10 September 2020

Saga plc

Interim Results for the six months ended 31 July 2020

Significant Progress in H1 2020

Insurance returned to growth; Travel managed efficiently through suspension

Launch of £150m capital raise; strategic £100m investment by Sir Roger De Haan

Strategy update with detailed plan to return Saga to sustainable growth

Saga plc ("Saga" or "the Group") announces its interim results for the six months ended 31 July 2020

Financial highlights

	31 July 2020	**31 July 2019**	**Change**
Underlying Profit Before Tax[1]	£15.9m	£52.8m	(69.9%)
(Loss)/profit before tax	(£55.5m)	£52.6m	(205.5%)
Available operating cash flow[1]	(£23.2m)	£24.9m	(193.2%)
Adjusted net debt (excluding Cruise)[1]	£410.7m	£397.9m	3.2%
Leverage ratio (net debt to Trading EBITDA, ex Cruise)	3.6x	2.2x	1.4x

- Underlying Profit Before Tax of £15.9m, in line with our expectations.
- Loss before tax of £55.5m due to prudent £60m impairment of Travel goodwill, reflecting impact of COVID-19 on perceived travel industry risk.
- Leverage ratio (excluding Cruise) of 3.6x, well within the 4.75x covenant level.
- Robust response to COVID-19 with all colleagues working from home and no interruption to business, and the Travel businesses reset for operation in a COVID-19 world.
- Having taken significant actions to reduce operating costs, we expect the cash 'burn' for the Travel businesses to be in a range of £6m to £8m per month in the second half of the year, including all operating and financing expenses.
- Fully committed £150m[2] capital raise with Sir Roger De Haan as cornerstone investor. Reduces leverage and provides additional financial resources to be able to operate through a prolonged COVID-19 disruption and remain within banking covenants.
- Post capital raise leverage ratio (excluding Cruise) expected to be 2.3x.

Operational highlights for the six months ended 31 July 2020

Insurance

Both our Retail Broking and Underwriting businesses showed resilience in trading during the period.

Retail Broking

- Saga-branded motor and home core policies of 831,000 are 2.5% higher than the previous period. This is due to retention being 5.4ppt higher than last year at 80%.
- Home and motor margins (after marketing costs) are £71 per policy, £7 below the prior year and in line with our expectations, principally due to pricing actions that were implemented in July 2019.
- Our three-year fixed price policy continues to perform well; we now have 501,000 in force policies. Retention continues to outperform our expectations and is over 10ppts higher than our standard products.

[1] Alternative performance measure – refer to the glossary on pages 61 to 62 for definition and explanation.
[2] £150m gross proceeds with estimated issue costs of £10m to be deducted, resulting in net proceeds of £140m.

- Total Saga-branded core policies for the period of 900,000 are 4.4% lower than in the prior period due to a significant decline in the number of new travel insurance policies sold from mid-March.

Underwriting

- The Underwriting business profit of £28.0m, including £27.0m of reserve releases, is ahead of expectations. This is due to favourable experience on large bodily injury claims relating to prior accident years.
- Current year claims frequency from March onwards has been reduced as a result of lower miles driven following the start of the COVID-19 lockdown.
- The Group has not recognised any COVID-19 related claims frequency upside in current year results or financial projections, because of uncertainty over the current pricing and claims outlook, and with part of the reduction in claims costs to be returned to customers.

Travel

- The Travel business has been paused since mid-March due to COVID-19. The Group is ready to resume Cruise this year, with the Tour Operations business due to recommence from April 2021.
- A significant number of operational changes have been implemented to ensure the enhanced safety of customers and colleagues.
- Saga benefits from having very new, technologically advanced and smaller ships. We have held detailed discussions with the Government and industry bodies regarding safe resumption of cruising and are ready to resume travel when restrictions are lifted.
- A significant proportion of customers continue to show their loyalty, with over 65% of customers retaining their Cruise bookings.

Strategic update

- Saga today issues an update on strategy, *Transforming Saga – Experience is Everything*, centred on delivering differentiated products and services for our distinct customer segment.
    - The Board believes that Saga has a fundamentally strong proposition, with a target audience that is the fastest growing and wealthiest consumer segment in the UK.
    - The new management team has developed a clear and compelling strategy to create a refreshed, contemporary and confident brand position and to leverage the heritage of Saga with a data and digital-led approach to improve the customer experience.
    - The Board is confident that this strategy will drive growth in revenues, profit and cash, return Saga to sustainable growth and restore significant shareholder value.
    - The strategy will be focused on delivery under five key pillars:
        - People and Culture Reset – a step-change in delivery
        - Data, Digital and Brand Transformation – a bigger, bolder strategy
        - Optimising our Businesses – exceptional experiences for our customers
        - Lower Cost Base – constant drive for efficiencies
        - Debt Reduction – further strengthening of our balance sheet.
- To better position the business to deliver against these priorities, we have announced a £150m[3] equity raise. This will enable us to reduce leverage and significantly reduce balance sheet risks.
- In connection with the capital raise, the Company intends to ask shareholders to approve a share consolidation. Under the consolidation every 15 Ordinary Shares of 1 pence nominal value (including new shares issued in the capital raise) will be consolidated into 1 Consolidated Share of 15 pence nominal value. The consolidation is being undertaken because the current trading price of the Ordinary Shares is such that a small movement in the Company's share price could result in a large percentage movement and considerable volatility. Thus the purpose of the consolidation is to try to establish a market price for the Company's shares that is more appropriate than the market price at present.

[3] £150m gross proceeds with estimated issue costs of £10m to be deducted, resulting in net proceeds of £140m.

Euan Sutherland, Saga's Group Chief Executive Officer, commented:

"Saga has made significant progress in the first half. Through this year our priorities have been serving our customers and keeping colleagues safe during a period of major disruption and further strengthening our financial position. While taking decisive action to react to the COVID-19 outbreak, we have also continued to make progress in our businesses. This is clearly shown in Insurance with the success of our three-year fixed-price product and our COVID-19 travel insurance product, and in Cruise by the imminent arrival of our second new ship, *Spirit of Adventure*. We are excited about the opportunities ahead, whilst mindful of the fact that we face into challenges with the continuation of the COVID-19 pandemic.

"We have conducted a comprehensive review of strategy and have developed a plan which we believe will strengthen our brand, improve our focus on our customers, deliver exceptional experiences for them, and return both our Insurance and Travel businesses to growth. The Capital Raising, supported by Sir Roger De Haan's cornerstone investment, will allow us to build on our actions to date by enhancing our resilience and financial strength.

"Saga is a proud British business, with a strong brand, loyal customers and great people and we are excited about the opportunities ahead. With our strengthened financial position and a refreshed strategy, we expect to be well positioned to unlock all the potential in Saga, returning the business to sustainable growth and creating significant long-term value for all our investors."

END

A presentation for analysts and investors on the interim results, strategy update and capital raise will be available to view on Saga's Investor Relations website from 7.00am today. The webcast can be found at: https://www.corporate.saga.co.uk/investors/results-reports-presentations/.

Euan Sutherland and James Quin will hold a Q&A conference call for analysts and investors at 9.30am. The conference call can be accessed on: UK: +44 20 3936 2999, all other locations: +44 20 3936 2999. Participant access code: 193041.

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Notes to editors

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

Chairman’s statement

Saga is a unique British business, with a strong brand, loyal customers and great people and we are encouraged by the opportunities that we have identified to return the business to growth. Our new, strengthened management team has developed a compelling turnaround strategy, anchored in Saga’s heritage as a business providing exceptional, differentiated products and services to a distinct customer group. With detailed plans to create a refreshed, contemporary and confident brand position and to invest in data and digital to improve the customer experience, we are confident we have a strategy that will see Saga return, in time, to sustainable growth and restore significant value for you as a shareholder.

Our executive team has deep experience in insurance, travel, brand and digital as well as expertise in turnaround situations. They have quickly developed a strong understanding of Saga and have shown they have a tight grip on the business. They have made significant progress in the first half, with encouraging improvements in Insurance, progress in Travel before the COVID-19 pandemic and the delivery of significant cost reductions. Since COVID-19 struck, they have taken a series of decisive actions driven, first and foremost, by the priority of keeping our colleagues and our customers safe. As a Board we have been impressed by their determined focus on delivery.

To underpin this ability to deliver for our investors, we have today confirmed a £150m equity raise (before issue costs), underpinned by a £100m strategic investment by Sir Roger De Haan, the former Chief Executive Officer of this business and the son of Saga’s founder. Sir Roger is investing at a premium to the recent share price, reflecting his confidence in the business and the management team and he will become Non-Executive Chairman of the business.

Your Board knows that Saga’s share price in recent years has failed to live up to the promises made at the time of the flotation of the business. We understand your frustration and thank you for your continued support as an investor. We believe that we now have a clear and compelling strategy, a team with the right skills and experience to execute it at pace and, with the support of Sir Roger and other shareholders, will have a significantly strengthened balance sheet.

I will step down as Chairman following the EGM to approve the equity raise. The Directors have carefully considered the proposed role of Sir Roger as Non-Executive Chairman of the Company in the context of the role of the Chief Executive Officer and Senior Independent Director and the proposed responsibilities of each. The role of the Senior Independent Director has been widened as it is recognised that Sir Roger will not be considered independent on appointment. Taking into account Sir Roger's heritage with the Saga brand and business, his proposed time commitment, and the terms of his appointment, the Directors believe that the appointment of Sir Roger De Haan as Non-Executive Chairman is in the best interests of the Company.

I am confident that I will be leaving Saga in a strong position, with a strengthened management team delivering against a compelling strategy and with a significantly enhanced financial position.

Group CEO's statement

The Group has continued to make good progress in the first half, with Insurance performing well. Our Travel business remains suspended due to the ongoing impact of COVID-19 but our customers continue to show strong loyalty with retention in our Cruise business above 65%.

The Group has continued to simplify and focus on efficiency, and this has accelerated in light of the impact of COVID-19. In total, over £35m of cash has been generated from the disposal of non-core businesses, with Bennetts completing in early August. As previously announced, we have achieved £15m of run-rate cost savings, with plans in a place for an additional £5m across the business.

£150m equity raise and strategic investment by Sir Roger De Haan

The Group continues to monitor the impact of the COVID-19 pandemic on its business and has taken actions to reduce its costs, in particular in the Travel business. While the future impact of COVID-19 remains highly uncertain, there is an increased risk of disruption of the Cruise and Tour Operations businesses well into 2021. While the Group has significant available liquidity and is expected to remain in compliance with all banking covenants through at least the next six months in all reasonable scenarios and before any additional actions are taken to improve financial flexibility, such an outcome would have a potentially significant adverse impact on the position beyond this date. Specifically, there is a risk that the Group would not comply with all of its financial covenants as at 31 July 2021 in the absence of such further actions being taken.

In light of the above challenges, the Group is intending to raise £140m net of costs, which is fully committed, and includes a significant investment from Sir Roger De Haan. The equity raise is intended to improve the Group's financial position by reducing the term loan from £134m to £70m and repaying the drawn £40m of revolving credit facility, with the balance of proceeds raised increasing available cash by around £36m. The Group has also agreed with its lending banks, subject to the equity raise, to extend the maturity of the remaining £70m term loan to May 2023 and to amend certain bank covenants to provide additional headroom in stress test scenarios. The £100m undrawn revolving credit facility will remain available until its existing maturity date of May 2023.

Good progress in first half

Insurance

The Retail Broking insurance business has performed well and it is pleasing to see that motor and home policies are now growing for the first time in five years. This is due to strong retention of 80% across our motor and home products, and reflects a number of actions taken to drive retention as well as the fantastic response we have seen to our three-year fixed-price policy. Retention on this product is currently over 10ppts higher than our standard product.

The business continues to drive innovation beyond the 3-year fixed-price product and has announced that treatment abroad, repatriation and cancellation for COVID-19 has been included as standard as part of its travel insurance policies for all trips from 1 June. Saga has added the cover to help customers feel more comfortable travelling once the Government advice changes to say that it is safe to do so.

We responded quickly to COVID-19 to establish full home working and remained open for both new and existing customers throughout the period.

Our Underwriting business achieved a £28m profit for the period. This included £27m of reserve releases due to continued favourable experience on large bodily injury claims relating to prior accident years. Consistent with other insurers, claims frequency in the first half of the current financial year has significantly reduced as a result of the sharp reduction in miles driven by the Group's customers during the lockdown period. At this stage, the Group has not recognised the benefit of this decrease because of uncertainty over the current pricing and claims outlook, and as a result of actions the Group intends to take to return part of the reduction in claims costs to customers.

Travel

The Group's Travel business has remained on pause since the decision in mid-March to suspend operations due to COVID-19. The Group has been focused on ensuring customers whose holidays have been cancelled are re-booked on future trips or offered a cash refund. We currently have particularly high levels of retention in the Cruise business of over 65%.

The Group continues to expect some Cruise operations to resume this year. We have made a number of significant changes to how the Travel businesses operate to provide peace of mind and ensure the safety of customers and colleagues. Together with our modern vessels we are leading the cruise industry in our response.

Transforming Saga – Experience is Everything

In 2021 Saga will celebrate its 70th anniversary. The strategic turnaround plan outlined by the new management team in 2020 is intended to build on Saga's heritage while responding fully to the challenges faced by the business today. At our core, we will remain the same - a unique British business focused on providing exceptional, differentiated products and services to our distinct customer group. At the same time, we will refresh our brand, invest in data and digital to improve the customer experience; we will optimise the Insurance business and build greater capability and resilience in the Cruise business and re-set our Tours offer. We are confident that this approach will return Saga to growth and underpin a successful next chapter in its history.

Our target audience of the over 50s is the fastest growing and wealthiest consumer segment in the UK. For the first 55 years of its life, Saga kept a relentless focus on innovation, creating and delivering unique, high-quality products and services for older people in the UK. This was followed by almost 15 years during which this tight focus slipped. Our franchise was depleted, first under private equity ownership, when debt was increased dramatically and decision making became too focused on the short-term; then, during the period in public ownership, when the potential impact of some of the investment made was lost due to poor delivery.

The new management team have looked back to our heritage and faced into the problems we have identified and we have begun to resolve them with precision and pace. Our objective is to return the business to its core DNA, within a contemporary data and digital-led strategy, creating exceptional experiences every day for our customers. We are confident that this will in turn drive growth in revenues, profit and cash over the long term and sustainable returns for our investors.

We have a new creative brand essence of Experience is Everything – this talks to the life experience of our customers, the experience of Saga and the amazing customer experiences we deliver for them. This is a really important change for Saga – not only will it drive increased brand awareness, but it will act as an internal mantra for our people.

It is important to be clear eyed as we move forward, recognising four major challenges, in order to address them and ensure they never recur:

- Dilution of the original culture and lack of clear performance expectations
- An inconsistent focus on the customer and the core drivers of shareholder value
- Legacy of poorly made investment and then lack of delivery across the business
- Excessive levels of debt.

At the same time, we are very aware that we are heading into the next phase of delivery against the backdrop of the COVID-19 pandemic and the UK's worsening economic outlook. We are aware of the scale of the task ahead of us, but confident in our ability to deliver.

Recognising all this, the new management team has already begun delivering improvements and creating the platform for long-term growth in revenue and profit. We have worked out how to leverage the investment of recent years efficiently and what more investments need to be made. We are making sure Saga is focused, first and foremost, on returning to its roots and innovating to bring unique products to our customer base.

The golden thread running through everything we do will be a purpose-led approach to business. We recognise that older people do not define themselves by age, but by attitude, aspiration and an appetite for adventure. Saga is committed to delivering exceptional experiences for all customers every day, while being a driver of positive change in the markets in which we operate. We are aligning our people and our products around this purpose and through this approach and a return to great customer focus, we will build longer, deeper relationships with this growing cohort of customers. This, in turn, will ensure Saga returns to being a high quality, growing and profitable business, one with a higher quality of earnings.

