in a hedging relationship as at 31 January 2020. These cash flows are expected to become determined in profit or loss in the same period in which the cash flows occur.

Determination period	EUR £'m	USD £'m	Other currencies £'m	Currency hedges £'m	Fuel hedges £'m	Total £'m
1 February 2020 to 31 July 2020	50.5	15.9	9.1	75.5	0.8	76.3
1 August 2020 to 31 January 2021	263.0	18.7	4.2	285.9	0.8	286.7
1 February 2021 to 31 July 2021	14.7	4.3	2.6	21.6	0.4	22.0
1 August 2021 to 31 January 2022	0.9	1.4	0.3	2.6	0.4	3.0
Total	329.1	40.3	16.2	385.6	2.4	388.0

The foreign currency hedges which will be determined in August 2020 include £250.6m relating to the delivery of the new ship (note 35).

During the year, the Group recognised net losses of £4.0m (2019: £5.3m gains) on cash flow hedging instruments through other comprehensive income into the hedging reserve. Additionally, the Group recognised net losses of £7.2m (2019: £6.3m) through other comprehensive income into the hedging reserve, in relation to the specific hedging instrument for the acquisition of two new ships (note 35). The overall net losses of £11.2m (2019: £1.0m) are offset by a net £nil gain (2019: £1.5m) on forecast transactions recognised in the financial statements. The Group has recognised £0.1m gains (2019: £nil) through the income statement in respect of the ineffective portion of hedges measured during the year.

There has been no de-designation of hedges during the year ended 31 January 2020 as a result of cash flows forecast that are no longer expected to occur. During the year, the Group recognised a £2.6m gain (2019: £2.9m) through the income statement in respect of matured hedges which have been recycled from other comprehensive income. The Group also recognised £31.9m (2019: £nil) in property, plant and equipment, in respect of matured hedges which have been recognised directly from the hedging reserve.

20 Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include debt securities, deposits with financial institutions, money market funds and loan funds. The Group also enters into derivative transactions such as foreign exchange forward contracts, fuel and gas oil swaps and interest rate swaps to manage its exposures to various risks.

The Group is exposed to market risk, credit risk, liquidity risk, insurance risk and operational risk. The Group's senior management oversees the management of these risks, supported by the Group Treasury function and Treasury Committees within the key areas of the Group that advise on financial risks and the appropriate financial risk governance framework for the Group. These functions and committees ensure that the Group's financial risks are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities are for risk management purposes and are carried out by the Group's Treasury function. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The Group manages concentration risk on its financial assets through a policy of diversification that is outlined in the Group Treasury Policy and approved by the Board. The policy defines the exposure limit by asset class and to third party institutions based on the credit ratings of the individual counterparties, combined with the views of the Board. On a monthly basis, exposure to each asset class and counterparty is calculated and reported, and compliance with the policy is monitored.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

a. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to the following market risk factors:

- Foreign currency risk.
- Commodity price risk.
- Equity prices.
- Interest rate risk.

The Group has policies and limits approved by the Board for managing the market risk exposure. These set out the principles that the business should adhere to for managing market risk and establishing the maximum limits that the Group is willing to accept considering strategy, risk appetite and capital resources.

The Group has the ability to monitor market risk exposure on a daily basis and has established limits for each component of market risk.

The Group uses derivatives for hedging its exposure to foreign currency, fuel oil prices and interest rate risks. The market risk policy explicitly prohibits the use of derivatives for speculative purposes.

Equity exposures are managed within allocation parameters agreed by the Board and with reference to agreed benchmarks.

i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The Group uses foreign exchange forward contracts to manage the majority of its transaction exposures. The foreign exchange forward contracts, some of which are formally designated as hedging instruments, are entered into for periods consistent with the foreign currency exposure of the underlying transactions, generally from 1 to 24 months. The foreign exchange forward contracts vary with the level of expected foreign currency sales and purchases.

The following table demonstrates the sensitivity of the fair value of forward exchange contracts to a 5% change in US dollar and Euro exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material. The impact is shown net of tax at the current rate.

20 Financial risk management objectives and policies (continued)

a. Market risk (continued)

	Sensitivity of +/– 5% forex rate change in	Effect on the fair value of forward exchange contracts	Effect on profit after tax and equity
2020	**EUR – Trading**	**+/- £4.8m**	**+/- £0.5m**
	EUR – New ships	**+/- £11.0m**	**+/- £0.0m**
	USD	**+/- £2.9m**	**+/- £0.3m**
2019	EUR – Trading	+/– £5.9m	+/– £0.6m
	EUR – New ships	+/– £23.7m	+/– £0.0m
	USD	+/– £4.0m	+/– £0.6m

Since all of the forward exchange contracts held are part of effective hedging relationships, any change to the fair value of the instrument will be offset by an equal and opposite change to the cost of the hedged item resulting in no effect on profit after tax and equity.

ii) Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase of fuel and gas oil to sail its cruise ships and therefore require a continuous supply of fuel and gas oil. The volatility in the price of fuel and gas oil has led to the decision to enter into commodity fuel and gas oil swap contracts. These contracts are expected to reduce the volatility attributable to price fluctuations of fuel and gas oil. Managing the price volatility of forecast oil purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The Group manages the purchase price using forward commodity purchase contracts based on a 24-month forecast of the required fuel oil supply.

The following table shows the sensitivity of the fair value of fuel oil swaps to changes in the US dollar exchange rate with all other variables held constant. The impact is shown net of tax at the current rate.

	Sensitivity of +/– 5% rate change in	Effect on profit after tax and equity
2020	**USD – Fuel oil price**	**+/- £0.0m**
2019	USD – Fuel oil price	+/– £0.1m

iii) Interest rate risk

Interest rate risk arises primarily from medium and long term investments in fixed interest securities. The market value of these investments is affected by the movement in interest rates. This is managed by a policy of holding the majority of investments to maturity by closely matching asset and liability duration.

It is also ensured that the investment portfolio has a diversified range of investments such that there is a combination of fixed and floating rate securities, as well as other types of investments such as RPI linked securities.

Interest rate risk also arises in respect of the Group's borrowings where the interest rate attaching to those borrowings is not fixed. Where the Group perceives there to be a significant interest rate risk, it manages its exposure to such risks by purchasing interest rate caps to limit the risk.

The following table shows the sensitivity of financial assets and liabilities to changes in the LIBOR rate. The impact is shown net of tax at the current rate.

	Sensitivity of +/– 0.25% rate change in	Effect on profit after tax and equity
2020	**LIBOR**	**+/- £0.2m**
2019	LIBOR	+/– £0.3m

20 Financial risk management objectives and policies (continued)

b. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk in relation to its financial and reinsurance assets, outstanding derivatives and trade and other receivables. The Group assesses its counterparty exposure in relation to the investment of surplus cash, fuel oil and foreign currency contracts, and undrawn credit facilities. The Group primarily uses published credit ratings to assess counterparty strength and therefore to define the credit limit for each counterparty in accordance with approved treasury policies.

The credit risk in respect of trade and other receivables is generally limited as payment from customers is generally required before services are provided. An exception to this in light of the Thomas Cook insolvency is agency debtors, where if a third party tour operator takes a booking on behalf of the Travel business but is forced into liquidation, the Group would still be required to provide the service but would not receive the full amount owed from the third party tour operator. At 31 January 2020, the maximum exposure to credit risk for trade receivables by operating segment was as follows:

	2020 £'m	2019 £'m
Insurance	**50.9**	51.4
Travel	**5.5**	2.3
Other Businesses and Central Costs	**6.8**	7.0
	63.2	60.7
Reclassification to assets held for sale	**(8.2)**	–
	55.0	60.7

Amounts past due but not impaired by operating segment were as follows:

	2020 £'m	2019 £'m
Insurance	**15.8**	15.4
Travel	**1.1**	1.1
Other Businesses and Central Costs	**0.8**	1.7
	17.7	18.2
Reclassification to assets held for sale	**(0.4)**	–
	17.3	18.2

Management believes that the unimpaired amounts that are current and past due by more than 30 days are still collectable in full, based on historical payment behaviour.

Credit risk in relation to deposits and derivative counterparties is managed by the Group's Treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed on a regular basis, and updated throughout the year subject to approval by the Board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through any potential counterparty failure.

20 Financial risk management objectives and policies (continued)

b. Credit risk (continued)

The Group is exposed to the risk of default on the reinsurance arrangements in its insurance business when amounts recoverable under those arrangements become due. Credit risk in respect of reinsurance arrangements is assessed at the time of entering into a reinsurance contract. The Group's reinsurance programme is only placed with reinsurers which meet the Group's financial strength criteria.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 January 2020 and 31 January 2019 is the carrying amount except for derivative financial instruments. The Group's maximum exposure for financial guarantees and financial derivative instruments is noted under liquidity risk. None of the financial assets were impaired at the reporting date.