To deliver our plan we are focused on the following five pillars.

1. People and Culture Reset

   The transformation required in people, leadership and culture will underpin the success of the strategic reset, so this is our first priority. The new management team have already acted decisively, resizing and reshaping the business in 2020, and creating a culture of accountability by reducing management layers from 17 to 5. Total headcount reduced by 36% in H1, down to 2,500 colleagues from 3,900, when including the non-core disposals, permanent reductions and temporary Travel measures. We expect to add back up to 500 roles in time as Travel resumes, leaving permanently lower headcount of 23%. The work we had done in this area enabled us to move quickly once COVID-19 hit and within a week of lockdown we had all 2,500 colleagues working effectively from home, with no reduction in customer satisfaction levels. Our re-established commitment to fairness and colleague welfare saw all Cruise crew repatriated to their home countries, alongside an investment in improved communications across the business to drive alignment and performance, as well as upweighting support for colleague mental health, diversity and inclusion. We are launching a new purpose, values and engagement programme this month, as we connect the customer brand revitalisation with the colleague brand to secure a strong foundation for growth in revenue and profit across the business.

2. Data, Digital and Brand Transformation

   The new management team are implementing a single group-wide customer digital data platform. This builds on and optimises the investments made in the last five years and will give us a single view of the customer across our businesses. We are efficiently re-purposing existing technology and developing big data solutions over the next two years. From this we are creating an automated personalisation model that provides prompts to make the best offer to each customer at each opportunity, allowing customer interaction in real time and synchronisation across channels and businesses to drive customer multi-product holdings, loyalty and value.

   We will drive awareness and consideration of a refreshed and contemporary Saga with a new integrated multi-year brand campaign planned to launch in 2021. Our plans for this are well advanced and have tested very positively with our target audience. We have earmarked a brand advertising fund within the current plan to support this.

3. Optimising our Businesses

   The new management team are focused on making the core Saga businesses the best they can be for customers and colleagues – separately and together. We are clearly focused on this core and will not create distraction by investing in other businesses until we have delivered real improvements. This discipline will be important to drive maximum value creation and efficiency across the Group in the interests of shareholders

   Insurance – has been operationally and financially resilient through the COVID-19 crisis, with good progress made in delivery of our objectives in H1 2020. Innovation has seen a step change in the last year, resulting in positive customer reaction with the introduction of motor and home three-year fixed-price insurance, alongside COVID-19 inclusive travel insurance. There is more innovation to come from a refocused team, who will benefit from the group-wide focus on data, digital and knowing our customers better than anyone else. This will enable us to deliver exceptional propositions to our customers, creating broader and deeper relationships and retaining our customers for longer.

   Cruise – our number one priority is a safe return to service as soon as Government restrictions on the cruise industry are lifted. We are working closely with the Government and all the relevant authorities to ensure provision of the very best safety operating protocols for a COVID-19 world. Our transformation of Cruise means we operate the newest ships on the seas. These are boutique ships that are technologically advanced and able to offer our guests the highest levels of safety, with fresh air for all cabins, control of air-conditioning airflow in corridors and public spaces, ionisation and ultra-violet filter capability further protects guests as well as all table-service restaurants. Our ships are mid-size, enabling social distancing more easily and realistic capacity management, along with enhanced guest protection ahead of boarding and enhanced medical facilities and staff onboard. Saga Cruise has always operated an end-to-end bubble for those travelling to and from our ships – with a dedicated car service picking up guests from their homes and driving them to the ships, and the same on return – and we only sail from UK ports. We will soon launch our second Spirit class ocean ship *Spirit of Adventure,* and customer retention for those whose cruises have been cancelled because of COVID-19 has been consistently strong, as are 2021 bookings. The new management team has confidence in the financial metrics established with *Spirit of Discovery* from August 2019 (load factors, per diems and profit per ship) being re-established, over time, as sailings resume. We are extending our proposition to river cruise from 2021 and an intended expedition cruise proposition from 2023.

Tour – The new management team have taken the opportunity to reset the Tour Operations business during the COVID-19 lockdown. Having repatriated more than 3,000 customers in March, we set about establishing a lower cost, smaller business and planning for a resumption of operations based on a higher-quality, differentiated product portfolio that is consistent with the Saga brand. This will emphasise peace of mind, unique and aspirational holidays tailored for our customers and the delivery of exceptional experiences. The launch of the 2021 season is taking place in early autumn 2020, with a return to the DNA that created Saga Holidays success for many years. Titan Travel has also improved its focus and reduced its cost base, while taking the same high-quality measures around COVID-19 safety and peace of mind for customers. Both Tour Operations businesses are planning for a resumption of operations from April 2021.

4. Lower Cost Base

During 2020 and before COVID-19 the new management team was focused on delivering the optimum cost base for Saga. Having inherited a high cost, complex business, we have worked hard to reduce cost and complexity and have focused Saga to great effect already. This focus on cost efficiency will remain as a central element for the business in the years ahead.

5. Debt Reduction

The new management team acted quickly with decisive measures to strengthen the balance sheet and reduce debt. Focused in particular on the covenanted short-term debt, we have reduced operating costs, disposed of non-core assets, suspended the dividend and now we are proposing the Placing and Open offer. These measures will significantly strengthen the Saga balance sheet and provide a strong foundation for future success and growth.

In terms of financial targets, the Group aims to return to sustainable profitable growth from the 2019/20 level for Underlying Profit Before Tax of £110m, with a step change in the quality of earnings. This is underpinned by an ambition to grow insurance policy count by 3% per annum over the cycle, to grow Tour Operations revenues by 4% per annum from the reset level, both while sustaining or improving margins, as well as to achieve the goal of generating £40m of EBITDA per cruise ship per annum at normal load factors.

Management recognises that there will be an ongoing impact from COVID-19; the 2021/22 financial year will inevitably be a transitional one for the Group. Management also recognises that there is a need to increase investment in the brand, data and digital. This extra investment is not expected to exceed £10m in each of the current and next years and should be self-funding from the 2022/23 financial year.

A key financial objective for the Group is to reduce total debt leverage to under 3.5x EBITDA. While the pace of recovery from COVID-19 will significantly influence the speed of debt reduction, the Group's modelling suggests that this should be achieved by the end of 2023 even in stress test scenarios. Given this priority the Group is not expecting to pay dividends in the next few years, but the Board will reassess its dividend policy once the leverage goal has been achieved.

The new management team are confident the strategy for Saga is right and with the strengthened balance sheet through the Placing and Open offer, underpinned by Sir Roger De Haan, who will return to Saga as our Non-Executive Chairman, are committed to delivering a strong future for the business.

Operating and Financial Review

The Group has reported Underlying Profit Before Tax of £15.9m, a decrease of 69.9% in comparison to the prior period. This is in line with expectations and the stress test modelling undertaken at the onset of the COVID-19 crisis in March 2020 and reflects:

- Resilient trading in the Insurance business with both the Retail Broking and Underwriting businesses continuing to make good progress against the targets set in April 2019.
- The suspension of the Travel business in March due to the Government advice against travel.

The significant impact of COVID-19 on travel companies has led to an increase in risk and cost of debt levels such that market-participant views of discount rates have increased over the past six months, particularly in the cruise industry. While the Group is confident that the Travel business will recover over time, and believes that its Cruise operations are well placed for a post COVID-19 world, given this position and uncertainty over the pace of the recovery, the Group has impaired in full the goodwill assets allocated to the Tour Operations and Cruise businesses totalling £59.8m. As a result, the Group reported a Loss Before Tax of £55.5m compared to a profit of £52.6m in the prior period.

Notwithstanding the progress made during the year and the strong current liquidity position of the Group, there is an increasing likelihood that the impact of COVID-19 on the travel industry will be more significant and result in a slower recovery than previously anticipated. This has led to the launch of the Group's capital raising, with Sir Roger De Haan as a cornerstone investor, which seeks to raise £140m of net proceeds.

The Group will use these proceeds to reduce short-term indebtedness and further improve the financial strength of operating divisions. On completion of the capital raise, the Group will repay the £40m drawn revolving credit facility ('RCF') and reduce the term loan to £70m. In addition, the Group has agreed with its lending banks, subject to the reduction of the term loan to £70m and completion of the capital raise, to extend the maturity of the remaining term loan to May 2023 and certain amendments that will provide additional financial flexibility. On a proforma basis post completion of the capital raise, the Group will have a strong financial position with significant available liquidity, with approximately £60m of available cash resources, together with £100m of available undrawn RCF that is available through to May 2023.

The Group suspended dividend payments at the onset of the COVID-19 crisis and no interim dividend is proposed.

Operating Performance

Group Income Statement

£m	6m to July 2020	*Change*	6m to July 2019
Revenue[4]	**192.4**	***(51.4%)***	**395.9**
Underlying Profit Before Tax[5]			
Total Retail Broking (earned)	42.0	*(14.8%)*	49.3
Underwriting	28.0	*31.5%*	21.3
Total Insurance	70.0	*(0.8%)*	70.6
Travel	(34.2)	*(4,375.0%)*	0.8
Other Businesses and Central Costs	(11.3)	*7.4%*	(12.2)
Net finance costs[6]	(8.6)	*(34.4%)*	(6.4)
	15.9	***(69.9%)***	**52.8**
Net fair value gains on derivatives	1.9		2.3
Profit on disposal / (impairment) of assets	4.5		(0.3)
Restructuring costs	(28.3)		(2.2)
Net profit on disposal of businesses	10.3		0.0
Impairment of Travel goodwill	(59.8)		0.0
(Loss)/profit before tax	**(55.5)**	***(205.5%)***	**52.6**
Tax expense	(1.6)	*76.5%*	(6.8)
(Loss)/profit after tax	**(57.1)**	***(224.7%)***	**45.8**
Basic earnings per share:			
Underlying Earnings Per Share[5]	2.2p	*(46.3%)*	4.1p
Earnings per share	(5.1p)	*(224.4%)*	4.1p

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

The Insurance business operates mainly as a broker, sourcing underwriting capacity from selected third-party insurance companies, and, for motor and home, also from the Group's in-house underwriter. Travel is comprised of Tour Operations and Cruise. Other Businesses comprises Personal Finance, Publishing and MetroMail, a printing and fulfilment business.

[4] Revenue is stated net of ceded reinsurance premiums earned on business underwritten by the Group of £73.1m (H1 2019: £70.3m).
[5] Alternative performance measure – refer to the glossary on pages 61 to 62 for definition and explanation.
[6] Net finance costs exclude net fair value gains / (losses) on derivatives and IAS19R pension interest costs.

Revenue

Revenue decreased by 51.4% to £192.4m (H1 2019: £395.9m) due to the suspension of the Travel business from March 2020, combined with lower Retail Broking revenues as a result of a reduction in the sales of travel insurance policies.

Underlying Profit Before Tax [7]

Underlying Profit Before Tax decreased by 69.9% to £15.9m (H1 2019: £52.8m).

This was primarily due to a £35.0m reduction in Travel profitability, largely resulting from the suspension of operations in March 2020 due to Government travel restrictions in response to the COVID-19 pandemic.

Net finance costs in the period were £8.6m (H1 2019: £6.4m), an increase of 34.4% largely due to the additional debt issue costs incurred in connection with amendments to the Group's leverage covenants in April 2019 and April 2020. This excludes finance costs relating to the Cruise business that are included within the Travel division, totalling £5.2m (H1 2019: £1.4m).

Loss before tax

Loss before tax for the period of £55.5m includes a £59.8m impairment to goodwill and £28.3m restructuring costs offset by the £10.3m profit on the disposal of non-core businesses and £4.5m net profit on completion of the sale of the *Saga Sapphire* cruise ship.

The restructuring costs include £18.7m of expenses associated with a group-wide restructuring programme to improve the operating efficiency of both the trading business and the central support functions, including specifically the removal of roles not required in Travel whilst that business has suspended trading in the short-term. The remaining £9.6m of costs relate to the impairment and operating losses of non-core businesses, principally the Destinology travel business.

The £10.3m profit on disposal of non-core businesses relates to the sale of Consolidated Healthcare Agencies Limited, which traded as Country Cousins and Patricia White's.

Tax expense

The Group's tax expense for the period was £1.6m (H1 2019: £6.8m) representing a tax effective rate of 37.2% (H1 2019: 12.9%) when excluding the goodwill impairment charge. The Group's tax effective rate is higher than the standard rate of corporation tax, mainly due to the Group's Cruise business entering the tonnage tax regime on 1 February 2020. This regime is specific to the shipping industry and provides a source of tax efficiency by fixing an element of tax payable based on the tonnage of each ship. While this is the appropriate long-term approach, in the short-term, losses accumulated in the Cruise business as a result of the COVID-19 suspension are not eligible for group relief to other profitable companies within the Group.

Earnings per share

The Group's Underlying Earnings Per Share were 2.2p (H1 2019: 4.1p). The Group's reported earnings per share were a loss of 5.1p (H1 2019: profit of 4.1p).

[7] Alternative performance measure – refer to the glossary on pages 61 to 62 for definition and explanation.

Retail Broking

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

	6m to July 2020					6m to July 2019			
£m	**Motor Broking**	**Home Broking**	**Other Broking**	**Total**	***Change***	**Motor Broking**	**Home Broking**	**Other Broking**	**Total**
GWP									
Broked	82.3	76.6	49.2	208.1	*2.9%*	61.1	80.4	60.7	202.2
Underwritten	109.1	0.0	1.9	111.0	*(10.3%)*	121.7	0.0	2.1	123.8
	191.4	76.6	51.1	319.1	*(2.1%)*	182.8	80.4	62.8	326.0
Broker revenue	20.7	14.5	20.0	55.2	*(17.0%)*	23.8	17.5	25.2	66.5
Instalment revenue	4.5	1.5	0.0	6.0	*11.1%*	3.9	1.5	0.0	5.4
Add-on revenue	8.6	5.3	0.0	13.9	*(8.6%)*	10.2	5.0	0.0	15.2
Other revenue	16.6	9.2	3.2	29.0	*(30.8%)*	20.4	8.7	12.8	41.9
Written revenue	**50.4**	**30.5**	**23.2**	**104.1**	***(19.3%)***	**58.3**	**32.7**	**38.0**	**129.0**
Written gross profit	**49.1**	**30.5**	**21.1**	**100.7**	***(17.1%)***	**56.9**	**32.7**	**31.8**	**121.4**
Marketing expenses	(10.9)	(3.2)	(1.4)	(15.5)	*29.5%*	(11.8)	(5.4)	(4.8)	(22.0)
Other operating expenses	(24.9)	(12.5)	(9.1)	(46.5)	*1.7%*	(27.3)	(10.4)	(9.6)	(47.3)
Written Underlying PBT[8]	**13.3**	**14.8**	**10.6**	**38.7**	***(25.7%)***	**17.8**	**16.9**	**17.4**	**52.1**
Written to earned adjustment	3.3	0.0	0.0	3.3	*217.9%*	(2.8)	0.0	0.0	(2.8)
Earned Underlying PBT[8]	**16.6**	**14.8**	**10.6**	**42.0**	***(14.8%)***	**15.0**	**16.9**	**17.4**	**49.3**
Thousands									
Number of policies sold ('000)									
Core	628	347	69	1,044	*(4.1%)*	614	345	130	1,089
Add-ons	922	273	4	1,199	*12.0%*	795	271	5	1,071
	1,550	620	73	2,243	*3.8%*	1,409	616	135	2,160
Core policies sold ('000)									
Saga branded	484	347	69	900	*(4.4%)*	466	345	130	941
Bennetts	144	0	0	144	*(2.7%)*	148	0	0	148
	628	347	69	1,044	*(4.1%)*	614	345	130	1,089
Third-party panel share[9]	29.9%				*8.6%*	21.3%			

Retail Broking profit before tax on a written basis (which excludes the impact of the written to earned adjustment) reduced to £38.7m from £52.1m, and on an earned basis (which includes the impact of the written to earned adjustment) reduced to £42.0m from £49.3m.