The Group's financial assets and reinsurance assets are analysed by Moody's rating as follows:

Ratings analysis

31 January 2020

£'m	AAA	AA	A	BBB	Unrated	Total
Debt securities	**15.3**	**117.5**	**54.1**	**87.3**	**–**	**274.2**
Money market funds	**45.9**	**–**	**–**	**–**	**–**	**45.9**
Deposits with financial institutions	**–**	**30.4**	**–**	**18.6**	**–**	**49.0**
Derivative assets	**–**	**–**	**0.7**	**0.5**	**–**	**1.2**
Loan funds	**–**	**–**	**–**	**1.6**	**6.2**	**7.8**
	61.2	**147.9**	**54.8**	**108.0**	**6.2**	**378.1**
Reinsurance assets	**–**	**36.4**	**26.5**	**–**	**0.6**	**63.5**
Total	**61.2**	**184.3**	**81.3**	**108.0**	**6.8**	**441.6**

31 January 2019

£'m	AAA	AA	A	BBB	Unrated	Total
Debt securities	14.8	140.3	41.2	83.9	–	280.2
Money market funds	37.1	–	–	–	–	37.1
Deposits with financial institutions	–	50.8	–	18.5	–	69.3
Derivative assets	–	–	32.6	0.8	–	33.4
Loan funds	–	–	–	–	6.2	6.2
	51.9	191.1	73.8	103.2	6.2	426.2
Reinsurance assets	–	55.5	40.9	–	0.4	96.8
Total	51.9	246.6	114.7	103.2	6.6	523.0

c. Liquidity risk

Liquidity risk is the risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure them only at excessive cost. The Group's approach to managing liquidity risk is to evaluate current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash or availability on its revolving credit facility. The Group manages its obligations to pay claims to policyholders as they fall due by matching the maturity of investments to the expected maturity of claims payments.

The table below analyses the maturity of the Group's financial liabilities and insurance contract liabilities on contractual payments. The analysis of non-derivative financial liabilities is based on the remaining period at the reporting date to the contractual maturity date. The analysis of claims outstanding is based on the expected dates on which the claims will be settled.

31 January 2020

£'m	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Loans and borrowings	**–**	**50.4**	**20.4**	**431.3**	**132.7**	**634.8**
Interest on loans and borrowings	**–**	**21.4**	**18.6**	**38.8**	**16.2**	**95.0**
Insurance contract liabilities	**–**	**69.3**	**53.2**	**107.6**	**179.9**	**410.0**
Derivative liabilities	**–**	**4.2**	**23.7**	**–**	**–**	**27.9**
	–	**145.3**	**115.9**	**577.7**	**328.8**	**1,167.7**

20 Financial risk management objectives and policies (continued)
c. Liquidity risk (continued)

31 January 2019

£'m	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Loans and borrowings	–	50.0	20.0	120.0	250.0	440.0
Interest on loans and borrowings	–	12.1	11.6	28.8	4.2	56.7
Insurance contract liabilities	–	85.5	58.6	131.3	186.1	461.5
Derivative liabilities	–	2.6	8.8	0.1	–	11.5
	–	150.2	99.0	280.2	440.3	969.7

The amounts included above do not include the financing arrangements for the purchase of the new cruise ship to be delivered during the year ended 31 January 2021 (note 35).

d. Insurance risk
Insurance risk arises from the inherent uncertainties as to the occurrence, cost and timing of insured events that could lead to significant individual or aggregated claims in terms of quantity or value. This could be for a number of reasons, including weather-related events, large individual claims, changes in claimant behaviour patterns such as increased levels of fraudulent activities, the use of PPOs, prospective or retrospective legislative changes, unresponsive and inaccurate pricing or reserving methodologies and the deterioration in the Group's ability to effectively and efficiently handle claims while delivering excellent customer service.

The Group manages insurance risk within its risk management framework as set out by the Board. The key policies and processes of mitigating these risks have been implemented, which include underwriting partnership arrangements, reinsurance and excess of loss contracts, pricing policies and claims management, and administration policies.

i) Underwriting and pricing risk
The Group primarily underwrites motor insurance for private cars in the UK. The book consists of a large number of individual risks which are widely spread geographically which helps to minimise concentration risk. The Group has controls in place to restrict access to its products to only those risks that it wishes to underwrite.

The Group has management information to allow it to monitor underwriting performance on a continuous basis and the ability to make pricing and underwriting changes quickly. The Group undertakes detailed statistical analyses of underwriting experience for each rating factor and combinations of rating factors to enable it to adjust pricing for emerging trends.

ii) Reserving risk
Reserving risk is the risk that insufficient funds have been set aside to settle claims as they fall due. The Group undertakes regular internal actuarial reviews and commissions external actuarial reviews at least once a year. These reviews estimate the future liabilities in order to consider the adequacy of the provisions.

Claims which are subject to PPOs are a significant source of uncertainty in the claim's reserves. Cash flow projections are undertaken for PPO claims to estimate the gross and net of reinsurance provisions required. PPO provisions are discounted to reflect expectations of future investment returns and cost inflation.

iii) Reinsurance
The Group purchases reinsurance to reduce the impact of individual large losses or accumulations from a single catastrophic event. During 2016, the Group entered into a funds-withheld quota share reinsurance contract that reinsures 75% of the Group's motor claim risks limited by a loss ratio cap of 120%, effective for three years from 1 February 2016. A new quota share reinsurance contract has been entered into that reinsures 80% of the Group's motor claims risks limited by a loss ratio cap of 130%, effective from 1 February 2019. Prior to this, the Group had quota share reinsurance in place for third party branded motor business for drivers aged under 50. The Group also purchases individual excess of loss protections for the motor portfolio to limit the impact of a single large claim. Similar protections are in place for all years for which the Group has underwritten motor business.

Reinsurance recoveries on individual excess of loss protections can take many years to collect, particularly if a claim is subject to a PPO. This means that the Group has exposure to reinsurance credit risk for many years. Reinsurers are therefore required to have strong credit ratings and their financial health is regularly monitored.

20 Financial risk management objectives and policies (continued)

d. Insurance risk (continued)

iv) Sensitivities

The following table demonstrates the impact on profit and loss and equity of a 1 percentage point variation in the recorded loss ratio at 31 January 2020 and 31 January 2019. The impact of a 1% change in claims outstanding is also shown at the same dates. The impact is shown net of reinsurance and tax at the current rate.

	2020	2019
Impact of 1 percentage point change in loss ratio	**+/- £0.7m**	+/– £0.8m
Impact of 1% change in claims outstanding	**+/- £1.2m**	+/– £1.5m
Impact of a 0.25 percentage point change in discount rate for PPOs	**+/- £3.3m**	+/– £1.7m

e. Operational risk

Effective operational risk management requires the Group to identify, assess, manage, monitor, report and mitigate all areas of exposure. The Group operates across a range of segments and operational risk is inherent in all of the Group's products and services, arising from the operation of assets, from external events and dependencies, and from internal processes and systems.

The Group manages its operational risk through the risk management framework agreed by the Board, and through the use of risk management tools which together ensure that operational risks are identified, managed and mitigated to the level accepted, and that contingency processes and disaster recovery plans are in place. Regular reporting is undertaken to segment boards and includes details of new and emerging risks, as well as monitoring of existing risks. Testing of contingency processes and disaster recovery plans is undertaken to ensure the effectiveness of these processes.

All of the Group's operations are dependent on the proper functioning of its IT and communication systems; on its properties and other infrastructure assets; on the need to adequately maintain and protect customer and employee data and other information; and on the ability of the Group to attract and retain staff. Specific areas of operational risk by segment include:

i) Insurance

The Insurance segment is required to comply with various operational regulatory requirements primarily in the UK but also within Gibraltar for its underwriting business. To the extent that significant external events could increase the incidence of claims, these would place additional strain on the claims handling function but any financial impact of such an event is considered to be an insurance risk.

ii) Travel

The Travel segment operates two cruise ships which are the Group's largest trading assets. Risk to the operation of these cruise ships arises from the impact of mechanical or other malfunction, non-compliance with regulatory requirements, and from global weather and socio-economic events. The tour holidays operated by the segment are also affected by global weather and socio-economic events which impact either the Group directly or its suppliers. The Travel segment is in operation with multiple suppliers which minimises the impact of any socio-economic events affecting its suppliers. The COVID-19 pandemic has created an unprecedented challenge for the Group and a high level of uncertainty for all companies. Further detail relating to this is provided within the basis of preparation and going concern sections in note 2.1 on pages 130 and 131.

iii) Other Businesses and Central Costs

The financial services product business is required to comply with various operational regulatory requirements in the UK.

The Healthcare business provides a range of domiciliary services. Risk to the operation of this service arises mainly from the availability of appropriately skilled staff to deliver the level and standard of care required, and from the oversight of the delivery of these services.

21 Interests in unconsolidated structured entities

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual agreements. The Group has interests in unconsolidated structured entities in the form of investment funds comprising:

- bank loan funds
- money market funds.

The nature and purpose of the bank loan funds are to diversify the investment portfolio and enhance the overall yield, whilst maintaining an acceptable level of risk for the portfolio as a whole.

Bank loan funds invest in secured loans to companies rated below investment grade.

The nature and purpose of the money market funds is to provide maximum security and liquidity for the funds invested whilst also providing an adequate return. The money market funds used by the Group are all members of the Institutional Money Market Funds Association. They are thus required to maintain specified liquidity and diversification characteristics of their underlying portfolios, which comprise investment grade investments in financial institutions.

The Group invests in unconsolidated structured entities as part of its investment activities. The Group does not sponsor any of the unconsolidated structured entities.

At 31 January 2020, the Group's total interest in unconsolidated structured entities was £53.7m analysed as follows:

	Carrying value £'m	**Interest income £'m**	**Fair value gains £'m**
Loan funds	**7.8**	**0.3**	**–**
Money market funds	**45.9**	**0.4**	**–**

These investments are typically managed under credit risk management as described in note 20. The Group's maximum exposure to loss on the interests presented above is the carrying amount of the Group's investments. No further loss can be made by the Group in relation to these investments. For this reason, the total assets of the entities are not considered meaningful for the purposes of understanding the related risks and so have not been presented.