The reduction in profit before tax on a written basis was mainly due to a £14.2m reduction in written gross profit, after also deducting marketing expenses but before overheads. Analysis of the main components of the change in this metric is shown below, separately identifying the element of the change that the Group estimates is related directly to the COVID-19 pandemic.[10]

[8] Alternative performance measure – refer to the glossary on pages 61 to 62 for definition and explanation.
[9] Third-party underwriter's share of the motor panel for Saga branded policies.

£m	Change in written gross profit after marketing expense excluding COVID-19	Element of change directly attributable to COVID-19	Total change in written gross profit after marketing expense
Written gross profit in H1 2019			**99.4**
Saga branded motor	(2.8)	(1.1)	(3.9)
Home	(0.1)	-	(0.1)
Bennetts	(2.0)	(0 9)	(2.9)
Travel	-	(3 3)	(3.3)
Other	(2.8)	(1 2)	(4.0)
Written gross profit in H1 2020	**(7.7)**	**(6.5)**	**85.2**

While Retail Broking performance has been resilient in light of COVID-19 challenges, there has been some impact on first-half results, mainly due to a significant reduction in sales of travel insurance and on some components of other fee income. In aggregate, the Group estimates that factors directly related to COVID-19 reduced first-half profits by £6.5m, mainly relating to the Other Broking segment.

Excluding the impact of COVID-19, the balance of the change in written gross profits is due to Bennetts (£2.0m), lower results from Other Broking (£2.8m), mainly in relation to claims handling and credit hire) and a £2.9m decline in profits on the core Saga branded home and motor books.

For Saga branded home and motor insurance, in terms of the total gross margin after marketing expenses, new business profits improved by £1.5m, while there was a £5.5m reduction in renewal profits. The impact of COVID-19 is estimated at around £1.1m, reflecting a reduction in mid-term adjustment and referral fees.

The increase in new business profits is principally due to lower costs of acquisition in comparison to the first half of last year, partially offset by reduced fee income. The reduction in renewal profits is principally due to pricing actions for long-tenured customers that were implemented in July 2019. Excluding these actions, renewal profits were broadly flat, with the impact of slightly lower underlying renewal margins offset by a 5% increase in the total number of home and motor renewals policies.

The overall gross margin per policy for Saga branded home and motor combined, and calculated as written gross profit less marketing expenses divided by the number of policies, was £71 in the first half of the year (£72 per policy excluding COVID-19 impacts), compared to £78 in the prior period. This ratio benefitted from mix changes, with a higher weighting to renewals, and reduced spend on above the line advertising, offset by price actions implemented last July (around £6 per policy impact on average) and a more competitive environment for motor insurance. The first-half margin is within the indicative full-year range for 2020/21 that was set out in April 2020.

Although Retail Broking earnings have reduced in the first half of the year, much of this was expected and the Insurance business has shown good progress despite the challenges presented by COVID-19:

- After several years of a decline in the policy count, Saga branded home and motor policies increased by 2.5% in the first half of the year.
- The higher policy count is due to improved customer retention of 79.9% across home and motor, which was 6 percentage points higher than the prior period. This includes the beneficial impact of the three-year fixed policy introduced in April 2019 on customer loyalty.
- 273k three-year fixed-price policies were sold in the period, 32.8% of total motor and home policies, with over 60% of direct new business taking the product.
- The margin per policy is tracking in line with expectations set at the time of the insurance strategy reset in April 2019, on a basis that is consistent with how that range was calculated.

Written profit and gross margin per policy for home and motor are after allowing for deferral of part of the revenues from three-year fixed-price policies, recognising inflation risk inherent in this product. As at 31 July 2020, £7.6m of income had been deferred in relation to three-year fixed-price policies, £4.0m of which related to income deferred on three-year fixed price policies written in the six months to 31 July 2020.

Motor Broking

Gross written premiums increased by 4.7% due to a 2.3% increase in core policies and an increase in average gross written premiums reflecting a higher contribution from the renewal book and three-year fixed-price product. Gross written premiums from business underwritten by AICL decreased by 10.4% to £109.1m (H1 2019: £121.7m) in line with an 8.6ppt increase in third-party panel share to 29.9% (H1 2019: 21.3%) due to price cuts implemented by AICL in February 2019, and with third-party panel members relatively more competitive since August 2019.

Other revenue declined by £3.8m due to lower levels of mid-term adjustments and cancellations as fewer customers bought or sold cars during the period of lock-down relating to COVID-19.

Written gross profit minus marketing expenses was £38.2m (H1 2019: £45.1m), contributing £61/policy (H1 2019: £73/policy). Excluding Bennetts, motor written gross profit minus marketing expenses was £31.6m (H1 2019: £35.6m), contributing £65.3/policy (H1 2019: £76.4).

The reduction in written gross profits excluding Bennetts is mainly due to pricing actions for long-tenured customers that were implemented in July 2019, the impact of COVID-19 on other income and more generally competitive market conditions. This was partially offset by lower costs of acquisition and a 4% increase in the number of renewal policies.

Bennetts gross profits reduced due to changes to a contractual arrangement with a third party, as well as short-term factors relating to the impact of COVID-19. The sale of Bennetts was completed on 7 August 2020.

The positive written to earned impact in the current year of £3.3m is due to reduced margins per policy in the current year on a written basis relative to the margins on earned business. The negative written to earned adjustment of £2.8m in the prior year was due to price reductions implemented by AICL in February 2019, which were included within written profits in the prior year but on an earned basis are spread over a 12-month period.

Home Broking

Gross written premiums decreased by 4.7% due to lower volumes of new business, offset by higher average GWP. The renewal book on a GWP basis was stable, with higher volumes offset by lower average GWP.

Written gross profit minus marketing expenses was £27.3m (H1 2019: £27.3m), on a per policy basis this was £79/policy (H1 2019: £79/policy).

Within gross profits the impact of pricing actions for long tenured customers was offset by lower costs of acquisition and an 8% increase in the number of renewal policies. Written gross profit on a per policy basis was stable, with a reduction resulting from pricing actions implemented last year but a positive impact from a higher weight of new business relative to total policies written.

Other Broking

Other insurance broking business is primarily comprised of private medical insurance (PMI) and travel insurance.

Gross written premiums declined 18.6% as a result of lower sales of travel insurance, which declined from 96k in the prior period to 38k in the first half of the year. This was due to the impact of COVID-19 related travel restrictions. Gross profits relating to the travel product declined by £3.3m as a result.

Sales and profit before tax for the PMI product were broadly stable. The Group is not including any upside from a reduction in claims costs in the first half that has occurred as a result of a significant decline in elective surgery during the period of COVID-19 lockdown. While these amounts could be receivable under profit share arrangements, both Saga and the solus insurance provider have committed to returning such benefits to customers.

Profitability of the Group's claims management and credit hire businesses were also impacted during the period due to lower claims volumes as a result of reduced repair activity during the COVID-19 lock-down, as well as the exit from a claims handling contract for a third party.

Insurance Underwriting

£m		6m to July 2020 Reported	Quota Share	Underlying	*Change*	6m to July 2019 Reported	Quota Share	Underlying
Net earned premium		26.6	(65.9)	92.5	(3.5%)	31.6	(64.3)	95.9
Other revenue		1.9	2.1	(0.2)	(133.3%)	5.8	5.2	0.6
Revenue	**A**	**28.5**	**(63.8)**	**92.3**	**(4.4%)**	**37.4**	**(59.1)**	**96.5**
Claims costs	**B**	(22.8)	56.4	(79.2)	*6.3%*	(28 8)	55.7	(84.5)
Reserve releases	**C**	25.4	(1.6)	27.0	*50.0%*	14.2	(3.8)	18.0
Other cost of sales	**D**	(2.7)	6.8	(9.5)	*(8.0%)*	(1 9)	6.9	(8.8)
	E	(0.1)	61.6	(61.7)	*18.1%*	(16.5)	58.8	(75.3)
Gross profit		**28.4**	**(2.2)**	**30.6**	***44.3%***	**20.9**	**(0.3)**	**21.2**
Operating expenses	**F**	(1.8)	3.3	(5.1)	*(54.5%)*	(1.4)	1.9	(3.3)
Investment return		1.4	(2.1)	3.5	*(20.5%)*	1.8	(2.6)	4.4
Quota share net cost		0.0	1.0	(1.0)	*0.0%*	0.0	1.0	(1.0)
Underlying Profit Before Tax[11]		**28.0**	**0.0**	**28.0**	***31.5%***	**21.3**	**0.0**	**21.3**
Reported loss ratio	**(B+C)/A**	(9.1%)		56.6%	(12.3%)	39.0%		68.9%
Expense ratio	**(D+F)/A**	15.8%		15.8%	3.3%	8.8%		12.5%
Reported COR	**(E+F)/A**	6.7%		72.4%	(9.1%)	47.9%		81.5%
Pure COR	**(E+F-C)/A**	95.8%		101.6%	1.5%	85.8%		100.1%
Number of earned policies				386k	(4.0%)			402k
Net earned premium per policy (£)				240	0.4%			239

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

Excluding the impact of the quota share reinsurance agreement, net earned premiums decreased by 3.5% to £92.5m (H1 2019: £95.9m) in line with the decline in the number of earned policies underwritten by AICL.

Also excluding the impact of the quota share, the Underwriting business saw an increase in the pure combined operating ratio to 101.6% (H1 2019: 100.1%). This was due to an increase in operating expenses to support investment in pricing capabilities.

Consistent with the experience of other insurers, claims frequency in the first half of the current financial year has significantly reduced as a result of the sharp reduction in miles driven by the Group's customers during the lockdown period. At this stage, the Group has not recognised the benefit of this decrease because of uncertainty over the current pricing and claims outlook, and as a result of actions the Group intends to take in returning part of the reduction in claims costs to customers.

Reserve releases of £27.0m (H1 2019: £18.0m) have resulted in a reported combined operating ratio of 72.4% (H1 2019: 81.5%), excluding the impact of the quota share treaty. The Group retains economic interest in motor reserve releases. To the extent they are commuted under the quota share arrangement they are recognised within 'other revenue' as a profit share.

	6m to July 2020 Reported	Quota Share	Underlying	*Change*	6m to July 2019 Reported	Quota Share	Underlying
	£m	**£m**	**£m**		**£m**	**£m**	**£m**
Motor insurance	24.5	(2.5)	27.0		15.4	(2.6)	18.0
Home insurance	(0.4)	(0.4)	0.0		(1.2)	(1.2)	0.0
Other insurance	1.3	1 3	0.0		0.0	0.0	0.0
	25.4	(1.6)	27.0	*50.0%*	14.2	(3.8)	18.0

[11] Alternative performance measure – refer to the glossary on pages 61 to 62 for definition and explanation.

Reserve releases primarily reflect continued favourable experience on large bodily injury claims relating to prior accident years. The investment return decreased £0.9m to £3.5m (H1 2019: £4.4m) due to a reduced investment portfolio and lower reinvestment yields.

Travel

	6m to July 2020				6m to July 2019		
£m	**Tour Operations**	**Cruise**	**Total Travel**	***Change***	**Tour Operations**	**Cruise**	**Total Travel**
Revenue	**33.0**	**16.3**	**49.3**	***(77.5%)***	**176.9**	**42.1**	**219.0**
Gross (loss) / profit	**0.0**	**(3.4)**	**(3.4)**	***(108.5%)***	**31.2**	**8.8**	**40.0**
Marketing expenses	(3.8)	(2.9)	(6.7)	*61.0%*	(9.7)	(7.5)	(17.2)
Other operating expenses	(14.9)	(4.0)	(18.9)	*9.1%*	(17.2)	(3.6)	(20.8)
Investment return	0.0	0.0	0.0	*(100.0%)*	0.2	0.0	0 2
Finance costs	(0.1)	(5.1)	(5.2)	*271.4%*	(0.3)	(1.1)	(1.4)
Underlying (Loss) / Profit Before Tax[12]	**(18.8)**	**(15.4)**	**(34.2)**	***n.m.***	**4.2**	**(3.4)**	**0.8**
Average revenue per passenger (£)	2,750	2,717	2,739	*18.8%*	2,106	3,827	2,305
Holidays passengers ('000)							
Stays	7		7	*(79.4%)*	34		34
Escorted tours	5		5	*(83.3%)*	30		30
River cruise	0		0	*(100.0%)*	15		15
Third-party ocean cruise	0		0	*(100.0%)*	5		5
	12		12	*(85.7%)*	84		84
Cruise passengers ('000)		6	6	*(45.5%)*		11	11
Cruise passenger days ('000)		61	61	*(57.9%)*		145	145
Load factor		83%	83%	*1.2%*		82%	82%
Per Diems (£)		241	241	*(5.9%)*		256	256

The Group's Travel businesses was suspended in mid-March as a result of COVID-19. The suspension of the Travel businesses has led to a decline in revenues in comparison to budget expectations of around 80% for the first half of the financial year for both Tour Operations and Cruise.

The Group has focused on ensuring customers whose holidays have been cancelled are re-booked on future trips or offered a cash refund.

Other operating expenses and marketing costs have declined by £12.4m as a result of actions taken after the decision to suspend operations.

Customer retention levels continue to be high, particularly in Cruise, and a significant number of changes have been made to how the Travel businesses operate to provide peace of mind and ensure the safety of customers and colleagues once operations restart.

In April 2020, the Group indicated that, for the full year, it expected a 'drop through' from lower revenues to Underlying Profit Before Tax of 15-20% for Tour Operations and 55%-60% for Cruise, relative to plan assumptions. For the first half, the drop through rate was 19% and 41%, respectively. The Cruise business benefitted from profits generated during the period of operations at the start of the year.

The sale of the *Saga Sapphire* cruise ship was completed on 12 June on terms broadly in line with previous expectations and the latest indication for the *Spirit of Adventure* is that she will be delivered by the end of September.

[12] Alternative performance measure – refer to the glossary on pages 61 to 62 for definition and explanation.

Forward Travel sales

Saga Holidays and Titan combined bookings for 2021/22 are ahead of the same point last year by 5.6% and 8.4% for revenue and passengers respectively. Around 65% of bookings for next year are due to customers choosing to rebook holidays cancelled in 2020.

Cruise bookings for 2021/22 are lower than the same point last year by 7.7% and 10.0% for revenue and passenger days respectively due to an earlier brochure launch in the prior year and a deliberate delay to marketing activity in the current year. Of those bookings, 21% of revenue is from customers who have chosen to rebook cruises cancelled in 2020. Around 41% of the annual revenue target for 2021/22 is now booked.

The booking figures for Cruise do not include £14.6m of 2020 bookings that have been cancelled but where customers have at this stage chosen to receive a voucher for future departures rather than rebook a specific cruise. Including these vouchers, bookings for 2021/22 are around 11% higher than the corresponding figure in the prior year.