22 Trade and other receivables

	2020 £'m	2019 £'m
Trade receivables	**135.7**	135.2
Other receivables	**14.3**	18.3
Prepayments	**36.8**	40.5
Contract cost assets	**2.6**	4.5
Deferred acquisition costs	**14.6**	14.5
Other taxes and social security costs	**5.0**	3.6
	209.0	216.6

The ageing of trade receivables is as follows:

			Past due				
	Total £'m	Neither past due nor impaired £'m	< 30 days £'m	30-60 days £'m	61-90 days £'m	91-120 days £'m	> 120 days £'m
2020	**135.7**	**118.4**	**2.9**	**1.7**	**1.6**	**2.5**	**8.6**
2019	135.2	117.0	4.9	2.9	2.0	1.3	7.1

22 Trade and other receivables (continued)

As at 31 January 2020, impairment provisions totalling £21.2m (2019: £15.9m) were made against trade receivables with an initial value of £156.9m (2019: £151.1m). The movements in the provision for impairment of receivables are as follows:

	Credit-impaired £'m	Not credit-impaired £'m	Total £'m
At 1 February 2018	1.1	9.6	10.7
Charge for the year	1.4	14.8	16.2
Utilised in the year	(1.3)	(9.7)	(11.0)
At 31 January 2019	1.2	14.7	15.9
Charge for the year	0.7	13.6	14.3
Utilised in the year	(0.8)	(8.1)	(8.9)
Unused amounts reversed	(0.1)	–	(0.1)
At 31 January 2020	**1.0**	**20.2**	**21.2**

See note 20 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired. We expect trade and other receivables to be normally settled within 12 months.

23 Cash and cash equivalents

	2020 £'m	2019 £'m
Cash at bank and in hand	**73.1**	91.9
Short term deposits	**24.8**	31.0
Cash and short term deposits	**97.9**	122.9
Money market funds	**45.9**	37.1
Bank overdraft	**(9.5)**	(2.7)
Cash held by disposal groups	**4.8**	–
Cash and cash equivalents in the cash flow statement	**139.1**	157.3

Included within cash and cash equivalents are amounts held by the Group's travel and insurance businesses which are subject to contractual or regulatory restrictions. These amounts held are not readily available to be used for other purposes within the Group and total £98.2m (2019: £108.6m).

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

The bank overdraft is subject to a guarantee in favour of the Group's bankers and is limited to the amount drawn. The bank overdraft is repayable on demand.

24 Trade and other payables

	2020 £'m	2019 (restated) £'m
Trade and other payables	**121.8**	136.4
Other taxes and social security costs	**12.4**	13.5
Assets in the course of construction	**5.2**	1.7
Accruals	**46.5**	55.9
	185.9	207.5

In the prior year, accruals amounting to £14.4m were incorrectly classified as trade and other payables and as such the prior year comparative has been restated.

All trade and other payables are current in nature.

25 Retirement benefit schemes

The Group operates retirement benefit schemes for the employees of the Group consisting of defined contribution plans and a defined benefit plan.

a. Defined contribution plans

There are a number of defined contribution schemes in the Group. The total charge for the year in respect of the defined contribution schemes was £3.6m (2019: £2.2m).

The assets of these schemes are held separately from those of the Group in funds under the control of Trustees.

b. Defined benefit plan

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

The scheme is governed by the employment laws of the UK. The level of benefits provided depends on the member's length of service and average salary whilst a member of the scheme. The scheme requires contributions to be made to a separately administered fund which is governed by a Board of Trustees and consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

The long term investment objectives of the Trustees and the Group are to limit the risk of the assets failing to meet the liabilities of the scheme over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long term costs of the scheme. To meet those objectives, the scheme's assets are invested in different categories of assets, with different maturities designed to match liabilities as they fall due. The investment strategy will continue to evolve over time and is expected to match the liability profile increasingly closely. The pension liability is exposed to inflation rate risks and changes in the life expectancy of members. As the plan assets include investments in quoted equities, the Group is exposed to equity market risk. The Group has provided a super security to the Trustees of the scheme, which ranks before any liabilities under the senior facilities agreement (as detailed in note 28). The value of the security is capped at £32.5m.

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

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

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

25 Retirement benefit schemes (continued)

b. Defined benefit plan (continued)

The following table summarises the components of the net benefit expense recognised in the income statement and amounts recognised in the statement of financial position for the schemes for the year ended 31 January 2020:

	Fair value of scheme assets £'m	Defined benefit obligation £'m	Defined benefit scheme liability £'m
1 February 2019	312.4	(315.2)	**(2.8)**
Pension cost charge to income statement			
Current service cost paid in cash during the period	–	(6.8)	**(6.8)**
Non-cash current service cost uplift	–	(0.2)	**(0.2)**
Total current service cost	–	(7.0)	**(7.0)**
Past service cost	–	–	**–**
Net interest	8.4	(8.3)	**0.1**
Included in income statement	8.4	(15.3)	**(6.9)**
Benefits paid	(9.7)	9.7	**–**
Return on plan assets (excluding amounts included in net interest expense)	51.3	–	**51.3**
Actuarial changes arising from changes in demographic assumptions	–	4.5	**4.5**
Actuarial changes arising from changes in financial assumptions	–	(61.4)	**(61.4)**
Experience adjustments	–	0.2	**0.2**
Sub-total included in other comprehensive income	41.6	(47.0)	**(5.4)**
Total contributions by employer	9.9	(0.3)	**9.6**
31 January 2020	372.3	(377.8)	**(5.5)**

The following table summarises the components of the net benefit expense recognised in the income statement and amounts recognised in the statement of financial position for the schemes for the year ended 31 January 2019:

	Fair value of scheme assets £'m	Defined benefit obligation £'m	Defined benefit scheme liability £'m
1 February 2018	307.3	(314.3)	**(7.0)**
Pension cost charge to income statement			
Current service cost paid in cash during the period	–	(7.6)	**(7.6)**
Non-cash current service cost uplift	–	(0.4)	**(0.4)**
Total current service cost	–	(8.0)	**(8.0)**
Past service cost	–	(0.1)	**(0.1)**
Net interest	8.1	(8.1)	**–**
Included in income statement	8.1	(16.2)	**(8.1)**
Benefits paid	(7.8)	7.8	**–**
Return on plan assets (excluding amounts included in net interest expense)	(5.8)	–	**(5.8)**
Actuarial changes arising from changes in demographic assumptions	–	1.9	**1.9**
Actuarial changes arising from changes in financial assumptions	–	7.5	**7.5**
Experience adjustments	–	(1.5)	**(1.5)**
Sub-total included in other comprehensive income	(13.6)	15.7	**2.1**
Total contributions by employer	10.6	(0.4)	**10.2**
31 January 2019	312.4	(315.2)	**(2.8)**

The past service cost above includes the Group's estimate of the cost of equalising Guaranteed Minimum Pensions, which served to increase the scheme liabilities by £0.1m.

25 Retirement benefit schemes (continued)

b. Defined benefit plan (continued)

The major categories of assets in the Saga scheme are as follows:

	2020 £'m	2019 £'m
Equities	45.0	58.1
Bonds	222.7	171.0
Property	24.5	16.8
Hedge funds	73.2	61.9
Insured annuities	3.9	3.4
Cash and other	3.0	1.2
Total	372.3	312.4

Equities and bonds are all quoted in active markets whilst property and hedge funds are not.

The principal assumptions used in determining pension benefit obligations for the Saga scheme are shown below:

	2020	2019
Real rate of increase in salaries	2.70%	3.00%
Real rate of increase of pensions in payment	2.70%	2.90%
Real rate of increase of pensions in deferment	2.65%	2.90%
Discount rate – pensioner	1.60%	2.60%
Discount rate – non-pensioner	1.70%	2.70%
Inflation – pensioner	2.80%	3.05%
Inflation – non-pensioner	2.70%	3.00%
Life expectancy of a member retiring in 20 years' time – Male	27.3 yrs	27.6 yrs
Life expectancy of a member retiring in 20 years' time – Female	29.4 yrs	29.7 yrs

Mortality assumptions are set using standard tables based on specific experience where available and allow for future mortality improvements. The Saga scheme assumption is that a member currently aged 60 will live on average for a further 26.1 years if they are male and on average for a further 28.2 years if they are female.

A quantitative sensitivity analysis for significant assumptions as at 31 January 2020 and their impact on the net defined benefit obligation is as follows:

Assumptions	Discount rate		Future inflation		Life expectancy		Future salary
Sensitivity	+/– 0.25%		+/– 0.25%		+/– 1 year		+/– 0.5%
	Increase	Decrease	Increase	Decrease	Increase	Decrease	
Impact £'m	(18.8)	20.6	14.1	(14.8)	11.5	(11.0)	0.0

Note: a positive impact represents an increase in the net defined benefit liability.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

The expected contribution to the Saga scheme for the next year is £9.3m and average duration of the defined benefit plan obligation at the end of the reporting period is 23 years.

Formal actuarial valuations take place every three years for the scheme. The assumptions adopted for actuarial valuations are determined by the Trustees and are agreed with the Group and are normally more prudent than the assumptions adopted for IAS 19 purposes, which are best estimate. Where a funding deficit is identified, the Group and the Trustees may agree a deficit recovery plan to pay additional contributions above those needed to fund new pensions accruing in the scheme.

The latest valuation of the Saga scheme was at 31 January 2017. Further to this valuation, a recovery plan is in place for the scheme. Under the agreed recovery plan, the Group made an additional payment of £2.75m during the year ended 31 January 2020 and will make payments totalling a further £25.4m over the next five years, with the last payment being made by 29 February 2024. The total expected contributions in the year ending 31 January 2021 are £9.3m, inclusive of a £3.0m additional payment. No additional liabilities are required to be accrued in relation to the recovery plan since the employer has the right to a refund if a surplus is recognised and the Trustees of the scheme are unable to wind up the scheme before any refund is made.

26 Insurance contract liabilities and reinsurance assets

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

	2020 £'m	2019 £'m
Gross		
Claims outstanding	338.3	392.6
Provision for unearned premiums	105.3	98.0
Total gross liabilities	443.6	490.6

	2020 £'m	2019 £'m
Recoverable from reinsurers		
Claims outstanding	55.2	91.2
Provision for unearned premiums	6.9	5.6
Total reinsurers' share of insurance liabilities (as presented on the face of the statement of financial position)	62.1	96.8
Amounts recoverable under funds – withheld quota share agreements recognised within trade payables:		
– Claims outstanding	134.0	118.6
– Provision for unearned premiums	63.9	57.9
Total reinsurers' share of insurance liabilities after funds – withheld quota share	260.0	273.3
Analysed as:		
Claims outstanding	189.4	209.8
Provision for unearned premiums	70.8	63.5
Total reinsurers' share of insurance liabilities after funds – withheld quota share	260.0	273.3

	2020 £'m	2019 £'m
Net		
Claims outstanding	283.1	301.4
Provision for unearned premiums	98.4	92.4
Total net insurance liabilities	381.5	393.8
Amounts recoverable under funds – withheld quota share agreements recognised within trade payables:		
– Claims outstanding	(134.0)	(118.6)
– Provision for unearned premiums	(63.9)	(57.9)
Total net insurance liabilities after funds – withheld quota share	183.6	217.3
Analysed as:		
Claims outstanding	149.1	182.8
Provision for unearned premiums	34.5	34.5
Total net insurance liabilities after funds – withheld quota share	183.6	217.3

26 Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of movements in claims outstanding	2020 £'m	2019 (restated) £'m
Gross claims outstanding at 1 February	**392.6**	466.4
Less: reinsurance claims outstanding	**(209.8)**	(194.2)
Net claims outstanding at 1 February	**182.8**	272.2
Gross claims incurred	**159.9**	129.7
Less: reinsurance recoveries	**(129.1)**	(120.1)
Net claims incurred	**30.8**	9.6
Gross claims paid	**(214.2)**	(203.5)
Less: received from reinsurance	**149.7**	104.5
Net claims paid	**(64.5)**	(99.0)
Gross claims outstanding at 31 January	**338.3**	392.6
Less: reinsurance claims outstanding	**(189.2)**	(209.8)
Net claims outstanding at 31 January	**149.1**	182.8

Reconciliation of movements in the provision for net unearned premiums	2020 £'m	2019 £'m
Gross unearned premiums at 1 February	**98.0**	115.0
Less: unearned reinsurance premiums	**(63.5)**	(69.4)
Net unearned premiums at 1 February	**34.5**	45.6
Gross premiums written	**241.2**	221.1
Less: outward reinsurance premium	**(153.0)**	(130.1)
Net premiums written	**88.2**	91.0
Gross premiums earned	**(233.9)**	(238.1)
Less reinsurance premium earned	**145.7**	136.0
Net premiums earned (note 3a)	**(88.2)**	(102.1)
Gross unearned premiums at 31 January	**105.3**	98.0
Less: unearned reinsurance premiums	**(70.8)**	(63.5)
Net unearned premiums at 31 January	**34.5**	34.5

The net cost on purchasing reinsurance in 2020 was £6.4m (2019: £5.4m net cost).

On 15 July 2019, the UK Government announced a change to the Ogden discount rate from -0.75% to -0.25%. The insurance liabilities presented here and on the face of the Group's balance sheet incorporate the effect of this change.

a. Discounting

Claims outstanding provisions are calculated on an undiscounted basis, with the exception of PPOs made by the courts as part of a bodily injury claim settlement. Claims outstanding provisions for PPOs are discounted at a rate of –1.5% (2019: –1.5%) representing the Group's view on long term carer wage inflation less the expected return on holding the invested financial assets associated with these claims.

The value of claims outstanding before discounting was £410.0m (2019: £461.5m) gross of reinsurance and £174.6m (2019: £238.9m) net of reinsurance.

26 Insurance contract liabilities and reinsurance assets (continued)

a. Discounting (continued)

The period between the balance sheet date and the estimated final payment date was calculated using Ogden life expectancy tables, with appropriate adjustments where necessary for impaired life. The average life expectancy from PPO settlement date to the final PPO payment was 33 years (2019: 37 years) and the rate of investment return used to determine the discounted value of claims provisions was 2.0% (2019: 2.0%).

b. Analysis of claims incurred: claims development tables

The following tables detail the Group's initial estimate of ultimate gross and net claims incurred over the past 10 years and the re-estimation at subsequent financial period ends.

The following table analyses the gross incurred claims (before deducting reinsurance recoveries) on an accident year basis:

	Financial year ended 31 January												
Analysis of claims incurred	2011 £'m	2012 £'m	2013 £'m	2014 £'m	2015 £'m	2016 £'m	2017 £'m	2018 £'m	2019 £'m	2020 £'m	Total £'m	Claims paid £'m	Gross claims outstanding £'m
Accident year													
2011 and earlier	301.6	(15.2)	(21.6)	(8.5)	(28.9)	(20.5)	(10.9)	(8.0)	(8.8)	(6.5)			43.5
2012		330.3	(25.6)	(33.8)	(7.3)	(19.5)	(10.5)	(9.4)	(2.6)	(1.0)	220.6	(215.5)	5.1
2013			321.2	(14.2)	(45.2)	(22.1)	(13.4)	(5.6)	(5.9)	(2.9)	211.8	(202.4)	9.4
2014				281.9	(18.9)	(25.7)	(7.6)	(11.1)	(10.6)	(2.6)	205.4	(185.8)	19.6
2015					271.3	(6.0)	(6.2)	(8.2)	(15.3)	(5.0)	230.6	(216.4)	14.2
2016						280.4	4.1	(19.3)	(21.7)	(9.0)	234.5	(216.7)	17.8
2017							197.1	4.7	(13.1)	(6.6)	182.1	(150.7)	31.4
2018								194.9	-	(6.4)	188.5	(136.3)	52.2
2019									189.8	-	189.8	(131.2)	58.6
2020										180.3	180.3	(101.7)	78.6
	301.6	315.1	273.9	225.4	171.0	186.6	152.6	138.0	111.8	140.3			330.4
Claims handling costs	10.1	15.6	17.4	17.2	18.0	21.5	11.5	10.5	27.3	19.9			7.9
	311.7	**330.7**	**291.3**	**242.6**	**189.0**	**208.1**	**164.1**	**148.5**	**139.1**	**160.2**			**338.3**

The development of the associated loss ratios on the same basis is as follows:

	Financial year ended 31 January									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Accident year										
2011	80%	80%	78%	77%	72%	70%	69%	68%	67%	66%
2012		77%	71%	63%	62%	57%	55%	52%	52%	52%
2013			76%	72%	62%	56%	53%	52%	51%	50%
2014				75%	70%	63%	61%	58%	55%	55%
2015					81%	80%	78%	75%	71%	69%
2016						87%	88%	82%	75%	73%
2017							67%	69%	65%	62%
2018								75%	75%	73%
2019									80%	80%
2020										77%

26 Insurance contract liabilities and reinsurance assets (continued)

b. Analysis of claims incurred: claims development tables (continued)

The following table analyses the net incurred claims (after deducting reinsurance recoveries) on an accident year basis:

	Financial year ended 31 January												
Analysis of claims incurred	2011 £'m	2012 £'m	2013 £'m	2014 £'m	2015 £'m	2016 £'m	2017 £'m	2018 £'m	2019 £'m	2020 £'m	Total £'m	Claims paid £'m	Net claims outstanding £'m
Accident year													
2011 and earlier	266.0	(16.3)	(20.2)	(11.3)	(19.6)	(12.3)	(16.4)	(8.9)	(8.8)	(6.5)			23.7
2012		302.3	(25.6)	(31.1)	(0.6)	(17.3)	(11.9)	(6.4)	(2.6)	(1.0)	205.8	(204.3)	1.5
2013			315.4	(14.6)	(22.9)	(19.8)	(14.6)	(10.2)	(5.9)	(2.9)	224.5	(222.1)	2.4
2014				276.8	(14.7)	(23.4)	(11.0)	(9.8)	(10.6)	(2.6)	204.7	(185.8)	18.9
2015					219.1	5.3	(9.2)	(11.1)	(15.3)	(5.0)	183.8	(177.2)	6.6
2016						220.9	3.2	(15.1)	(21.7)	(9.0)	178.3	(164.4)	13.9
2017							94.0	1.5	(6.2)	(1.6)	87.7	(73.9)	13.8
2018								78.8	–	(1.0)	77.8	(69.3)	8.5
2019									71.8	–	71.8	(47.9)	23.9
2020										55.6	55.6	(27.6)	28.0
	266.0	286.0	269.6	219.8	161.3	153.4	34.1	18.8	0.7	26.0			141.2
Claims handling costs	10.1	15.6	17.4	17.2	18.0	21.5	11.5	10.5	8.9	4.5			7.9
	276.1	**301.6**	**287.0**	**237.0**	**179.3**	**174.9**	**45.6**	**29.3**	**9.6**	**30.5**			**149.1**

The development of the associated loss ratios on the same basis is as follows:

	Financial year ended 31 January									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Accident year										
2011	78%	78%	76%	75%	71%	69%	67%	65%	64%	63%
2012		76%	70%	62%	62%	57%	54%	53%	52%	52%
2013			75%	72%	66%	62%	58%	56%	54%	54%
2014				75%	71%	65%	62%	59%	56%	55%
2015					67%	69%	66%	63%	58%	56%
2016						70%	71%	66%	59%	56%
2017							56%	56%	53%	52%
2018								66%	66%	65%
2019									70%	70%
2020										63%

Favourable claims development over the year has resulted in a £29.6m (2019: £71.1m) reduction in the net claims incurred in respect of prior years.