Trading to week ended 29 August 2020

	2021/22 departures		
	2020/21	**Change**	**2019/20**
Saga Holidays and Titan combined revenue (£m)	100.5	5.6%	95.2
Saga Holidays and Titan combined passengers ('000)	41.3	8.4%	38.1
Cruise revenue (£m)	73.1	(7.7%)	79.2
Cruise passenger days ('000)	265.6	(10.0%)	295.1

Other Businesses and Central Costs

	6m to July 2020				**6m to July 2019**		
£m	**Other Businesses**	**Central costs**	**Total**	***Change***	**Other Businesses**	**Central costs**	**Total**
Revenue:							
Personal Finance	3.3	0.0	3 3	*(13.2%)*	3.8	0.0	3.8
Healthcare	1.1	0.0	1.1	*(63.3%)*	3.0	0.0	3.0
Media	4.2	0.0	4 2	*(44.7%)*	7.6	0.0	7.6
Other	0.0	0.8	0 8	*(11.1%)*	0.0	0.9	0.9
Total revenue	**8.6**	**0.8**	**9.4**	***(38.6%)***	**14.4**	**0.9**	**15.3**
Gross profit	**2.6**	**1.7**	**4.3**	***(38.6%)***	**5.3**	**1.7**	**7.0**
Operating expenses	(1.4)	(13.2)	(14.6)	*23.6%*	(3.7)	(15.4)	(19.1)
IAS19R pension charge	0.0	(1.0)	(1.0)	*(900.0%)*	0.0	(0.1)	(0.1)
Net finance costs	0.0	(8.6)	(8.6)	*(34.4%)*	0.0	(6.4)	(6.4)
Underlying Profit/(Loss) Before Tax[13]	**1.2**	**(21.1)**	**(19.9)**	***(7.0%)***	**1.6**	**(20.2)**	**(18.6)**

The Group's Other Businesses include Personal Finance and Media, Mailing and Printing businesses. After several years of operating a trial in Healthcare, the Group has completed the closure of this business. The non-Saga branded businesses of Patricia White's and Country Cousins were sold in March 2020, and the Saga businesses have since been transferred to a third party with an outstanding Care Quality Commission rating.

Underlying Profit Before Tax decreased marginally as a result of lower volumes in the Group's printing business, offset by lower operating expenses.

Central operating costs decreased to £13.2m (H1 2019: £15.4m) due to a £2.5m increase in recharges to the operating divisions following a change in methodology to more accurately reflect consumption of services provided. The benefits of the restructuring programme completed in the period have been passed on to the operating divisions in the form of lower recharges.

Net finance costs in the period were £8.6m (H1 2019: £6.4m), an increase of 34.4% largely due to the additional debt issue costs incurred in connection with amendments to the Group's leverage covenants in April 2019 and April 2020.

[13] Alternative performance measure – refer to the glossary on pages 61 to 62 for definition and explanation.

Cash flow and liquidity

Available Operating Cash Flow

Available operating cash flow is made up of the cash flows of unrestricted businesses and the dividends paid by restricted companies, less any cash injections to those businesses. Unrestricted businesses include Retail Broking (excluding specific ring-fenced funds to satisfy Financial Conduct Authority (FCA) regulatory requirements), Other Businesses and Central Costs, and from the start of the current financial year, the Group's Cruise business. Restricted businesses include AICL and Tour Operations, and prior to 1 February 2020, Cruise operations.

The Retail Broking and Other Businesses and Central Costs have demonstrated considerable resilience in the first half of the year, with available operating cash flow of £45.4m compared to £49.9m in the preceding period. Although Trading EBITDA for these operations reduced by £7.1m, in part due to the impact of COVID-19 on sales of travel insurance, and dividends from AICL reduced by £4.0m, this was partially offset by a lower working capital outflow and lower capital expenditure than in the prior period.

Trading in the Group's Travel businesses was suspended in March. Since then the Group has provided additional liquidity into the Travel businesses to meet supplier and other trading payments, and to enable repayment of customer refunds where requested.

For Tour Operations, which operates as a ring-fenced fund, a significant portion of the cash outflow was met from the £55.1m of funds available within the business at the start of the COVID-19 crisis at the beginning of the financial period. During the first half of the year the Group provided an additional £51.8m of cash to the Tour Operations business, of which £46.0m related to operating considerations and £5.8m related to restructuring costs (which are excluded from available operating cash flow). The combination of cash within the ring-fenced fund at 1 February and this additional injection of liquidity has enabled the Tour Operations business to refund £39.5m of advanced receipts, pay £31.2m of other trading costs and capital expenditure and the £5.8m of restructuring costs. As at 31 July 2020, the Tour Operations business had £30.5m of cash supporting £34.7m of advance customer receipts.

For Cruise, which now operates on an unrestricted basis, the Group provided additional liquidity of £22.6m to support repayment of advance customer receipts of £14.2m, which reduced in the first half from £51.5m to £37.3m, as well as other trading payments of £9.8m, and with a net positive cash flow from capital expenditure of £1.4m as a result of the completion of sale of the *Saga Sapphire* cruise ship in June. The Group also provided further non-operating liquidity of £2.7m to pay for Cruise restructuring costs and £4.3m of interest payments.

In the case of both Tour Operations and Cruise, the cash outflows are well within modelled assumptions and stress test scenarios.

Having taken significant actions to reduce operating costs in the Travel businesses, the Group expects the cash 'burn' for the Travel businesses to be in a range of £6m to £8m per month in the second half of the year. This depends on the extent of marketing activity undertaken, and the timing of the launch of the *Spirit of Adventure*. This includes all trading and financing expenses. Some additional reduction in advance receipts is possible in the event that the suspension of travel continues but is expected to be at a much lower level than in the first half since all upcoming departures have now been cancelled, with customers either rebooked to next year or refunded amounts paid.

As a result of the cash injections to the Travel business, available operating cash flow reduced from a positive cash inflow of £24.9m in the prior period to a £23.2m cash outflow in half-year 2020/21.

£m	6m to July 2020	Change	6m to July 2019
Retail Broking Trading EBITDA	44.8	*(16.3%)*	53.5
Other Businesses and Central Costs Trading EBITDA	(5.5)	*22.5%*	(7.1)
Trading EBITDA from unrestricted entities[14, 15]	**39.3**	***(15.3%)***	**46.4**
Dividends paid by Underwriting business	12.0	*(25.0%)*	16.0
Working capital and non-cash items[16]	(1.0)	*75.6%*	(4.1)
Capital expenditure funded with available cash	(4.9)	*41.7%*	(8.4)
Available operating cash flow before cash injections to Travel operations	**45.4**	***(9.1%)***	**49.9**
Cash injection into Tour Operations	(46.0)	*(84.0%)*	(25.0)
Cruise available operating cash flow	(22.6)	*(100.0%)*	0.0
Available operating cash flow[14]	**(23.2)**	***(193.2%)***	**24.9**
Restructuring costs paid	(19.8)		(0.6)
Interest and financing costs	(14.6)		(10.3)
Business disposals	17.8		-
Tax payments	(3.3)		(6.6)
Other payments	(9.0)		(2.8)
Dividends to shareholders	-		(11.2)
Change in cash flow from operations	(52.1)		(6.6)
Change in bank debt	40.0		(10.0)
Cash at 1 February	40.9		48.7
Available cash at 31 July	**28.8**	***(10.3%)***	**32.1**

Following discussions with the Civil Aviation Authority (CAA), the main regulator for the Tour Operations business, the Group is likely to create a trust arrangement for new and existing bookings within the current ring fence setup. On this basis, 100% of customer cash will be held in a separate trust and will only be available to pay suppliers and for other corporate uses once the customer has returned from holiday. The Group estimates that this will require an additional £10m of cash support to be provided to the ST&H legal entity. A move into trust should enable the CAA requirement to hold separate bonding facilities, which are in addition to the current 70% covenant, to be significantly reduced or removed altogether.

The Group has also recently been discussing the cash arrangements for the Retail Broking business with the FCA and has agreed that, from 1 October 2020, it will operate a daily cash sweep from the Retail Broking business for any cash held above the ring-fenced Threshold Condition 2.4 (TC2.4) amount plus the expected next month-end bordereaux payment to insurers. This will increase intra-month cash held within Retail Broking compared to the existing cash sweep arrangements but is not expected to change the month-end position or to have any impact on the Group's covenant position under banking facilities. The current TC2.4 balance of £5.3m has been treated as restricted cash as at 31 July 2020.

Other Cash Flow Movements

Non-operating cash flow movements in the current period include significant cash costs relating to the restructuring activities undertaken in the first half of the year, which principally relate to redundancy costs.

Interest and financing costs increased due to the higher levels of bank debt in the period, an increase in the interest rate that was agreed as part of covenant renegotiations and the financing costs relating to the *Spirit of Discovery* debt facility.

[14] Alternative performance measure – refer to the glossary on pages 61 to 62 for definition and explanation.
[15] Trading EBITDA includes the line item impact of IFRS 16 with the corresponding impact to net finance costs included in net cash flows used in financing activities.
[16] Adjusted to exclude IAS19R pension current service costs.

Business disposals relates to the cash received from the sale of the healthcare businesses, net of related sale costs and expenses related to other disposals. The Group received £24.2m of net disposal proceeds on 7 August 2020 on completion of the sale of Bennetts.

The Group continued to make the agreed payments to the defined benefit pension fund as part of the deficit recovery plan and paid a portion of the sales proceeds relating to the healthcare business to the fund.

During the first half of the year the Group drew down a net £40m on the revolving credit facility. Together with the cash available at 31 January 2020 this provided sufficient liquidity to fund the cash injections to the Travel businesses and maintain a buffer for other operational needs.

Reconciliation between Operating and Reported Metrics

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

£m	**6m to July 2020**	**6m to July 2019**
Net cash flow from operating activities (reported)	(79.7)	71.0
Exclude cash impact of:		
Trading of restricted divisions	83.8	(55 6)
Disposal group companies	(4.5)	0.0
Non-trading costs	18.6	3.4
Interest paid	12.5	7.4
Tax paid	4.7	16.1
	115.1	(28.7)
Cash paid into restricted divisions	(53.7)	(9.0)
Capital expenditure funded from available cash	(4.9)	(8.4)
Available operating cash flow[17]	**(23.2)**	**24.9**

Trading EBITDA reconciles to Underlying Profit Before Tax as follows:

£m	**6m to July 2020**	***Change***	**6m to July 2019**
Retail Broking Trading EBITDA	44 8		53.5
Underwriting Trading EBITDA	28 3		21.9
Tour Operations Trading EBITDA	(16.5)		13.9
Cruise Trading EBITDA	(6.0)		4.9
Other Businesses and Central Costs Trading EBITDA	(5.5)		(7.1)
Trading EBITDA[17]	**45.1**	***(48.2%)***	**87.1**
Depreciation & amortisation (excluding acquired intangibles)	(14.4)		(24 8)
Amortisation of acquired intangibles	0.0		(1 6)
Pension charge IAS19R	(1.0)		(0.1)
Net finance costs	(13.8)		(7 8)
Underlying Profit Before Tax[17]	**15.9**	***(69.9%)***	**52.8**

[17] Alternative performance measure – refer to the glossary on pages 61 to 62 for definition and explanation.

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

£m	**12m to July 2020**
Trading EBITDA for 12m to 31 January 2020	181.7
Less Trading EBITDA for 6m to 31 July 2019	(87.1)
Add Trading EBITDA for 6m to 31 July 2020	45.1
Less Trading EBITDA of disposed and held for sale companies	(3.7)
Trading EBITDA (12 months rolling)[18]	136.0
Impact of IFRS 16 Leases	(6.6)
Spirit of Discovery Trading EBITDA[19]	(14.1)
Adjusted Trading EBITDA[18]	115.3

[18] Alternative performance measure – refer to the glossary on pages 61 to 62 for definition and explanation.
[19] EBITDA includes central Cruise overheads.

Balance Sheet

Goodwill

The Group has tested all goodwill for impairment at 31 July 2020. The impairment test compares the recoverable amount of the goodwill with the carrying value of each cash generating unit (CGU), namely Insurance, Tour Operations and Cruise.

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

Based on this analysis, the Group remains comfortable that there is headroom over and above the carrying value of the goodwill allocated to the Insurance CGU of £718.6m.

For the Cruise and Tour Operations businesses, the underlying forecast cash flows have been updated for the latest impact of COVID-19, with the expectation that ocean cruises recommence in November 2020 and tour operations trading remains suspended until April 2021. In addition to this, further downside scenarios have been considered that reflect the need for a further suspension of ocean cruises between January 2021 and May 2021, with a long-term impact on demand levels for both cruises and package holidays. As a result of the continued uncertainty and adverse impact of COVID-19 on the travel industry, increases in perceived travel industry risk resulting in higher betas and cost of debt levels, particularly in cruise, have led to a marked increase in the market-participant view of discount rates used in the calculation of recoverable amount. As a result, the Group has determined that the recoverable amounts of the goodwill allocated to the Tour Operations and Cruise CGUs are below the previous carrying values. The Group's results therefore include a full impairment of the £59.8m goodwill allocated to Tour Operations and Cruise.

Investment portfolio

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

The amount held in invested funds decreased by £34.9m to £342.0m (31 Jan 20: £376.9m) due to a combination of the AICL dividend payment of £12m and the maturity of financial assets in June and July that have not been reinvested at the balance sheet date. As at 31 July 2020, 98% of the financial assets held by the Group were invested with counterparties with a risk rating of BBB or above, which is broadly in line with the previous year and reflects the stable credit risk rating of the Group's counterparties.

At 31 July 2020	AAA £m	AA £m	A £m	BBB £m	Unrated £m	Total £m
				Risk rating		
Underwriting investment portfolio:						
Deposits with financial institutions	0.0	30.6	0.0	13.9	0.0	44.5
Debt securities	15.0	93.0	52.5	96.0	0.0	256.5
Money market funds	35.1	0.0	0.0	0.0	0.0	35.1
Loan funds	0.0	0.0	0.0	0.0	5.9	5.9
Total invested funds	50.1	123.6	52.5	109 9	5.9	342.0
Hedging derivative assets	0.0	0.0	5.4	0.0	0.0	5.4
Total financial assets	**50.1**	**123.6**	**57.9**	**109.9**	**5.9**	**347.4**

At 31 January 2020	AAA £m	AA £m	A £m	BBB £m	Unrated £m	Total £m
				Risk rating		
Underwriting investment portfolio:						
Deposits with financial institutions	0.0	30.4	0.0	18.6	0.0	49.0
Debt securities	15 3	117.5	54.1	87.3	0.0	274.2
Money market funds	45 9	0.0	0.0	0.0	0.0	45.9
Loan funds	0.0	0.0	0.0	1.6	6.2	7.8
Total invested funds	61 2	147.9	54.1	107.5	6.2	376.9
Hedging derivative assets	0.0	0.0	0.7	0.5	0.0	1.2
Total financial assets	**61.2**	**147.9**	**54.8**	**108.0**	**6.2**	**378.1**

Insurance reserves

Analysis of insurance contract liabilities at 31 July 2020 and 31 January 2020 is as follows:

£m	At 31 July 2020 Gross	At 31 July 2020 Reinsurance Assets[20]	At 31 July 2020 Net	At 31 January 2020 Gross	At 31 January 2020 Reinsurance Assets[20]	At 31 January 2020 Net
Reported claims	236.4	(49.5)	186.9	250.5	(48.2)	202.3
Incurred but not reported ('IBNR')[21]	86.5	(5.0)	81.5	79.9	(7.0)	72.9
Claims handling provision	7.9	0.0	7.9	7.9	0.0	7.9
Total claims outstanding	330.8	(54.5)	276.3	338.3	(55.2)	283.1
Unearned premiums	106.4	(4.5)	101.9	105.3	(6.9)	98.4
Total	**437.2**	**(59.0)**	**378.2**	**443.6**	**(62.1)**	**381.5**

The Group's total insurance contract liabilities net of reinsurance assets have decreased by £3.3m in the six months to 31 July 2020 from the previous year end due to a £15.4m reduction in reported net claims reserves, offset by an £8.6m increase in net IBNR claims reserve due to increased uncertainty over claims reporting patterns resulting from the impact of COVID-19 necessitating a higher booked margin.

[20] Excludes funds-withheld quota share agreement (please refer to note 15 for further detail).
[21] Includes amounts for reported claims that are expected to become periodical payment orders.

Financing

The Group's net debt has increased by £52.1m to £646.0m since the previous year end due to a £40m net drawdown against the £100m revolving credit facility in the period. This was required to fund the short-term liquidity needs of the Travel business following suspension of operations from March 2020. As at 31 July 2020, £50m remained undrawn and available on this facility.

Excluding the impact of debt and earnings relating to the new cruise ship, the Group's leverage ratio was 3.6x as at 31 July 2020 (31 Jan 20: 2.4x), well within the 4.75x covenant applicable to the Group's term loan and revolving credit facility.