27 Contract liabilities

	2020 £'m	2019 £'m
Deferred revenue (note 3b)	**153.2**	144.7
	153.2	144.7
Current	**150.2**	130.5
Non-current	**3.0**	14.2
	153.2	144.7

Deferred revenue comprise amounts received within the Travel segment for holidays and cruises with departure dates after the reporting date, and insurance premiums and sales revenues received in the Insurance segment in respect of insurance policies which commence after the reporting date and represents the performance obligations not yet satisfied as at 31 January 2020.

28 Loans and borrowings

	2020 £'m	2019 £'m
Bond	**250.0**	250.0
Bank loans	**140.0**	160.0
Ship loan	**234.8**	–
Revolving credit facility	**10.0**	30.0
Accrued interest payable	**3.7**	2.2
	638.5	442.2
Less: deferred issue costs	**(14.2)**	(3.0)
	624.3	439.2

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

In June 2019, the Group drew down its financing for its new cruise ship, the Spirit of Discovery, of £245.0m. The financing for the new cruise ship, the Spirit of Discovery, represents a 12-year fixed rate sterling loan, backed by an export credit guarantee. The initial loan value of £245.0m is repayable in 24 broadly equal instalments, with the first payment of £10.2m paid in December 2019.

At 31 January 2020, the Group had drawn £10.0m of its £100.0m revolving credit facility and since the refinancing £60.0m of the term loan has been repaid.

At 31 January 2020, debt issue costs were £14.2m (2019: £3.0m) which have increased in the year following the draw down of the financing for its new cruise ship, the Spirit of Discovery.

Interest on the bond is incurred at an annual interest rate of 3.375%. Interest on the term loan and revolving credit facility is incurred at a variable rate of LIBOR plus a bank margin which is linked to the Group's leverage ratio. Interest on the ship loan is incurred at an effective annual interest rate of 4.31% (including arrangement and commitment fees).

During the year, the Group charged £19.5m (2019: £11.5m) to the income statement in respect of fees and interest associated with the bonds, term loan, ship loan and revolving credit facility. In addition, finance costs recognised in the income statement includes £1.2m (2019: £1.1m) relating to interest and finance charges on lease liabilities and net fair value losses on derivatives are £1.1m (2019: £nil).

29 Provisions

	PMI £'m	Other £'m	Total £'m
At 1 February 2018	–	4.5	4.5
Utilised during the year	–	(1.5)	(1.5)
Released unutilised	–	(0.1)	(0.1)
Charge for the year	5.2	1.9	7.1
At 31 January 2019	5.2	4.8	10.0
Utilised during the year	(1.5)	(2.6)	(4.1)
Released unutilised during the year	–	(0.5)	(0.5)
Charge for the year	–	2.4	2.4
	3.7	4.1	7.8
Reclassification to assets held for sale	–	(0.1)	(0.1)
At 31 January 2020	**3.7**	**4.0**	**7.7**

	PMI £'m	Other £'m	Total £'m
Current	3.7	2.4	6.1
Non-current	–	1.6	1.6
At 31 January 2020	**3.7**	**4.0**	**7.7**

	PMI £'m	Other £'m	Total £'m
Current	1.5	2.2	3.7
Non-current	3.7	2.6	6.3
At 31 January 2019	5.2	4.8	10.0

The provision in respect of PMI relates to an accumulated loss on the PMI product as a result of prior year claims experience on profit share arrangements.

Other provisions primarily comprise provisions for the return of insurance commission in respect of policies cancelled mid-term after the reporting date or as a result of being cancelled during the statutory cooling off period after the reporting date, credit hire claims handling costs on income booked as at the reporting date, fleet insurance at the estimated cost of settling all outstanding incidents at the reporting date, and an employer liability provision relating to various Group related, self-funded insurance arrangements.

These items are reviewed and updated annually.

30 Reconciliation of liabilities arising from financing activities

The following tables analyse the cash and non-cash movements for liabilities arising from financing activities:

	2019 (restated) £'m	Cash flows £'m	Non-cash changes: New Leases £'m	Non-cash changes: Foreign exchange movement £'m	Non-cash changes: Other £'m	**2020 £'m**
Lease liabilities (note 35)	27.7	(15.0)	15.9	–	–	**28.6**
Bank loans (note 28)	160.0	(20.0)	–	–	–	**140.0**
Ship loan (note 28)	–	234.8	–	–	–	**234.8**
Revolving credit facility (note 28)	30.0	(20.0)	–	–	–	**10.0**
Bond (note 28)	250.0	–	–	–	–	**250.0**
Deferred issue costs (note 28)	(3.0)	(7.9)	–	–	(3.3)	**(14.2)**

	2018 (restated) £'m	Cash flows £'m	Non-cash changes: New Leases £'m	Non-cash changes: Foreign exchange movement £'m	Non-cash changes: Other £'m	2019 (restated) £'m
Lease liabilities (note 35)	37.1	(12.3)	2.9	–	–	27.7
Bank loans (note 28)	180.0	(20.0)	–	–	–	160.0
Revolving credit facility (note 28)	15.0	15.0	–	–	–	30.0
Bond (note 28)	250.0	–	–	–	–	250.0
Deferred issue costs (note 28)	(4.2)	–	–	–	1.2	(3.0)

Included within 'Other' is the amortisation of deferred issue costs of £3.4m (2019: £1.2m) and the transfer of debt issue costs paid in the prior year, from prepayments, to deferred issue costs in the current year of £6.7m (2019; £nil).

31 Called up share capital

	Ordinary shares: Number	Ordinary shares: Nominal value £	Ordinary shares: Value £'m
Allotted, called up and fully paid			
As at 31 January 2018	1,120,295,419	0.01	11.2
Issue of shares	1,707,909	0.01	0.0
As at 31 January 2019	1,122,003,328	0.01	11.2
As at 31 January 2020	**1,122,003,328**	**0.01**	**11.2**

Employee Benefit Trust

The Employee Benefit Trust purchased 13,408,108 shares at their nominal value of £134,000 during the year ended 31 January 2015. There were no associated transaction costs.

During the year, employees exercised options over 167,566 of these shares which were transferred from the Employee Benefit Trust into the direct ownership of the employee. Employees have previously exercised 13,046,409 of these shares in prior periods. The remaining 194,133 shares have been treated as treasury shares at 31 January 2020.

32 Reserves

Share-based payment reserve

Prior to vesting, the share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. More detail is provided in note 34.

Fair value reserve

The fair value reserve comprises the unrealised gains or losses of fair value through other comprehensive income (or FVOCI) assets pending subsequent recognition in profit or loss once the investment is derecognised.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in: (a) profit or loss as the hedged cash flows or items affect profit or loss; or (b) the statement of financial position as the hedged cash flows or items affect property, plant and equipment.

33 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

For the purposes of the Group's capital management, capital comprises total equity of £588.2m (2019 restated: £960.9m) as shown on the consolidated statement of financial position. The Group operates in a number of regulated markets and includes subsidiaries which are required to comply with specific requirements in respect of capital or other resources.

The Group's financial services businesses are regulated primarily by the Financial Services Commission (FSC) in Gibraltar and by the Financial Conduct Authority (FCA) in the UK; and the capital requirements of its travel businesses are regulated by the Civil Aviation Authority (CAA) in the UK. It is the Group's policy to comply with the requirements of these regulators in respect of capital adequacy or other similar tests at all times.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 January 2020 or 31 January 2019.

The Group's regulated underwriting business is based in Gibraltar and regulated by the FSC. The underwriting business is required to ensure that it has a sufficient level of capitalisation in accordance with Solvency II.

(The amounts set out in the following three paragraphs are provisional and unaudited.)

The Group monitored its ability to comply with the requirements of Solvency II throughout the year to 31 January 2020, having previously received approval from the FSC for the Undertaking of Specific Parameters when applying the standard formula to measure capital requirements for this business under Solvency II rules. Under Solvency II, AICL remained well-capitalised, and at 31 January 2020 available capital was £86.2m against a Solvency Capital Requirement of £53.8m, giving 160% coverage. As at 31 January 2019, available capital was £89.7m against a Solvency Capital Requirement of £60.5m, giving 148% coverage. At 31 March 2020, coverage is estimated to have reduced to around 140% based on current asset liability valuations and movements in swap curves since the end of January.

The Group's regulated insurance distribution business is based in the UK and regulated by the FCA. Due to the nature of the business, the capital requirements are significantly less than the underwriting business but the Group is required to comply with the Adequate Resources requirements of Threshold Condition 4 of the FCA Handbook. The Group undertakes a rigorous assessment against the requirements of this Condition on an annual basis and, as a consequence of this, calculates and holds an appropriate amount of capital in respect of the insurance distribution business. The Minimum Regulatory Capital requirement of these businesses at 31 January 2020 was £5.3m (2019: £5.5m).