No repayments were made on the ship loan during the first half of the year, with the Group agreeing a twelve-month debt holiday with its lenders as part of a package of proposals to support the wider Cruise industry. The Group expects to restart ship loan debt repayments after March 2021.

£m	**Maturity date[22]**	**31 July2020**	**31 January 2020**
Corporate bond	May 2024	250.0	250.0
Term loan	May 2023[23]	140.0	140.0
Ship loan	June 2031	234.8	234.8
Revolving credit facility	May 2023	50.0	10.0
Less available cash[24]		(28.8)	(40.9)
Net debt		**646.0**	**593.9**

In August the Group repaid £6.4m of the outstanding term loan and £10m of the outstanding revolving credit facility from the Bennetts sales proceeds.

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

£m	**31 July2020**	**31 January 2020**
Net debt	646.0	593.9
Exclude ship loan	(234.8)	(234.8)
Exclude Cruise available (overdraft) / cash	(0.5)	2.6
Adjusted net debt[25]	410.7	361.7

Pensions

The Group's defined benefit pension scheme as measured on an IAS19 basis improved by £11.2m to a £5.7m surplus as at 31 July 2020 (£5.5m deficit as at 31 Jan 20).

£m	**31 July 2020**	**31 January 2020**
Fair value of scheme assets	415.1	372.3
Present value of defined benefit obligation	(409.4)	(377.8)
Defined benefit scheme surplus/(liability)	**5.7**	**(5.5)**

Whilst the present value of defined benefit obligations increased by £31.6m to £409.4m, due to a 30bps reduction in the discount rate used to value these liabilities that is based high-quality bond yields, the fair value of scheme assets increased by £42.8m to £415.1m. The increase in asset values has been largely driven by the fall in interest rates in the period, which in turn has led to a marked increase in the value of liability hedging assets within the portfolio. The pension trustees are currently undertaking the triennial valuation of the scheme as at 31 January 2020, which will be concluded in early 2021.

[22] Maturity date represents the date that the principle must be repaid, other than the ship loan, which is repaid at a rate of £20m a year for the next twelve years, and the term loan, which requires minimum repayments of principle at a rate of £20m p.a.
[23] Maturity date has been extended from May 2022 to May 2023 for £70m of the term loan, which is contingent on the successful outcome of the intended equity raise.
[24] Refer to note 13 of the financial statements for information as to how this reconciles to a statutory measure of cash.
[25] Alternative performance measure – refer to the glossary on pages 61 to 62 for definition and explanation.

Net assets

Since 31 January 2020, total assets and total liabilities have decreased by £132.8m and £101.0m respectively, resulting in an overall decrease in net assets of £31.8m.

The decrease in total assets is primarily as a result of a £59.8m impairment of goodwill, a decrease in financial assets of £30.7m, a £17.1m reduction in the carrying value of property, plant and equipment and right of use assets and a £10.1m reduction in the value of deferred tax assets.

The decrease in total liabilities reflects a £67.2m reduction in contract liabilities due to the level of refunds made in the Travel business following the suspension of trading since March 2020, and a £33.9m decrease in trade and other payables, also driven in part by the suspension of trading in Travel, coupled with seasonality of payments due in the Underwriting business.

Regulatory and legislative developments

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

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

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

Impact of COVID-19 and Going Concern

The Group's Insurance business remains largely unaffected by COVID-19, and the Group has been able to maintain operational capability successfully throughout this period, with almost all colleagues working from home.

However, the Group's Travel businesses has been subject to significant disruption in the first half of the year. Following advice from the UK Government that people over 70 years old should avoid travel and given operational challenges in almost all countries, the Group took the decision on 12 March to suspend Cruising until May and on 16 March decided to suspend Tour Operations, initially for a period of six weeks.

This disruption has had a significant impact on Group earnings and a bigger impact on Group cash flows due to working capital outflows as refunds have been made to customers on request.

As at 9 September 2020, the Group's Travel businesses remain suspended, and it is now increasingly likely that the disruption of the Travel operations will continue well into 2021, especially for Tour Operations.

The Group has continued to refine its scenario planning in the last six months. While customer demand for future departures remains positive and a return to travel departures before the end of the year is expected for the Cruise operations, the Group has taken the decision to suspend its Tour Operations business until April 2021, and made preparations for the possibility that Cruise departures may resume towards the end of 2020 but subsequently be temporarily paused until May next year.

In this scenario the Group would expect revenue for the full year to be reduced by around 90% for Tour Operations and between 80%-90% for Cruise, respectively, with a 'drop-through' from lower revenues to Underlying Profit Before Tax of 15-20% for Tour Operations and 50%-55% for Cruise, relative to plan assumptions. This is largely unchanged from the stress test scenarios published in March 2020.

This equates to a cash 'burn cost' for the Travel business of between £6m and £8m per month in the second half of the current financial year.

The Group will also be exposed to continued working capital outflows as a result of the return of customer advance deposits on cancelled departures. Given the cancellation of all impending departures and the significant amount of customer refunds that have been processed, future working capital outflows are expected to be much lower than in the first half of the year. As at 31 July, total advance receipts for the Cruise business were £37m, reduced from £52m at 31 January 2020. Total advance receipts for the Tour Operations business at the same date were £35m, reduced from £74m at 31 January 2020.

Further, the Group has identified several downside risks to the cash requirements needed to support the Insurance and Travel operating divisions. For Tour Operations, future new business will be subject to trust accounting arrangements whereby customer cash will be 100% ring-fenced from shareholder funds and will only be available for payment to suppliers upon the customer's return from holiday. For Insurance Underwriting, which owns almost all the Group's properties, any future impairment of property values would require further capital support to the underwriter.

Even allowing for these scenarios, the Group is expected to remain in a secure position for at least the next six months and before any further management actions. This is for the following reasons:

- As at 31 August 2020 the Group had available operating cash, excluding cash in the Tour Operations business and in AICL, and excluding specific restricted cash in Retail Broking, of approximately £26m.
- During August the Group reduced the amounts outstanding under the term loan and revolving credit facility by £16.4m following the completion of the sale of Bennetts. As a result, £60m of the £100m revolving credit facility was undrawn at 31 August.
- The Tour Operations business holds cash in a ring-fenced fund which protects advance payments made by customers. At 31 July 2020 the amount of cash in the ring-fenced fund was £30m, equivalent to 88% coverage of advance receipts and £6m higher than required by the CAA.
- The Insurance business continues to perform well and is cash generative. Travel insurance sales have started to pick up, albeit from very low levels, and home, motor and PMI products have proved to be highly resilient.
- The Group has included no benefits from the significant reduction in motor claims frequency since the start of the COVID-19 crisis, either in its results for the first half of the year or in ongoing financial projections or stress tests. This is due to

uncertainty over the current pricing and claims outlook, and as a result of actions the Group intends to take in returning part of the reduction in claims costs to customers.

- No repayments are due on the Group's term loan until 31 January 2021, when £20m is due to be repaid under the current facility agreement, and no amounts are due to be repaid in relation to ship loans until after 31 March 2021.
- The Group has reduced operating costs significantly in all areas but particularly in the Travel business.
- The Board of Directors is not recommending the payment of an interim dividend for the 2020/21 financial year.

Nonetheless, while the Group remains in a secure financial position and expects to remain in compliance with covenants associated with its banking facilities at 31 January 2021 in all modelled scenarios, there remains considerable uncertainty as to the impact of COVID-19 beyond this date.

More specifically, looking beyond the next six months it is possible that the Group may breach covenants included in its banking facilities in July 2021 in the event of further disruption to the Cruise business into the middle of next year. In this situation, the Group may also face challenges in its ability to repay the term loan when this matures, which under the existing facility, would be in May 2022.

As a result, the Directors are now proposing additional actions to provide further financial security. The main action is the proposed £150m capital raising, which would enable the Group to significantly reduce short-term bank debt. Alongside certain changes to bank facility arrangements and covenants, which are also contingent on the proposed equity raise being completed successfully, this would enable the Group to maintain compliance with debt covenants in the event of ongoing disruption to the Travel business.

The additional equity capital is contingent on the outcome of a shareholder vote, and, in addition, whilst it is fully committed, the underwriting agreement is subject to certain specific conditions that, although customary in nature, are outside the control of the Group. As a result, the Directors have concluded that there exists a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, and to continue realising its assets and discharging its liabilities in the normal course of business.

This material uncertainty would be removed on completion of the capital raising exercise, including shareholder approvals. This is expected to happen in early October 2020.

Notwithstanding the above, the Group is currently in full compliance with all debt covenants and expects to continue to remain in compliance through at least the next six months, even without any additional equity capital. The Directors expect the Company to trade through the current COVID-19 disruption and have continued to prepare the interim financial statements to 31 July 2020 on a going concern basis. Full details regarding the considerations made in reaching this conclusion are included in the going concern basis of preparation note on pages 35 to 36 of this report.

Dividends

Given the uncertain implications of COVID-19, the Board of Directors does not recommend the payment of an interim dividend for the 2020/21 financial year, nor would this be permissible at present within the bank covenants, which require net debt (excluding Cruise) to be below 3.0x EBITDA.

Financial priorities for 2020/21

The Group's financial priorities for the current financial year continue to be the preservation of cash and managing its level of debt, to ensure compliance with its banking covenants and to continue to focus on cost efficiencies. At the same time, the Group is continuing the progress in Insurance that started last year, focused on taking delivery of the second new ocean cruise ship and recommencing sailing by the end of 2020, and repositioning the Tour Operations business ready for trading to start in spring 2021. Given the continued uncertainty arising from COVID-19, the Group is not able to provide any earnings guidance for the 2020/21 financial year.

Condensed consolidated income statement
for the period ended 31 July 2020

	Note	**Unaudited 6m to Jul 2020 £'m**	Unaudited 6m to Jul 2019 £'m	12m to Jan 2020 £'m
Gross earned premiums	3	112.1	111.8	233.9
Earned premiums ceded to reinsurers	3	(73.1)	(70.3)	(145.7)
Net earned premiums	3	39.0	41.5	88.2
Other revenue	3	153.4	354.4	709.1
Total revenue	3	**192.4**	**395.9**	**797.3**
Gross claims incurred		(64.9)	(76.0)	(140.6)[26]
Reinsurers' share of claims incurred		64.1	59.0	109.8[26]
Net claims incurred		(0.8)	(17.0)	(30.8)
Other cost of sales		(60.5)	(194.4)	(395.1)
Cost of sales	3	(61.3)	(211.4)	(425.9)
Gross profit		**131.1**	**184.5**	**371.4**
Administrative and selling expenses		(129.6)	(125.8)	(252.6)
Impairment of assets		(62.0)	(1.2)	(400.5)
Net profit on disposal of businesses		10.3	-	-
Net profit on disposal of property, plant and equipment		6.7	0.2	1.3
Investment income		(0.1)	0.4	1.2
Finance costs		(13.8)	(7.8)	(21.8)
Finance income		1.9	2.3	0.1
(Loss)/profit before tax		**(55.5)**	**52.6**	**(300.9)**
Tax expense	4	(1.6)	(6.8)	(11.9)
(Loss)/profit for the period		**(57.1)**	**45.8**	**(312.8)**
Attributable to:				
Equity holders of the parent		(57.1)	45.8	(312.8)
Earnings per share:				
Basic	6	(5.1p)	4.1p	(27.9p)
Diluted	6	(5.1p)	4.1p	(27.9p)

[26] Gross claims incurred and reinsurers' share of claims incurred for the year ended 31 January 2020 have been restated due to an incorrect allocation between these classifications. Gross claims incurred have decreased by £19.3m and reinsurers' share of claims incurred has decreased by £19.3m.

Condensed consolidated statement of comprehensive income
for the period ended 31 July 2020

	Unaudited 6m to Jul 2020 £'m	Unaudited 6m to Jul 2019 £'m	12m to Jan 2020 £'m
(Loss)/profit for the period	**(57.1)**	**45.8**	**(312.8)**
Other comprehensive income			
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Net gains/(losses) on hedging instruments during the period	21.8	24.0	(11.2)
Recycling of previous gains to income statement on matured hedges	(1.5)	(1.4)	(2.6)
Total net gains/(losses) on cash flow hedges	20.3	22.6	(13.8)
Associated tax effect	(4.4)	(3.9)	2.4
Net gains on fair value financial assets during the period	2.6	7.2	8.1
Associated tax effect	(0.5)	(1.2)	(1.4)
Total other comprehensive gains/(losses) with recycling to income statement	18.0	24.7	(4.7)
Other comprehensive income not to be reclassified to the income statement in subsequent periods			
Re-measurement gains/(losses) on defined benefit plans	8.5	(7.3)	(5.4)
Associated tax effect	(1.6)	1.2	0.9
Total other comprehensive gains/(losses) without recycling to income statement	6.9	(6.1)	(4.5)
Total other comprehensive income/(losses)	**24.9**	**18.6**	**(9.2)**
Total comprehensive (losses)/income for the period	**(32.2)**	**64.4**	**(322.0)**
Attributable to:			
Equity holders of the parent	**(32.2)**	**64.4**	**(322.0)**

Condensed consolidated statement of financial position as at 31 July 2020

Assets	Note	**Unaudited** **As at Jul 2020** **£'m**	Unaudited As at Jul 2019 £'m	As at Jan 2020 £'m
Goodwill	8	718.6	1,175.0	778.4
Intangible assets	9	56.8	62.3	57.1
Retirement benefit scheme assets	14	5.7	-	-
Property, plant and equipment	10	420.1	426.2	425.0
Right of use assets	11	13.5	27.8	25.7
Financial assets	12	347.4	406.8	378.1
Current tax assets		1.5	-	-
Deferred tax assets		12.2	16.8	22.3
Reinsurance assets	15	59.0	82.2	62.1
Inventories		2.8	4.7	5.4
Trade and other receivables		195.7	239.1	209.0
Assets held for sale	18	43.0	-	33.8
Cash and short-term deposits	13	85.7	158.6	97.9
Total assets		**1,962.0**	**2,599.5**	**2,094.8**
Liabilities				
Retirement benefit scheme obligations	14	-	7.4	5.5
Gross insurance contract liabilities	15	437.2	489.9	443.6
Provisions		5.3	7.6	7.7
Financial liabilities	12	697.0	716.1	690.3
Current tax liabilities		-	9.3	7.7
Deferred tax liabilities		6.7	6.7	4.2
Contract liabilities		86.0	181.3	153.2
Trade and other payables		152.0	193.3	185.9
Liabilities held for sale	18	21.4	-	8.5
Total liabilities		**1,405.6**	**1,611.6**	**1,506.6**
Equity				
Issued capital		11.2	11.2	11.2
Share premium		519.3	519.3	519.3
Retained earnings		16.4	429.7	65.4
Share-based payment reserve		7.0	14.0	7.8
Fair value reserve		7.0	4.2	4.9
Hedging reserve		(4.5)	9.5	(20.4)
Total equity		**556.4**	**987.9**	**588.2**
Total liabilities and equity		**1,962.0**	**2,599.5**	**2,094.8**

Condensed consolidated statement of changes in equity
for the period ended 31 July 2020