The regulated travel businesses are required to comply with two main tests based on liquidity and leverage and were measured against agreed covenants on the last day of each month in respect of these tests. The Group monitors its compliance with these tests on a monthly basis including forward-looking compliance using budgets and forecasts. At 31 January 2020 and 31 January 2019, the travel businesses had sufficient coverage against both covenants. As of 31 January 2020 the CAA changed the liquidity test requirement to a fixed 70% coverage rate on the last day of each month, whereas previously it was a variable coverage rate from month to month and has removed the leverage test requirement.

34 Share-based payments

The Group has granted a number of different equity-based awards to employees and customers which it has determined to be share-based payments:

a. Share options and Free Shares offer granted at the time of the IPO

- On 29 May 2014, share options over 13,132,410 shares were granted to certain Directors and employees with no exercise price and no service or performance vesting conditions. There are no cash settlement alternatives.
- Eligible customers and employees who acquired their shares under the Customer or Employee Offers in the Prospectus received one bonus share for every 20 shares they acquired and held continuously for one year to 29 May 2015. As these were bonus shares, there was no exercise price and no cash settlement alternative.

b. Long Term Incentive Plan (LTIP)

- The LTIP is a discretionary executive share plan under which the Board may, within certain limits and subject to applicable performance conditions, grant options over shares in Saga plc. Up to 31 January 2017, these options are 50% linked to a non-market vesting condition, EPS, and 50% linked to a market vesting condition, TSR. From 1 February 2017 to 31 January 2018, these options are 60% linked to non-market vesting conditions (30% linked to basic EPS and 30% linked to organic EPS) and 40% linked to a market vesting condition, TSR. From 1 February 2018, these options are 60% linked to non-market vesting conditions (30% linked to organic EPS and 30% linked to ROCE) and 40% linked to a market vesting condition, TSR. From 1 February 2019, these options are 75% linked to non-market vesting conditions (50% linked to operational and strategic measures and 25% linked to ROCE) and 25% linked to a market vesting condition, TSR.
  - On 12 August 2019, share options over 11,567,708 shares were issued which vest and become exercisable on the third anniversary of the grant date.
  - On 1 October 2019, share options over 594,059 shares were issued which vest and become exercisable on the third anniversary of the grant date.
  - On 6 January 2020, share options over 1,353,965 shares were issued which vest and become exercisable on the third anniversary of the grant date.

c. Other share options

- On 29 May 2014, share options over 2,162,162 shares were issued to the former Chief Executive Officer. Vesting occurred 25% on the third anniversary of the IPO, 25% on the fourth anniversary of the IPO and 50% on the fifth anniversary of the IPO, subject to continuing employment. The award was equity-settled and had no cash alternative. The exercise price of the share options was £1.85. Following the cessation of his employment, and under the scheme rules, these share options have lapsed.
- On 2 December 2015, share options over 99,552 shares were issued to the Chief Marketing Officer at the time which were to vest on the second anniversary of his appointment, subject to continuing employment. Following the cessation of his employment, the vesting period has been extended to 1 May 2020.

d. Deferred Bonus Plan (DBP)

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

e. Employee Free Shares

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

34 Share-based payments (continued)

The table below summarises the movements in the number of share options outstanding for the Group and their weighted average exercise price:

	IPO options	LTIP	DBP	Other options	Employee Free Shares	Total
At 1 February 2019	361,699	13,022,737	715,847	2,261,714	1,648,143	18,010,140
Granted	–	13,515,732	564,695	–	2,035,246	16,115,673
Forfeited	–	(7,603,156)	(257,062)	(2,162,162)	(181,612)	(10,203,992)
Exercised	(167,566)	(99,601)	(19,598)	–	(129,811)	(416,576)
At 31 January 2020	194,133	18,835,712	1,003,882	99,552	3,371,966	23,505,245
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil
Exercisable at 31 January 2020	194,133	838,315	307,814	-	564,382	1,904,644
Average remaining contractual life	0.0 years	1.9 years	1.4 years	0.2 years	1.7 years	1.9 years
Average fair value at grant	£1.85	£0.87	£1.15	£2.02	£0.89	£0.91

The following information is relevant in the determination of the fair value of options granted during the year under the equity- and cash-settled share-based remuneration schemes operated by the Group.

	LTIP – EPS tranche	LTIP – TSR tranche	Employee Free Shares
Model used	Black-Scholes	Monte-Carlo	Black-Scholes
Dividend yield (%)	n/a	n/a	n/a
Risk-free interest rate (%)	0.33%	0.33%	n/a
Expected life of share option	3 years	3 years	3 years
Weighted average share price (£)	£0.44	£0.44	£0.46
Share price volatility	41.9%	31.4%	n/a

As only limited historical data for the Group's share price is available, the Group has estimated the Company's share price volatility as an average of the volatilities of its TSR comparator group over a historical period commensurate with the expected life of the award immediately prior to the date of the grant.

For future valuations, at a date when sufficient Saga share price data becomes available, the Group intends to estimate the Company volatility directly from this data.

The total amount charged to the income statement in the year ended 31 January 2020 is £2.1m (2019: £3.8m). This has been charged to administrative and selling expenses £2.1m (2019: £3.6m) and non-trading items £nil (2019: £0.2m).

The Group did not enter into any share-based payment transactions with parties other than employees during the current period.

35 Commitments and contingencies

a. Lease commitments

The Group leases various river cruise ships, offices, warehouses, equipment and vehicles. The contract length of the lease varies considerably and may include extension or termination options. Where it is reasonably certain that an extension option will be triggered in a contract, lease payments to be made in respect of the option are included in the measurement of the lease liability. Future minimum lease payments under lease contracts together with the present values of the net minimum lease payments are as follows:

	2020 £'m	2019 (restated) £'m
Within one year	**9.8**	11.6
Between one and five years	**10.8**	7.7
After five years	**45.5**	46.4
Total minimum lease payments	**66.1**	65.7
Less amounts representing finance charges	**(37.5)**	(38.0)
Present value of minimum lease payments	**28.6**	27.7

As at 31 January 2020, the value of lease liabilities contracted for but not provided for in the financial statements in respect of right of use assets amounted to £88.1m (2019: £15.9m). The increase is due to signing off contracts for two new river cruises ships.

b. Commitments

On 20 September 2017, the Saga plc Board approved the purchase of the second cruise ship, the Spirit of Adventure, with a delivery date of August 2020, and the Group exercised the option in December 2017.

Four stage payments for the Spirit of Adventure were made between December 2017 and August 2019. The remaining element of the contract price is due on delivery of the ship, and the Group entered into appropriate financing for this on 20 September 2017.

As at 31 January 2020, the capital amount contracted but not provided for in the financial statements in respect of the ships amounted to £271.9m (2019: £543.5m).

The financing for the Spirit of Adventure represents a 12-year fixed rate sterling loan, backed by an export credit guarantee. The loan value of approximately £295m will be repaid in 24 broadly equal instalments, with the first payment due six months after delivery.

As at 31 January 2020 the Group entered into Euro currency forwards totalling £250.6m to lock in the cost of the ship. The hedge has been designated as a cash flow hedge and remains outstanding as at 31 January 2020 (note 19d).

c. Contingent liabilities

The Civil Aviation Authority and the Association of British Travel Agents regulate the Group's UK tour operating business and requires the Group to put in place bonds to provide customer protection. At 31 January 2020, the Group had £48.0m (2019: £23.9m) of bonds in place.

On 4 May 2017, the Group was notified about legal proceedings against Nestor Primecare Services Limited by the Crown Prosecution Service in relation to a breach of the Health and Safety at Work etc. Act 1974. Under an indemnity included in the sales agreement following the disposal of Nestor Primecare Services Limited, certain entities in the Group may be liable for any penalties incurred.

It is too early in the litigation process to evaluate Saga's position on liability and quantum. As such, no amounts have been provided for this in the financial statements.

36 Assets held for sale

During the year, the Group made the decision to initiate an active program to locate a buyer for its insurance biking brand, Bennetts and its healthcare segment.

As at 31 January 2020, the requirements of IFRS 5 were met and accordingly Bennetts and the healthcare segment have been classified as separate disposal groups held for sale in the statement of financial position. Neither of the disposal groups met the requirements of IFRS 5 to be classified as discontinued operations.

On 17 February 2020 the Group announced that it had reached agreement for the sale of Bennetts for an enterprise value of £26m to Atlanta Investment Holdings C Limited ("Atlanta"). Atlanta is part of The Ardonagh Group, one of the largest independent insurance brokers in the UK. Completion is subject to receiving regulatory approval and other closing conditions.

On 3 March 2020 the Group reached agreement for the sale of its Country Cousins and Patricia White's branded healthcare businesses for an enterprise value of £14m to Limerston Capital LLP. Limerston Capital LLP is a private equity firm with over £300m under management. Country Cousins and Patricia White's are introductory care agencies, and represent two of the three divisions comprising the Group's healthcare segment. The remaining division is Saga Care at Home.

The sale of the Bennetts and the healthcare segments are expected to be completed by 31 January 2021.