	Issued capital £'m	Share premium £'m	Retained earnings £'m	Share-based payment reserve £'m	Fair value reserve £'m	Hedging reserve £'m	Total equity £'m
	Attributable to the equity holders of the parent						
Unaudited							
At 1 February 2020	**11.2**	**519.3**	**65.4**	**7.8**	**4.9**	**(20.4)**	**588.2**
Loss for the period	-	-	(57.1)	-	-	-	(57.1)
Other comprehensive income excluding recycling	-	-	6.9	-	2.1	17.1	26.1
Recycling of previous gains to income statement	-	-	-	-	-	(1.2)	(1.2)
Total comprehensive (losses)/income	-	-	(50.2)	-	2.1	15.9	(32.2)
Share-based payment charge	-	-	-	1.1	-	-	1.1
Exercise of share options	-	-	1.2	(1.9)	-	-	(0.7)
At 31 July 2020	**11.2**	**519.3**	**16.4**	**7.0**	**7.0**	**(4.5)**	**556.4**
Unaudited							
At 1 February 2019	**11.2**	**519.3**	**401.4**	**13.3**	**(1.8)**	**17.5**	**960.9**
Profit for the period	-	-	45.8	-	-	-	45.8
Other comprehensive (losses)/income excluding recycling	-	-	(6.1)	-	6.0	19.9	19.8
Recycling of previous gains to income statement	-	-	-	-	-	(1.2)	(1.2)
Total comprehensive income	-	-	39.7	-	6.0	18.7	64.4
Recognition of non-financial asset from hedging reserve	-	-	-	-	-	(26.7)	(26.7)
Dividends paid	-	-	(11.2)	-	-	-	(11.2)
Share-based payment charge	-	-	-	1.1	-	-	1.1
Exercise of share options	-	-	(0.2)	(0.4)	-	-	(0.6)
At 31 July 2019	**11.2**	**519.3**	**429.7**	**14.0**	**4.2**	**9.5**	**987.9**
At 1 February 2019	**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	-	-	-	-	-	(26.5)	(26.5)
Dividends paid	-	-	(25.8)	-	-	-	(25.8)
Share-based payment charge	-	-	-	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**

Condensed consolidated statement of cash flows
for the period ended 31 July 2020

	Note	**Unaudited 6m to Jul 2020 £'m**	Unaudited 6m to Jul 2019 £'m	12m to Jan 2020 £'m
(Loss)/profit before tax		(55.5)	52.6	(300.9)
Depreciation, impairment and profit on disposal of property, plant and equipment and right of use assets		3.1	21.1	43.7
Amortisation, impairment and profit on disposal of intangible assets		67.1	9.5	408.1
Share-based payment transactions		1.0	1.1	2.1
Profit on assets held for sale	7	(10.3)	-	-
Finance costs		13.8	7.8	21.8
Finance income		(1.9)	(2.3)	(0.1)
Interest income from investments		0.1	(0.4)	(1.2)
Movements in other assets and liabilities		(79.8)	5.0	(37.8)
		(62.4)	94.4	135.7
Interest received		(0.1)	0.4	1.2
Interest paid		(12.5)	(7.7)	(19.9)
Income tax paid		(4.7)	(16.1)	(25.1)
Net cash flows (used in)/from operating activities		**(79.7)**	**71.0**	**91.9**
Investing activities				
Proceeds from sale of property, plant and equipment, and right of use assets		7.2	4.9	6.3
Purchase of, and payments for, the construction of property, plant and equipment and intangible assets		(12.5)	(263.9)	(295.3)
Net disposal of financial assets		26.8	45.6	32.8
Disposal of subsidiaries	7	13.3	-	-
Net cash flows from/(used in) investing activities		**34.8**	**(213.4)**	**(256.2)**
Financing activities				
Payment of principal portion of lease liabilities		(2.4)	(9.2)	(15.0)
Proceeds from borrowings	16	50.0	269.0	279.0
Repayment of borrowings	16	(10.0)	(34.0)	(84.2)
Debt issue costs		(1.1)	(1.3)	(7.9)
Dividends paid		-	(11.2)	(25.8)
Net cash flows from financing activities		**36.5**	**213.3**	**146.1**
Net (decrease)/increase in cash and cash equivalents		**(8.4)**	**70.9**	**(18.2)**
Cash and cash equivalents at the start of the period		139.1	157.3	157.3
Cash and cash equivalents at the end of the period	13	**130.7**	**228.2**	**139.1**

Notes to the condensed consolidated interim financial statements

1 Corporate information

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

The interim condensed consolidated financial statements of Saga plc and the entities controlled by the Company (its subsidiaries, collectively 'the Group') for the six months ended 31 July 2020 were authorised for issue in accordance with a resolution of the Directors on 9 September 2020.

2.1 Basis of preparation

These condensed consolidated interim financial statements comprise the interim financial statements of the Group for the six-month period to 31 July 2020.

The condensed consolidated interim 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 condensed financial statements, particularly in light of the COVID-19 pandemic, details of which are included in note 2.6. Based on those assumptions, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the financial statements.

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

The condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) and in accordance with IAS 34 'Interim Financial Reporting'. The significant accounting policies applied by the Group are set out in note 2.3 and 2.4. The Group has applied all IFRS standards and interpretations adopted and endorsed by the EU effective for the period ending 31 January 2021. The condensed consolidated interim financial statements have been reviewed by KPMG LLP and include their review conclusion.

These condensed consolidated interim financial statements do not comprise statutory financial statements within the meaning of Section 435 of the Companies Act 2006. Statutory financial statements for the year ended 31 January 2020 have been delivered to the Registrar of Companies. The auditor's report on those financial statements:

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

Notes to the condensed consolidated financial statements (continued)

2.2 Basis of consolidation

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

2.3 Summary of significant accounting policies

The condensed set of interim financial statements for the period ended 31 July 2020 have been prepared applying the same accounting policies that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 January 2020.

Full details of the accounting policies of the Group can be found in the annual report and accounts for the year ended 31 January 2020 available at www.corporate.saga.co.uk.

2.4 Standards issued but not yet effective

Standards and amendments to standards in issue but not effective or not adopted by the Group as at 31 January 2020 continue to be not yet effective or not adopted by the Group at 31 July 2020 and can be found in the annual report and accounts for the year ended 31 January 2020 available at www.corporate.saga.co.uk.

In May 2020, the IASB issued 'COVID-19-Related Rent Concessions (Amendment to IFRS 16)'. The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 June 2020, although it is yet to be endorsed by the EU and will be dependent on the implementation policy adopted by the UK after leaving the EU. The Group does not intend to take advantage of the exemption available under this amendment. The amendment will have no effect on the Group's financial statements for the year ended 31 January 2021.

There have been no other amendments to standards or interpretations issued since 1 February 2020 which impact the consolidated financial statements of the Group.

2.5 Significant accounting judgements, estimates and assumptions

Full details of significant accounting judgements, estimates and assumptions used in the application of the Group's accounting policies can be found in the annual report and accounts for the year ended 31 January 2020 available at www.corporate.saga.co.uk. There have been no changes to the principles or assumptions in these critical accounting estimate and judgement areas during the period.

Notes to the condensed consolidated financial statements (continued)

2.6 Going concern

The Directors have considered the appropriateness of the going concern basis of preparation for the interim financial statements prepared to 31 July 2020, and in doing so have considered a range of possible scenarios that factor in the potential ongoing impact of COVID-19 and other key risks and uncertainties.

The COVID-19 outbreak has created a major challenge and a high level of uncertainty, and it has had a severe impact on the Group, with both Cruise and Tour Operations suspended from mid-March. Current plans are being made to recommence ocean cruises from the end of 2020, with appropriate measures taken to protect the safety of customers. A decision has been made to suspend the Tour Operations business until April 2021. The Group is taking mitigating actions by managing its cash flow and has enabled all of its head office employees to work from home.

The Group currently has an ample level of liquidity, with approximately £26m of available cash as at 31 August 2020, £60m undrawn and available on a revolving credit facility (RCF) and a £10m overdraft. Despite the impact of COVID-19 on its Travel business, the Group's Insurance business is trading well, remains highly cash generative and is largely unaffected by COVID-19.

Whilst the going concern assessment only requires consideration of a minimum of at least twelve months following the date of signing the accounts, the Group has taken a more thorough approach given the current climate and has updated its financial outlook to January 2025, and with a particular focus on the eighteen-month period to January 2022 and the impact of different scenarios on the Group's leverage and interest cover covenants associated with its banking facilities.

In undertaking the assessment, the Group has considered three possible scenarios:

- a central scenario based on current plans, with a best estimate outlook for the Insurance and Tour Operations businesses, with no trading expected in the Saga Holidays and Titan businesses until April 2021. This is coupled with the latest view of being able to commence ocean cruises again from November 2020 based on the current preparations being made, with the long-term outlook for cruising beyond 2020 returning to pre COVID-19 levels
- a downside scenario that factors in the impact of a second wave of lockdown restrictions in the first half of 2021 such that cruises have to cease again from January 2021 until May 2021, and with lower load factors for the next few years. Also incorporated into this scenario are further potential downside risks as a result of other trading and regulatory pressures on margins of approximately £12m per annum, with a further associated working capital strain and a requirement to provide additional cash support to the Insurance business of around £30m within the next 12 months
- a further, more severe downside scenario (a 'reasonable worse-case scenario') that factors in additional long-term suppression in demand for package holidays and tours, and further downward pressure on Insurance earnings of £10m per annum.

As required, these scenarios do not include the impact of any mitigating actions which are dependent on shareholder approval and as such, do not include the expected cash proceeds from the proposed capital raising exercise.

Notes to the condensed consolidated financial statements (continued)

2.6 Going concern (continued)

In all scenarios, the short-term outlook remains stable and the Group continues to operate within its debt covenants for the rest of the financial year up to 31 January 2021. Further out, there is more uncertainty and the modelled scenarios indicate a potential breach of the EBITDA to net debt ratio covenant (leverage) attached to its term loan and revolving credit facility (RCF) of 4.25x at July 2021. Based on the existing facility agreement, this covenant requirement reduces to 4.0x from October 2021 and again to 3.0x from July 2022, and it is tested at quarterly intervals when it is above 4.0x, and half-yearly when below 4.0x. In the two downside scenarios, the Group has also forecast a sustained breach of its covenants for twelve months following July 2021 in the middle scenario and eighteen months in the reasonable worse-case scenario. As at 31 August 2020, the Group owed £134m on its term loan facility, which is due to mature in May 2022, and was £40m drawn against a £100m RCF, which is due to mature in May 2023. In the two downside scenarios, the Group would need to extend its access to the term loan facility beyond May 2022 by up to a further twelve months.

In the two downside scenarios, the Group has also forecast a breach of the existing EBITDA to net cash interest payable ratio covenant (interest cover) of 3.0x as at July 2021 and October 2021. This covenant is also attached to the term loan and RCF.

The Group is therefore taking mitigating actions to improve financial flexibility and address the aforementioned risks. First, the Group is intending to raise approximately £140m in net proceeds from the issuance and sale of additional equity shares in Saga plc, which will reduce net debt and bring leverage back below the covenant levels across the duration of the planning horizon. The additional equity capital is contingent on the outcome of a shareholder vote, and, in addition, whilst it fully committed, the underwriting agreement is subject to certain specific conditions that, although customary in nature, are outside the control of the Group. Second, the Group has agreed with its lenders an increase in the net debt to EBITDA ('leverage') covenant at 31 July 2021 from 4.25x to 4.75x and at 31 October 2021 from 4.0x to 4.5x. The Group has also agreed a reduction in the interest cover covenant at 30 April 2021 from 2.0x to 1.25x, at 31 July 2021 from 3.0x to 1.5x, at 31 October 2021 from 3.0x to 1.75x and at 31 January 2022 from 3.5x to 2.5x. The agreement with the lenders is contingent on the proposed equity raise being completed successfully.

The impact of the COVID-19 situation cannot be predicted with a high level of accuracy and it is not possible to assess all possible future implications for the Group. Although the Group has a plan to address this uncertainty through the proposed capital raising and amendments to bank facilities, successful completion of these actions is conditional upon shareholder approval and cannot therefore be relied upon in relation to the going concern assessment in the current results. Accordingly, the Directors have concluded that there exists a material uncertainty in relation to going concern in the scenarios modelled. This material uncertainty may cast significant doubt on the Group's ability to continue as a going concern and to continue realising its assets and discharging its liabilities in the normal course of business.

Notwithstanding this material uncertainty, the Directors have continued to prepare the interim financial statements to 31 July 2020 on a going concern basis. This is in part due to the proposed capital raising exercise, which if completed successfully, would lead to the removal of the going concern uncertainty. However, even in the event that this was not successful, the Group would still expect to trade through the current period of uncertainty with time to execute alternative actions in the next six months, during which period the Group would remain in compliance with covenants and with sufficient available liquidity to support the business.

3 Segmental information

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

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

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

- *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.

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

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

Typically, increased holiday departures in the shoulder months of May, June and September and low departure volumes during July and August create seasonal fluctuations in the profit of the Travel segment. For the six months ended 31 July 2020, the decrease in Travel's revenue during this period of time, and into subsequent months, has been significant due to the adverse effects of COVID-19.

Excluding the impact of COVID-19, when the seasonalities of the various segments are considered in aggregate, the resultant half yearly Underlying Profit Before Tax is broadly consistent with half of the full year result. However, due to the high level of uncertainty regarding the likely impact of COVID-19 in the second half of year, the Group is not able to provide any earnings guidance for the 2020/21 financial year.

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

Unaudited 6m to Jul 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 & Central Costs £'m	Adjust-ments £'m	Total £'m
Revenue	**51.5**	**30.5**	**23.2**	**28.5**	**133.7**	**49.3**	**12.1**	**(2.7)**	**192.4**
Cost of sales	(1.3)	-	(2.1)	(0.1)	(3.5)	(52.7)	(5.1)	-	(61.3)
Gross profit	**50.2**	**30.5**	**21.1**	**28.4**	**130.2**	**(3.4)**	**7.0**	**(2.7)**	**131.1**
Administrative and selling expenses	(33.6)	(15.7)	(10.5)	(1.8)	(61.6)	(41.1)	(29.6)	2.7	(129.6)
Impairment of assets	-	-	-	-	-	(2.2)	-	(59.8)	(62.0)
Net profit on disposal of businesses	-	-	-	-	-	-	10.3	-	10.3
Net profit on disposal of property, plant and equipment	-	-	-	-	-	6.4	0.3	-	6.7
Investment income	-	-	-	1.4	1.4	-	(1.5)	-	(0.1)
Finance costs	-	-	-	-	-	(5.2)	(8.6)	-	(13.8)
Finance income	-	-	-	-	-	1.9	-	-	1.9
Profit / (loss) before tax	**16.6**	**14.8**	**10.6**	**28.0**	**70.0**	**(43.6)**	**(22.1)**	**(59.8)**	**(55.5)**
Reconciliation to Underlying Profit / (Loss) Before Tax:									
Profit / (loss) before tax	**16.6**	**14.8**	**10.6**	**28.0**	**70.0**	**(43.6)**	**(22.1)**	**(59.8)**	**(55.5)**
Net fair value gain on derivative financial instruments	-	-	-	-	-	(1.9)	-	-	(1.9)
Impairment of goodwill	-	-	-	-	-	-	-	59.8	59.8
Profit on disposal of assets	-	-	-	-	-	(4.5)	-	-	(4.5)
Restructuring costs	-	-	-	-	-	15.8	12.5	-	28.3
Net profit on disposal of business	-	-	-	-	-	-	(10.3)	-	(10.3)
Underlying Profit / (Loss) Before Tax	**16.6**	**14.8**	**10.6**	**28.0**	**70.0**	**(34.2)**	**(19.9)**	**-**	**15.9**

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

Unaudited 6m to Jul 2019	Insurance								
	Motor Broking £'m	Home Broking £'m	Other Insurance Broking £'m	Under-writing £'m	Total £'m	Travel £'m	Other Businesses & Central Costs £'m	Adjust-ments £'m	Total £'m
Revenue	**53.5**	**32.7**	**38.0**	**37.4**	**161.6**	**219.0**	**18.7**	**(3.4)**	**395.9**
Cost of sales	(1.4)	-	(6.2)	(16.5)	(24.1)	(179.0)	(8.3)	-	(211.4)
Gross profit	**52.1**	**32.7**	**31.8**	**20.9**	**137.5**	**40.0**	**10.4**	**(3.4)**	**184.5**
Administrative and selling expenses	(37.1)	(15.8)	(14.4)	(1.4)	(68.7)	(38.2)	(22.3)	3.4	(125.8)
Reversal of / (impairment) of assets	-	-	-	-	-	3.0	(4.2)	-	(1.2)
Net profit on disposal of property, plant and equipment	-	-	-	-	-	0.2	-	-	0.2
Investment income	-	-	-	1.8	1.8	0.2	(1.6)	-	0.4
Finance costs	-	-	-	-	-	(1.4)	(6.4)	-	(7.8)
Finance income	-	-	-	-	-	2.3	-	-	2.3
Profit / (loss) before tax	**15.0**	**16.9**	**17.4**	**21.3**	**70.6**	**6.1**	**(24.1)**	**-**	**52.6**
Reconciliation to Underlying Profit / (Loss) Before Tax:									
Profit / (loss) before tax	**15.0**	**16.9**	**17.4**	**21.3**	**70.6**	**6.1**	**(24.1)**	**-**	**52.6**
Net fair value gain on derivative financial instruments	-	-	-	-	-	(2.3)	-	-	(2.3)
Reversal of / (impairment) of PPE	-	-	-	-	-	(3.0)	3.3	-	0.3
Restructuring costs	-	-	-	-	-	-	2.2	-	2.2
Underlying Profit / (Loss) Before Tax	**15.0**	**16.9**	**17.4**	**21.3**	**70.6**	**0.8**	**(18.6)**	**-**	**52.8**

Notes to the condensed consolidated financial statements (continued)

3 Segmental information (continued)

12m to Jan 2020	Insurance								
	Motor broking £'m	Home broking £'m	Other insurance broking £'m	Under-writing £'m	Total £'m	Travel £'m	Other Businesses & Central Costs £'m	Adjust-ments £'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)	(78.4)	(49.2)	6.6	(252.6)
Impairment of assets	-	-	-	-	-	(13.3)	(4.2)	(383.0)	(400.5)
Net profit on disposal of property, plant and equipment and right of use assets	-	-	-	-	-	1.0	0.3	-	1.3
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**

All revenue is generated solely in the UK.