The assets and liabilities of the two disposal groups classified as held for sale as at 31 January 2020 are as follows:

	Disposal groups		
	Healthcare segment £'m	Bennetts £'m	Total £'m
Goodwill	–	13.6	**13.6**
Intangible fixed assets	0.3	3.3	**3.6**
Property, plant and equipment	0.3	0.3	**0.6**
Trade receivables and other receivables	1.3	9.9	**11.2**
Cash and short term deposits	1.5	3.3	**4.8**
Total assets	3.4	30.4	**33.8**
Provisions	–	0.1	**0.1**
Contract liabilities	–	0.6	**0.6**
Trade and other payables	0.2	7.6	**7.8**
Total liabilities	0.2	8.3	**8.5**
Net assets directly associated with disposal group	3.2	22.1	**25.3**

No remeasurement on reclassification to held for sale was necessary for either of the disposal groups as the fair value of each disposal group is in excess of its carrying value.

37 Post balance sheet events

The COVID-19 pandemic has created an unprecedented challenge for the Group and a high level of uncertainty for all companies. The board of Directors are focused on protecting the viability of the Group over the coming months. Whilst the Directors consider the event to be non-adjusting in nature, they have duly considered the impact of the crisis on the financial performance and position of the Group. As one of the mitigating actions, the Directors have renegotiated the banking covenants on the Group's short term debt facilities. Further detail relating to this is provided within the basis of preparation and going concern sections in note 2.1 on pages 130 and 131, and it is also referenced in the goodwill impairment review detailed in note 16 on pages 159 and 160. The impact of the pandemic on the financial outlook of the Group is also detailed in the Operating and Financial Review within the Strategic Report on pages 34 to 47.

Please see notes 33 and 36 on pages 185 and 189 respectively for details on post balance sheet events in respect of solvency coverage and assets held for sale respectively.

38 Subsidiaries

The entities listed below are subsidiaries of the Company or Group. All of the undertakings are wholly owned and included within the consolidated financial statements. The registered office address for all entities registered in England is Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. The registered office address of Acromas Insurance Company Limited is 57/63 Line Wall Road, Gibraltar. The registered office address of Saga Cruises GmbH is Industriegebiet Süd, 26871, Papenburg, Niedersachsen, Germany. The registered office address of Saffron Maritime Limited is Aspire Corporate Services Limited, PO Box 191, Elizabeth House, Ruettes Brayes, St Peter Port, Guernsey, GY1 4HW.

Name	Country of registration	Nature of business
Saga Personal Finance Limited	England	Delivery of regulated investment products
ST&H Limited	England	Tour operating
Acromas Insurance Company Limited	Gibraltar	Insurance underwriting
ST&H Transport Limited	England	Tour operating
CHMC Limited	England	Motor accident management
PEC Services Limited	England	Repairer of automotive vehicles
Saga Retirement Villages Limited	England	Marketing of retirement villages
Destinology Limited	England	Tour operating
MetroMail Limited	England	Mailing house
Saga Cruises Limited	England	Cruising
Enbrook Cruises Limited	England	Cruising
Saga Cruises IV Limited	England	Cruising
Saga Cruises V Limited	England	Cruising
Saga Cruises VI Limited	England	Cruising
Saga Cruises GmbH	Germany	Cruising
Saffron Maritime Limited	Guernsey	Cruising
Saga Crewing Services Limited	England	Cruising
Saga Healthcare Limited	England	Provision of domiciliary care
Saga Mid Co Limited	England	Debt service provider
Saga Publishing Limited	England	Publishing
Saga Services Limited	England	Insurance distribution
Saga Transport Limited (formerly Titan Transport Limited)	England	Tour operating
Saga Membership Limited	England	Customer loyalty scheme
Driveline Group Limited	England	Holding company
CHMC Holdings Limited	England	Holding company
Saga 200 Limited	England	Holding company
Saga 300 Limited	England	Holding company
Saga 400 Limited	England	Holding company
Saga Group Limited	England	Holding company
Saga Holdings Limited	England	Holding company
Saga Leisure Limited	England	Holding company
Saga Properties Limited	England	Holding company
ST&H Group Limited	England	Holding company
Bennetts Motorcycling Services Limited (formerly Enbrosun Limited)	England	Dormant company
Confident Services Limited	England	Dormant company
Consolidated Healthcare Agencies Limited	England	Dormant company
Consolidated HC Agency Holdings Limited (formerly Country Cousins (Horsham) Limited)	England	Dormant company
Driveline Europe Limited	England	Dormant company
Driveline Travel Limited	England	Dormant company
Consolidated HC Agencies Limited (formerly Patricia White's Personal Home Care Limited)	England	Dormant company

38 Subsidiaries (continued)

Name	Country of registration	Nature of business
Saga 500 Limited	England	Dormant company
Saga Coach Holidays Limited	England	Dormant company
Saga Cruises BDF Limited	England	Dormant company
Saga Cruises I Limited	England	Dormant company
Saga Cruises II Limited	England	Dormant company
Saga Cruises III Limited	England	Dormant company
Saga Flights.com Limited	England	Dormant company
Saga Holidays Limited	England	Dormant company
Saga Independent Living Limited	England	Dormant company
Saga Funding Limited	England	Dormant company
Saga Communications Limited	England	Dormant company
Saga Radio (North West) Limited	England	Dormant company
Saga Shipping Company Limited	England	Dormant company
Spirit Of Adventure Limited	England	Dormant company
Titan Aviation Limited	England	Dormant company
Titan Transport (UK) Limited	England	Dormant company
Titan Travel (UK) Limited	England	Dormant company
Titan Travel Holdings Limited	England	Dormant company
Titan Travel Limited	England	Dormant company

39 Transition to IFRS 16

	As reported 31 Jan 19 £'m	IFRS 16 adjustment Insurance £'m	Travel £'m	OB&CC £'m	As restated 31 Jan 19 £'m
Gross earned premium	238.1	–	–	–	238.1
Earned premiums ceded to insurers	(136.0)	–	–	–	(136.0)
Net earned premiums	102.1	–	–	–	102.1
Other revenue	739.4	–	–	–	739.4
Total revenue	841.5	–	–	–	841.5
Gross claims incurred	(129.7)	–	–	–	(129.7)
Reinsurers' share of claims incurred	120.1	–	–	–	120.1
Net claims incurred	(9.6)	–	–	–	(9.6)
Other cost of sales	(396.1)	–	0.7	–	(395.4)
Cost of sales	(405.7)	–	0.7	–	(405.0)
Gross profit	435.8	–	0.7	–	436.5
Administrative and selling expenses	(244.5)	–	(0.3)	0.3	(244.5)
Impairment of assets	(315.9)	–	–	–	(315.9)
Investment income	0.7	–	–	–	0.7
Finance costs	(11.7)	–	(0.3)	(0.6)	(12.6)
Finance income	1.0	–	–	–	1.0
Loss before tax	(134.6)	–	0.1	(0.3)	(134.8)
Tax expense	(27.4)	–	–	–	(27.4)
Loss for the year	(162.0)	–	0.1	(0.3)	(162.2)
Attributable to:					
Equity holders of the parent	(162.0)	–	0.1	(0.3)	(162.2)
Earnings Per Share:					
Basic	(14.5p)				(14.5p)
Diluted	(14.5p)				(14.5p)

39 Transition to IFRS 16 (continued)

	As reported 31 Jan 19 £'m	IFRS 16 adjustment Insurance £'m	Travel £'m	OB&CC £'m	As restated 31 Jan 19 £'m
(Loss)/profit for the year	(162.0)	–	0.1	(0.3)	(162.2)
Other comprehensive income					
Other comprehensive income to be reclassified to the income statement in subsequent periods					
Net gains on hedging instruments during the year	0.5	–	–	–	0.5
Recycling of previous gains to income statement on matured hedges	(2.9)	–	–	–	(2.9)
Total net loss on cash flow hedges	(2.4)	–	–	–	(2.4)
Associated tax effect	0.4	–	–	–	0.4
Net losses on fair value financial assets during the period	(1.3)	–	–	–	(1.3)
Associated tax effect	0.2	–	–	–	0.2
Total other comprehensive losses with recycling to income statement	(3.1)	–	–	–	(3.1)
Other comprehensive income not to be reclassified to the income statement in subsequent periods					
Re-measurement gains on defined benefit plans	2.1	–	–	–	2.1
Tax effect	(0.4)	–	–	–	(0.4)
Total other comprehensive gains without recycling to income statement	1.7	–	–	–	1.7
Total other comprehensive losses	(1.4)	–	–	–	(1.4)
Total comprehensive losses for the year	(163.4)	–	0.1	(0.3)	(163.6)