Notes to the condensed consolidated financial statements (continued)

3a Disaggregation of revenue

Unaudited 6m to Jul 2020	**Insurance**			**Travel**	**OB&CC**	**Total**
	Earned premium on insurance underwritten by the Group	Other Revenue	Total Insurance			
Major product lines	£'m	£'m	£'m	£'m	£'m	£'m
Gross earned premiums on insurance underwritten by the Group	112.1		112.1			112.1
Less: ceded to reinsurers	(73.1)		(73.1)			(73.1)
Net revenue on:						
- Motor broking	11.9	39.6	51.5			51.5
- Home broking	-	30.5	30.5			30.5
- Other broking	0.5	22.7	23.2			23.2
- Underwriting	26.6	1.9	28.5			28.5
Tour operations				33.0		33.0
Cruise				16.3		16.3
Personal finance					3.3	3.3
Healthcare					1.0	1.0
Media					4.2	4.2
Other					0.9	0.9
	39.0	94.7	133.7	49.3	9.4	192.4

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

Notes to the condensed consolidated financial statements (continued)

3a Disaggregation of revenue (continued)

12m to Jan 2020	Insurance: Earned premium on insurance underwritten by the Group	Insurance: Other Revenue	Insurance: Total Insurance	Travel	OB&CC	Total
Major product lines	£'m	£'m	£'m	£'m	£'m	£'m
Gross earned premiums 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

4 Tax

	Unaudited 6m to Jul 2020 £'m	Unaudited 6m to Jul 2019 £'m	12m to Jan 2020 £'m
Current income tax			
Current income tax (credit)/charge	(0.8)	8.7	16.4
Adjustments in respect of previous years	(3.7)	(0.5)	(0.8)
	(4.5)	8.2	15.6
Deferred tax			
Origination and reversal of temporary differences	2.5	1.5	(1.1)
Effect of tax rate on opening balance	(1.7)	-	-
Adjustments in respect of previous years	5.3	(2.9)	(2.6)
	6.1	(1.4)	(3.7)
Tax expense in the income statement	**1.6**	**6.8**	**11.9**

The Group's tax expense for the period was £1.6m (July 2019: £6.8m) representing a tax effective rate of 37.2% (July 2019: 12.9%) before the impairment of goodwill and associated deferred tax. The Group's tax effective rate is higher than the standard rate of corporation tax, mainly due to the Group's Cruise business entering the tonnage tax regime on 1 February 2020, which has resulted in the losses accumulated in the Cruise business due to COVID-19 during the period not being eligible for group relief to other profitable companies within the Group. Adjustments in respect of previous years includes adjustments for the under provision of the tax charge in prior years of £1.6m (July 2019: £3.4m credit for the over provision).

Notes to the condensed consolidated financial statements (continued)

4 Tax (continued)

Reconciliation of net deferred tax assets:

	Unaudited 6m to Jul 2020 £'m	Unaudited 6m to Jul 2019 £'m	12m to Jan 2020 £'m
At 1 February	**18.1**	**7.1**	**7.1**
Tax (charge)/credit recognised in the income statement	(6.1)	1.4	3.7
Tax (charge)/credit recognised in other comprehensive income	(6.5)	1.6	1.9
Tax credit recognised directly into the hedging reserve	-	-	5.4
At the end of the period	**5.5**	**10.1**	**18.1**

On 11 March 2020, it was announced that the corporation tax rate will remain at 19% from 1 April 2020 and has been enacted at the balance sheet date. As a result, the closing deferred tax balances have been reflected at 19%. We expect net deferred tax assets/(liabilities) to be normally settled within 12 months.

The Group has tax losses which arose in the UK of £4.2m (July 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 were able to recognise all unrecognised deferred tax assets, the profit would increase by £0.7m (July 2019: £0.7m).

5 Dividends

The Company did not pay an ordinary dividend during the period (July 2019: 1.0p). The total dividend paid was £nil (July 2019: £11.2m).

The Directors have not declared an interim dividend.

6 Earnings per share

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

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

The calculation of basic and diluted EPS is as follows:

	Unaudited 6m to Jul 2020	Unaudited 6m to Jul 2019	12m to Jan 2020
	£'m	£'m	£'m
(Loss)/profit attributable to ordinary equity holders	(57.1)	45.8	(312.8)
Weighted average number of ordinary shares	'm	'm	'm
Shares in issue at 1 February	1,119.4	1,119.1	1,119.1
IPO share options exercised	-	0.1	0.2
LTIP share options exercised	-	0.1	0.1
Weighted average number for Basic EPS	1,119.4	1,119.3	1,119.4
Dilutive options			
IPO share options not yet vested	-	0.3	-
LTIP/RSP share options not yet vested	-	5.0	-
Deferred bonus plan share options not yet vested	-	0.4	-
Weighted average number for Diluted EPS	1,119.4	1,125.0	1,119.4
Basic EPS	(5.1p)	4.1p	(27.9p)
Diluted EPS	**(5.1p)**	**4.1p**	(27.9p)

Notes to the condensed consolidated financial statements (continued)

7 Business combinations

(a) Acquisitions

The Group made no acquisitions during the six-month period ended 31 July 2020 or six-month period ended 31 July 2019.

(b) Disposals

During the year ended 31 January 2020, the Group made the decision to exit the healthcare business and initiated an active program to locate a buyer for its healthcare operation. Having met the requirements of IFRS 5, the associated assets and liabilities were consequently presented as a held for sale disposal group in the statement of financial position as at 31 January 2020. The disposal group did not meet the requirements of IFRS 5 to be classified as a discontinued operation.

On 3 March 2020 the Group reached agreement for the sale of its Country Cousins and Patricia White's branded healthcare businesses to Limerston Capital LLP for an enterprise value of £14m. Country Cousins and Patricia White's were introductory care agencies, and represented two of the three divisions comprising the Group's healthcare business. The remaining division, Saga Care at Home, was sold on 31 May 2020 to a third-party care provider, Care By Us, for a nominal sum of £1. This completed the Group's exit from the healthcare business.

Details of the sale of the healthcare business operation are as follows:

	Unaudited 6m to Jul 2020 £'m
Cash consideration received (net of transaction costs)	13.3
Carrying amount of net assets disposed	(3.0)
Gain on disposal before tax	10.3
Tax expense on gain	-
Gain on disposal after tax	10.3

The carrying amounts of assets and liabilities as at the date of disposal were:

	As at date of disposal £'m
Intangible assets	0.2
Trade receivables and other receivables	1.6
Cash and short-term deposits	1.4
Total assets	3.2
Trade and other payables	0.2
Total liabilities	0.2
Net assets	**3.0**

Notes to the condensed consolidated financial statements (continued)

7 Business combinations (continued)

(b) Disposals (continued)

The following assets and liabilities were reclassified as held for sale in relation to the healthcare business operation as at 31 January 2020:

	As at 31 Jan 2020 £'m
Intangible assets	0.3
Property, plant and equipment	0.3
Trade receivables and other receivables	1.3
Cash and short-term deposits	1.5
Total assets	3.4
Trade and other payables	0.2
Total liabilities	0.2
Net assets directly associated with disposal group	**3.2**

8 Goodwill

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

	Unaudited 6m to Jul 2020 £'m	Unaudited 6m to Jul 2019 £'m	12m to Jan 2020 (restated) £'m
Insurance, excluding Bennetts	718.6	1,088.6	718.6
Insurance, Bennetts	-	13.6	-
Travel, excluding Destinology	-	59.8	-
Cruise	-	-	44.8
Tour Operations, excluding Destinology	-	-	15.0
Travel, Destinology	-	13.0	-
	718.6	1,175.0	778.4

During the year ended 31 January 2020, the Group 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 required a re-evaluation of the determination of the Group's CGUs, and the Travel excluding Destinology CGU was subdivided into separate Cruise and Tour Operations excluding Destinology CGUs. The goodwill asset previously allocated to the Travel excluding Destinology CGU was allocated to the Cruise and Tour Operations excluding Destinology CGUs based on their relative value-in-use measurements. The carrying value of the goodwill asset allocated to each of the Cruise and Tour Operations excluding Destinology CGUs as at 31 January 2020 have been restated to £44.8m (previous reported value: £35.8m) and £15.0m (previous reported value: £24.0m) reflecting a correction to the allocation calculation.

Notes to the condensed consolidated financial statements (continued)

8 Goodwill (continued)

The Group has tested all goodwill balances for impairment at 31 July 2020. The impairment test compares the recoverable amount of the goodwill of each CGU with its carrying value, including the allocated goodwill. The goodwill associated with the Bennetts business has been transferred to assets held for sale. Please see note 18 for further details.

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projections from the Group's five-year plan to 2024/25, and after allowing for certain stress test scenarios, and applying a suitably risk-adjusted discount rate. This stress testing has included the latest view of the impact of the COVID-19 pandemic, including the impact of a potential second wave of lockdowns at the start of 2021 and the potential long-term impact that the pandemic may have on demand for packages holidays, cruises and travel insurance. Terminal values have been calculated using 2.0% (January 2020: 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 based on a market participant cost of capital. The pre-tax discount rates used for each CGU were as follows:

	Unaudited 6m to Jul 2020	Unaudited 6m to Jul 2019	12m to Jan 2020
Insurance, excluding Bennetts	9.9%	11.3%	12.6%
Insurance, Bennetts	n/a	11.6%	n/a
Travel, excluding Destinology	n/a	12.0%	n/a
Cruise	12.7%	n/a	11.3%
Tour Operations, excluding Destinology	13.0%	n/a	12.2%
Travel, Destinology	n/a	11.9%	12.2%

Based on this analysis, the Group remains comfortable that there is headroom over and above the carrying value of the goodwill asset allocated to the Insurance CGU.

For the Cruise and Tour Operations businesses, the underlying forecast cash flows have been updated for the latest impact of COVID-19, with the expectation that ocean cruise recommence in November 2020 and tour operations trading remains suspended until April 2021. In addition to this, further downside scenarios have been considered that reflect the need for a further suspension of ocean cruises between January 2021 and May 2021, with a long-term impact on demand levels for both cruises and package holidays. As a result of the continued uncertainty and adverse impact of COVID-19 on the travel industry, increases in travel industry betas and cost of debt levels, particularly in cruise, have led to a marked increase in the market-participant view of discount rates used in the calculation of recoverable amount. As a result, the Group has determined that the recoverable amounts of the goodwill allocated to the Tour Operations and Cruise CGUs are below the carrying value reported at 31 January 2020, and so the Directors have taken the decision to write-off the goodwill assets allocated to the Cruise and Tour Operations excluding Destinology CGUs in full. The Group's results therefore include a total impairment of goodwill of £59.8m (£15.0m for Tour Operations and £44.8m for Cruise).

Notes to the condensed consolidated financial statements (continued)

9 Intangible fixed assets

During the period, the Group capitalised £7.0m (July 2019: £9.0m) of software assets, disposed of assets with a net book value of £nil (July 2019: £nil) and charged £7.3m (July 2019: £9.5m) of amortisation and impairment to its intangible assets.

The Group has performed a review for indicators of impairment of the acquired contracts, brands and customer relationships at 31 July 2020, and concluded that no indicators of impairment exist at that date.

10 Property, plant and equipment

During the period, the Group capitalised assets with a cost of £7.4m (July 2019: £263.8m), disposed of assets with a net book value of £5.0m (July 2019: £7.7m) and charged £7.6m (July 2019: £13.6m) of depreciation and impairment to its property, plant and equipment. Profit arising on disposal was £6.7m (July 2019: £0.2m).

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.

During the period the Group was notified that disruption arising from COVID-19 will delay delivery of the *Spirit of Adventure*, which was due to commence operations in August 2020. The latest indication for the *Spirit of Adventure* is that she will be delivered by the end of September 2020. In addition, the Board announced on 22 June 2020 that it had secured a debt holiday and covenant waiver for the Group's Ship Facilities. The Group's lenders agreed to a deferral of £32.3m in principal payments under the Ship Facilities that were due up to 31 March 2021. Of the deferral, £11.9m relates to the *Spirit of Adventure* and is contingent on it being delivered by the end of September 2020. These deferred amounts will be paid between June 2021 and December 2024 for the Spirt of Discovery and between September 2021 and March 2025 for the *Spirit of Adventure*, and interest remains payable.

As at 31 July 2020, capital amounts contracted for but not provided in the financial statements in respect of the ships amounted to £269.5m (July 2019: £291.4m).

11 Right of use assets

During the period, the Group capitalised assets with a cost of £nil (July 2019: £15.0m), disposed of assets with a net book value of £nil (July 2019: £0.2m) and charged £2.2m (July 2019: £7.5m) of depreciation and impairment to its right of use assets. During the period the impact of modifications of lease terms was a reduction in the net book value of right of use assets of £10.1m (July 2019: £2.6m).

Notes to the condensed consolidated financial statements (continued)

12 Financial assets and financial liabilities

a) Financial assets

	Note	**Unaudited As at Jul 2020 £'m**	Unaudited As at Jul 2019 £'m	As at Jan 2020 £'m
Fair value through profit or loss				
Foreign exchange forward contracts		0.9	2.0	0.1
Fuel oil swaps		-	0.5	-
Loan funds		5.9	6.2	7.8
Money market funds	13	35.1	72.8	45.9
		41.9	**81.5**	**53.8**
Fair value through profit or loss designated in a hedging relationship				
Foreign exchange forward contracts		4.5	13.0	1.0
Fuel oil swaps		-	1.1	0.1
		4.5	**14.1**	**1.1**
Fair value through other comprehensive income				
Debt securities		256.5	262.2	274.2
		256.5	**262.2**	**274.2**
Amortised cost				
Deposits with financial institutions		44.5	49.0	49.0
		44.5	**49.0**	**49.0**
Total financial assets		**347.4**	**406.8**	**378.1**
Current		107.2	119.4	126.4
Non-current		240.2	287.4	251.7
		347.4	**406.8**	**378.1**

The Group's financial assets are analysed by Moody's rating on page 23 of the Operating and Financial Review.