39 Transition to IFRS 16 (continued)

Assets	As reported 31 Jan 18 £'m	IFRS 16 adjustment £'m	As restated 31 Jan 18 £'m	As reported 31 Jan 19 £'m	IFRS 16 adjustment £'m	As restated 31 Jan 19 £'m
Goodwill	1,485.0	–	1,485.0	1,175.0	–	1,175.0
Intangible assets	61.2	–	61.2	62.8	–	62.8
Property, plant and equipment	163.4	(3.5)	159.9	183.9	(2.5)	181.4
Right of use assets	–	33.0	33.0	–	22.6	22.6
Financial assets	513.5	–	513.5	426.2	–	426.2
Deferred tax assets	13.7	0.7	14.4	14.2	0.7	14.9
Reinsurance assets	100.2	–	100.2	96.8	–	96.8
Inventories	5.8	–	5.8	4.0	–	4.0
Trade and other receivables	215.1	–	215.1	216.6	–	216.6
Assets held for sale	6.8	–	6.8	–	–	–
Cash and short term deposits	83.2	–	83.2	122.9	–	122.9
Total assets	**2,647.9**	**30.2**	**2,678.1**	**2,302.4**	**20.8**	**2,323.2**
Liabilities						
Retirement benefit scheme obligations	7.0	–	7.0	2.8	–	2.8
Gross insurance contract liabilities	581.4	–	581.4	490.6	–	490.6
Provisions	4.7	(0.2)	4.5	10.3	(0.3)	10.0
Financial liabilities	468.5	33.7	502.2	457.0	24.7	481.7
Current tax liabilities	15.2	–	15.2	17.2	–	17.2
Deferred tax liabilities	17.0	–	17.0	7.8	–	7.8
Other liabilities	142.7	–	142.7	144.7	–	144.7
Trade and other payables	185.9	(0.1)	185.8	207.7	(0.2)	207.5
Total liabilities	**1,422.4**	**33.4**	**1,455.8**	**1,338.1**	**24.2**	**1,362.3**
Equity						
Issued capital	11.2	–	11.2	11.2	–	11.2
Share premium	519.3	–	519.3	519.3	–	519.3
Retained earnings	664.8	(3.2)	661.6	404.8	(3.4)	401.4
Share-based payment reserve	11.4	–	11.4	13.3	–	13.3
Fair value reserve	(0.7)	–	(0.7)	(1.8)	–	(1.8)
Hedging reserve	19.5	–	19.5	17.5	–	17.5
Total equity	**1,225.5**	**(3.2)**	**1,222.3**	**964.3**	**(3.4)**	**960.9**
Total liabilities and equity	**2,647.9**	**30.2**	**2,678.1**	**2,302.4**	**20.8**	**2,323.2**

	Note	2020 £'m	2019 £'m
Non-current assets			
Investment in subsidiaries	2	**552.3**	1,069.8
Current assets			
Debtors – amounts falling due after more than one year	4	**284.6**	323.2
Debtors – amounts falling due within one year	4	**3.0**	2.8
		287.6	326.0
Creditors – amounts falling due within one year	5	**(4.0)**	(3.2)
Net current assets		**283.6**	322.8
Creditors – amounts falling due after more than one year	6	**(248.6)**	(248.3)
Net assets		**587.3**	1,144.3
Capital and reserves			
Called up share capital	7	**11.2**	11.2
Share premium account		**519.3**	519.3
Profit and loss reserve		**48.8**	600.2
Share based payment reserve		**8.0**	13.6
Total shareholders' funds		**587.3**	1,144.3

The Company has not presented its own profit and loss account as permitted by section 408(3) of the Companies Act 2006 (the 'Act'). The loss included in the financial statements of the Company, determined in accordance with the Act, was £532.7m (2019: £549.3m).

Company number: 08804263

The notes on pages 197 to 200 form an integral part of these financial statements.

Signed for and on behalf of the Board on 8 April 2020 by

E A Sutherland
Group Chief Executive Officer

J B Quin
Group Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'m	Share premium account £'m	Retained earnings £'m	Share-based payment reserve £'m	Total equity £'m
At 31 January 2018	11.2	519.3	1,249.2	11.7	1,791.4
Loss for the financial year	–	–	(549.3)	–	(549.3)
Dividends paid	–	–	(100.9)	–	(100.9)
Share-based payment charge	–	–	–	3.8	3.8
Exercise of share options	–	–	1.2	(1.9)	(0.7)
At 31 January 2019	11.2	519.3	600.2	13.6	1,144.3
Loss for the financial year	**–**	**–**	**(532.7)**	**–**	**(532.7)**
Dividends paid	**–**	**–**	**(25.8)**	**–**	**(25.8)**
Share-based payment charge	**–**	**–**	**–**	**2.1**	**2.1**
Exercise of share options	**–**	**–**	**7.1**	**(7.7)**	**(0.6)**
At 31 January 2020	**11.2**	**519.3**	**48.8**	**8.0**	**587.3**

1 Accounting policies

a. Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006, and are prepared on a going concern basis. (please refer to note 2.1 of the Saga plc consolidated accounts on pages 130 and 131 for assessment of the going concern basis for the Group and the company.).

The Company's financial statements are presented in sterling and all values are rounded to the nearest hundred thousand (£'m) except when otherwise indicated.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 January 2020.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 'Financial Instruments: Disclosures'.
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1.
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements'.
- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- The requirements of paragraphs 17 and 18a of IAS 24 'Related Party Disclosures'.
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment'.

b. Investment in subsidiaries

Investment in subsidiaries are accounted for at the lower of cost less impairment and net realisable value and reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

c. Deferred tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is dealt with in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1 Accounting policies (continued)

d. Share-based payments

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

Fair values of share-based payment transactions are calculated using Black-Scholes modelling techniques.

In valuing equity-settled transactions, assessment is made of any vesting conditions to categorise these into market performance conditions, non-market performance conditions and service conditions.

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

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

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

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

e. Financial liabilities

i) Initial recognition and measurement

All financial liabilities are classified as financial liabilities at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities comprise loans and borrowings.

ii) Subsequent measurement

After initial recognition, interest bearing loans and borrowings and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

f. Audit remuneration

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements.

1.1 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the primary Company financial statements and notes to the Company financial statements.

1.1 Significant accounting judgements, estimates and assumptions (continued)

Significant estimates

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may therefore differ from those estimates.

The table below sets out those items the Company considers susceptible to changes in critical estimates and assumptions together with the relevant accounting policy.

Acc. policy	Items involving estimation	Sources of estimation uncertainty
2.3h	Investment in subsidiaries impairment testing	The Company determines whether investment in subsidiaries needs to be impaired when indicators of impairment exist. This requires an estimation of the value-in-use of the subsidiaries owned by the Company. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the subsidiaries, discounted at a suitably risk-adjusted rate in order to calculate present value. Sensitivity analysis has been undertaken to determine the effect of changing the discount rate, the terminal value and future cash flows on the present value calculation, which is shown in note 2 on pages 199 and 200.

2 Investment in subsidiaries

	£'m
Cost	
At 31 January 2018	4,130.6
Capital contributions arising from share-based payments	1.6
At 31 January 2019	4,132.2
Capital contributions arising from share-based payments	**0.5**
At 31 January 2020	**4,132.7**
Amounts provided for	
At 31 January 2018	2,026.4
Amounts provided in the year	1,036.0
At 31 January 2019	3,062.4
Amounts provided in the year	**518.0**
At 31 January 2020	**3,580.4**
Net book value	
At 31 January 2019	1,069.8
At 31 January 2020	**552.3**

See note 38 to the consolidated financial statements for a list of the Company's investments.

The Company has tested the investment in subsidiaries balance for impairment at 31 January 2020 due to the carrying value being in excess of the Company's market capitalisation. The impairment test compares the recoverable amount of investments to its carrying value.

The recoverable amount of the investment has been determined based on a value-in-use calculation using cash flow projections from the Group's Board-approved five-year plan to 2024/25. Terminal values have been included using 2.0% as the expected long term average growth rate of the UK economy, and calculated using the Gordon Growth Model. The cash flows have then been discounted to present value using a suitably risk-adjusted discount rate derived from the Group's weighted average cost of capital being 8.8%.

In the current year, the recoverable amount when compared against the carrying value of the investment in subsidiaries resulted in a deficit of £518.0m, therefore management considered it necessary to impair the investment in subsidiaries balance to its value-in-use of £552.3m. An impairment charge of £518.0m was recognised in the year to 31 January 2020.

The deficit calculated is most sensitive to the discount rate and terminal growth rate assumed. A quantitative sensitivity analysis for each of these as at 31 January 2020 and its impact on the headroom/(deficit) against the carrying value of investment in subsidiaries is as follows:

2 Investment in subsidiaries (continued)

	Pre-tax discount rate		Terminal growth rate	
	+1.0ppt £'m	–1.0ppt £'m	+1.0ppt £'m	–1.0ppt £'m
Impact	(148.7)	185.3	135.3	(109.8)

In the prior year, the recoverable amount when compared against the carrying value of the investment in subsidiaries resulted in a deficit of £1,036.0m, therefore management considered it necessary to impair the investment in subsidiaries balance to its value-in-use of £1,069.8m. An impairment charge of £1,036.0m was recognised in the year to 31 January 2019.

3 Dividends

The Company did not receive any dividends during the current year.

In the prior year the Company received a dividend of £62.5m per share from one of its subsidiaries, Saga Midco Limited, totalling £500.0m.

4 Debtors

	2020 £'m	2019 £'m
Amounts falling due after more than one year		
Amounts due from Group undertakings	**284.6**	323.2
	284.6	323.2

	2020 £'m	2019 £'m
Amounts falling due within one year		
Deferred tax asset	**1.2**	1.4
Other debtors	**1.8**	1.4
	3.0	2.8

5 Creditors – amounts falling due in less than one year

	2020 £'m	2019 £'m
Other creditors	**2.2**	1.4
Accrued interest payable	**1.8**	1.8
	4.0	3.2

6 Creditors – amounts falling due in more than one year

	2020 £'m	2019 £'m
Bond	**250.0**	250.0
Unamortised issue costs	**(1.4)**	(1.7)
	248.6	248.3

7 Called up share capital

	Ordinary shares		
	Number	Nominal value £	Value £'m
Allotted, called up and fully paid			
At 31 January 2018	1,120,295,419	0.01	11.2
Issue of shares	1,707,909	0.01	0.0
As at 31 January 2019	1,122,003,328	0.01	11.2
As at 31 January 2020	**1,122,003,328**	0.01	11.2

8 Commitments

The Company has provided guarantees for the Group's bond, term loan, ship debt, revolving credit facility and bank overdraft (please refer to notes 23 and 28 of the Saga plc consolidated accounts on pages 174 and 182 respectively for further details.)