Notes to the condensed consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

b) Financial liabilities

	Note	**Unaudited As at Jul 2020 £'m**	Unaudited As at Jul 2019 £'m	As at Jan 2020 £'m
Fair value through profit or loss				
Foreign exchange forward contracts		0.9	-	2.0
Fuel oil swaps		0.5	0.1	-
		1.4	**0.1**	**2.0**
Fair value through profit or loss designated in a hedging relationship				
Foreign exchange forward contracts		7.7	1.5	23.4
Fuel oil swaps		1.2	0.9	2.5
		8.9	**2.4**	**25.9**
Amortised cost				
Bond and bank loans	16	666.8	675.7	624.3
Lease liabilities		16.3	34.7	28.6
Bank overdrafts	13	3.6	3.2	9.5
		686.7	**713.6**	**662.4**
Total financial liabilities		**697.0**	**716.1**	**690.3**
Current		99.8	80.1	95.6
Non-current		597.2	636.0	594.7
		697.0	**716.1**	**690.3**

c) Fair value hierarchy

	Unaudited As at Jul 2020				Unaudited As at Jul 2019			
	Level 1 £'m	Level 2 £'m	Level 3 £'m	**Total £'m**	Level 1 £'m	Level 2 £'m	Level 3 £'m	**Total £'m**
Financial assets measured at fair value								
Foreign exchange forwards	-	5.4	-	**5.4**	-	15.0	-	**15.0**
Fuel oil swaps	-	-	-	**-**	-	1.6	-	**1.6**
Loan funds	5.9	-	-	**5.9**	6.2	-	-	**6.2**
Debt securities	256.5	-	-	**256.5**	262.2	-	-	**262.2**
Money market funds	35.1	-	-	**35.1**	72.8	-	-	**72.8**
Financial liabilities measured at fair value								
Foreign exchange forwards	-	8.6	-	8.6	-	1.5	-	1.5
Fuel oil swaps	-	1.7	-	**1.7**	-	1.0	-	**1.0**
Financial assets for which fair values are disclosed								
Deposits with institutions	-	44.5	-	**44.5**	-	49.0	-	**49.0**
Financial liabilities for which fair values are disclosed								
Bond and bank loans	-	666.8	-	**666.8**	-	675.7	-	**675.7**
Lease liabilities	-	16.3	-	**16.3**	-	34.7	-	**34.7**
Bank overdrafts	-	3.6	-	**3.6**	-	3.2	-	**3.2**

Notes to the condensed consolidated financial statements (continued)

12 Financial assets and financial liabilities (continued)

c) Fair value hierarchy (continued)

	As at Jan 2020			
	Level 1	Level 2	Level 3	**Total**
	£'m	£'m	£'m	**£'m**
Financial assets measured at fair value				
Foreign exchange forwards	-	1.1	-	**1.1**
Fuel oil swaps	-	0.1	-	**0.1**
Loan funds	7.8	-	-	**7.8**
Debt securities	274.2	-	-	**274.2**
Money market funds	45.9	-	-	**45.9**
Financial liabilities measured at fair value				
Foreign exchange forwards	-	25.4	-	**25.4**
Fuel oil swaps	-	2.5	-	**2.5**
Financial assets for which fair values are disclosed				
Deposits with institutions	-	49.0	-	**49.0**
Financial liabilities for which fair values are disclosed				
Bond and bank loans	-	624.3	-	**624.3**
Lease liabilities	-	28.6	-	**28.6**
Bank overdrafts	-	9.5	-	**9.5**

d) Other information

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

The Group operates a programme of economic hedging against its foreign currency and fuel oil exposures. During the period, the Group designated 116 foreign exchange forward currency contracts as hedges of highly probable foreign currency cash expenses in future periods and designated no fuel oil swaps as hedges of highly probable fuel oil purchases in future periods. As at 31 July 2020, the Group has designated 491 forward currency contracts and 44 fuel oil swaps as hedges.

During the period, the Group recognised net gains of £6.8m (July 2019: £11.1m) on cash flow hedging instruments through other comprehensive income into the hedging reserve. Additionally, the Group recognised net gains of £15.0m (July 2019: £13.3m) through other comprehensive income into the hedging reserve, in relation to the specific hedging instrument for the acquisition of two new ships. The overall net gains of £21.8m (July 2019: £24.4m) are offset by a net £nil loss (July 2019: £0.4m loss) on forecast transactions recognised in the financial statements. The Group recognised a £1.9m gain (July 2019 £0.1m loss) through the income statement in respect of the ineffective portion of hedges measured during the period.

During the period the Group has de-designated 248 foreign currency forward contracts, with a transaction value of £65.5m, where the cash flows forecast are no longer expected to occur. Similarly, the Group has de-designated to 25%, 8 fuel oil swaps, with a transaction value of £0.2m, where the cash flows forecast are no longer expected to occur. During the period, the Group recognised a £1.5m gain (July 2019: £1.4m gain) through the income statement in respect of matured hedges which have been recycled from other comprehensive income. The Group also recognised a £nil gain (July 2019: £32.2m gain) in property, plant and equipment, in respect of matured hedges, which have been recognised directly from the hedging reserve.

Notes to the condensed consolidated financial statements (continued)

13 Cash and cash equivalents

	Unaudited As at Jul 2020 £'m	Unaudited As at Jul 2019 £'m	As at Jan 2020 £'m
Cash at bank and in hand	78.9	93.9	73.1
Short term deposits	6.8	64.7	24.8
Cash and short-term deposits	**85.7**	**158.6**	**97.9**
Money markets funds (note 12a)	35.1	72.8	45.9
Bank overdraft (note 12b)	(3.6)	(3.2)	(9.5)
Cash held by disposal groups	13.5	-	4.8
Cash and cash equivalents in the cash flow statement	**130.7**	**228.2**	**139.1**

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 £101.9m (July 2019: £196.1m). Available cash excludes these amounts and any amounts held by disposal groups.

14 Retirement benefit schemes

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

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

	Unaudited As at Jul 2020 £'m	Unaudited As at Jul 2019 £'m	As at Jan 2020 £'m
Fair value of scheme assets	415.1	356.4	372.3
Present value of defined benefit obligation	(409.4)	(363.8)	(377.8)
Defined benefit scheme asset/(liability)	**5.7**	**(7.4)**	**(5.5)**

The present values of the defined benefit obligation at 31 January 2020, the related current service cost and any past service costs were measured using the projected unit credit method. Liabilities at 31 July 2020 have been estimated by rolling forward from 31 January 2020, allowing for changes in market conditions and estimating the value of benefits accrued and paid out over the period.

During the period ended 31 July 2020, the net liability of the Saga Scheme has decreased by £11.2m to create a total scheme asset of £5.7m. The increase in scheme assets of £42.8m has been largely driven by the fall in interest rates in the period, which in turn has led to a marked increase in the value of liability hedging assets within the portfolio. This was partially offset by the present value of defined benefit obligations of £31.6m, driven largely by a 30bps reduction in corporate bond yields, being the basis of the discount rate that is used in the IAS19 valuation of the obligations.

Notes to the condensed consolidated financial statements (continued)

15 Insurance contract liabilities and reinsurance assets

Gross and net insurance liabilities are analysed as follows:

	Unaudited As at Jul 2020 £'m	Unaudited As at Jul 2019 £'m	As at Jan 20 £'m
Gross			
Claims outstanding	330.8	375.4	338.3
Provision for unearned premiums	106.4	114.5	105.3
Total gross liabilities	437.2	489.9	443.6

	Unaudited As at Jul 2020	Unaudited As at Jul 2019	As at Jan 20
Recoverable from reinsurers			
Claims outstanding	54.5	78.0	55.2
Provision for unearned reinsurance premiums	4.5	4.2	6.9
Total reinsurers' share of insurance liabilities (as presented on the face of the condensed statement of financial position)	59.0	82.2	62.1
Amounts recoverable under funds withheld quota share agreements recognised within trade payables:			
Claims outstanding	148.0	127.0	134.0
Provision for unearned premiums	65.9	71.5	63.9
Total reinsurers' share of insurance liabilities after funds withheld quota share	272.9	280.7	260.0

	Unaudited As at Jul 2020	Unaudited As at Jul 2019	As at Jan 20
Net			
Claims outstanding	276.3	297.4	283.1
Provision for unearned premiums	101.9	110.3	98.4
Total net insurance liabilities	378.2	407.7	381.5
Amounts recoverable under funds withheld quota share agreements recognised within trade payables:			
Claims outstanding	(148.0)	(127.0)	(134.0)
Provision for unearned premiums	(65.9)	(71.5)	(63.9)
Total net insurance liabilities after funds withheld quota share	164.3	209.2	183.6

The total cost on purchasing reinsurance recognised during the period was £3.6m (July 2019: £3.5m).

Notes to the condensed consolidated financial statements (continued)

16 Loans and borrowings

	Unaudited As at Jul 2020 £'m	Unaudited As at Jul 2019 £'m	As at Jan 2020 £'m
Bond	250.0	250.0	250.0
Bank loans	140.0	160.0	140.0
Ship loan	234.8	245.0	234.8
Revolving credit facility	50.0	20.0	10.0
Accrued interest payable	4.8	3.3	3.7
	679.6	678.3	638.5
Less: deferred issue costs	(12.8)	(2.6)	(14.2)
	666.8	675.7	624.3

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 July 2020, the Group had drawn £50.0m of its £100.0m revolving credit facility and since the refinancing £60.0m of the term loan has been repaid.

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

In light of the significant impact of the COVID-19 pandemic on the business, especially Travel operations, the Group entered into discussions with lending banks to amend its bank debt in early March 2020. These discussions were concluded on 1 April 2020, with amendments to banking covenants that provide the Group with much greater financial flexibility in the event of prolonged disruption to Travel business. Under these amendments, the covenants in the bank facilities will be tested quarterly while leverage excluding Cruise is greater than 4.0x and no dividends can be paid while leverage is greater than 3.0x.

In June 2020 the Group secured a waiver of the covenants for the Group's Ship Facilities and a debt holiday for the period to 31 March 2021. Further details on this are provided in note 10.

After the end of the period, the Group announced that it is at the advanced stage of a prospective £150m equity capital raise. The equity raise is intended to improve the Group's financial position by reducing its debt, so allowing it to renegotiate banking agreements and covenants. Further details on this are provided in note 19.

During the period the Group charged £13.4m (July 2019: £7.1m) to the income statement in respect of fees and interest associated with the bond, term loan, ship loan and revolving credit facility. In addition, finance costs recognised in the income statement includes £0.4.m (July 2019: £0.7m) relating to interest and finance charges on lease liabilities. The Group recognised £1.9m of net fair value gains on derivatives (July 2019: £2.3m gains).

Notes to the condensed consolidated financial statements (continued)

17 Share-based payments

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

a) On 28 May 2020, options over 1,337,581 shares were issued under the deferred bonus plan to Executive Directors reflecting their deferred bonus in respect of 2019/20, which vest and become exercisable on the third anniversary of the grant date.

b) On 24 June 2020, options over 12,134,706 shares were issued under the Restricted Share Plan to certain Directors and other senior employees which vest and become exercisable on the third anniversary of the grant date.

The fair values of all awards are assessed using techniques based upon the "Black-Scholes" pricing model. The Group charged £1.1m during the period (July 2019: £1.1m) to the income statement in respect of equity-settled share-based payment transactions.

18 Assets held for sale

During the year ended 31 January 2020, the Group made the decision to initiate an active program to locate a buyer for its insurance biking brand, Bennetts and its healthcare business.

As at 31 January 2020, the requirements of IFRS 5 were met and accordingly Bennetts and the healthcare business were 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 to Atlanta Investment Holdings C Limited for an enterprise value of £26m. Completion was subject to receiving regulatory approval and meeting other closing conditions. The sale was completed subsequent to the end of the reporting period (note 19).

On 3 March 2020 the Group reached agreement for the sale of its Country Cousins and Patricia White's branded healthcare businesses to Limerston Capital LLP for an enterprise value of £14m. Country Cousins and Patricia White's were introductory care agencies, and represented two of the three divisions comprising the Group's healthcare business. The remaining division, Saga Care at Home, was sold on 31 May 2020 to a third-party care provider, Care By Us, for a nominal sum of £1. This completed the Group's exit from the healthcare business.

During the period ended 31 July 2020, the Group made the decision to initiate an active program to locate a buyer for its holiday business segment, Destinology. Since 31 July 2020, the planned sale of Destinology has not taken place as intended, and the Group will continue to evaluate its options for this business as part of a plan that would see it not remaining as part of the Group into the future.

As at 31 July 2020, the requirements of IFRS 5 were met and accordingly Bennetts and Destinology 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.

Notes to the condensed consolidated financial statements (continued)

18 Assets held for sale (continued)

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

	Disposal groups		
	Destinology	**Bennetts**	**Total**
	£'m	**£'m**	**£'m**
Goodwill	-	13.6	13.6
Intangible assets	-	3.2	3.2
Property, plant and equipment	-	0.1	0.1
Trade receivables and other receivables	1.3	11.3	12.6
Cash and short-term deposits	3.1	10.4	13.5
Total assets	4.4	38.6	43.0
Provisions	-	0.2	0.2
Financial liabilities	0.6	-	0.6
Contract liabilities	5.2	0.9	6.1
Trade and other payables	0.1	14.4	14.5
Total liabilities	5.9	15.5	21.4
Net assets directly associated with disposal groups	**(1.5)**	**23.1**	**21.6**

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

19 Post balance sheet events

On 7 August 2020 the disposal of Bennetts Motorcycling Services Limited ("Bennetts") to Atlanta Investment Holdings C Limited was completed following the receipt of regulatory approvals, generating net disposal proceeds of £24.2m (note 18).

On 30 August 2020 the Group announced that it is at the advanced stage of a prospective £150m equity capital raise in order to strengthen its balance sheet, improve liquidity and support the execution of its strategy plan. The prospective £150m equity raise is to be launched on 10 September 2020, structured as a Firm Placing and Open offer. The prospective equity raise is fully committed and includes a significant investment from the Group's former Chief Executive Officer and majority shareholder.

The equity raise is intended to improve the Group's financial position by reducing the term loan to £70m and repaying the drawn revolving credit facility, with the balance of proceeds raised increasing available cash. The Group has also agreed with its lending banks to extend the maturity of the remaining £70m term loan to May 2023 and has amended certain bank covenants to provide additional headroom in stress test scenarios as follows:

- Increase in the leverage ratio (excluding Cruise) covenant at 31 July 2021 from 4.25x to 4.75x and at 31 October 2021 from 4.0x to 4.5x;
- Reduction in the Group interest cover covenant at 30 April 2021 from 2.0x to 1.25x, at 31 July 2021 from 3.0x to 1.5x, at 31 October 2021 from 3.0x to 1.75x and at 31 January 2022 from 3.5x to 2.5x.

20 Related party transactions

Related party transactions during the six months ended 31 July 2020 were consistent in nature, scope and quantum with those disclosed in the Group's annual report and accounts for the year ended 31 January 2020 available at www.corporate.saga.co.uk

Principal Risks and Uncertainties

The Group is subject to a number of risks and uncertainties as part of its activities. The Board regularly considers these and seeks to ensure that appropriate processes are in place to manage, monitor and mitigate these risks. With the exception of the COVID-19 pandemic, the Directors consider that the principal risks and uncertainties facing the Group during the period under review and for the remainder of the financial period have not materially changed from those outlined on pages 32 and 33 of the annual report and accounts for the year ended 31 January 2020 available at www.corporate.saga.co.uk. The Group has in place processes to monitor and mitigate these risks.

The COVID-19 pandemic has had a significant impact on the Group's financial performance in the first six months of the financial year, especially in Travel. As the situation has evolved over the past six months, both of the Group's Tour Operating and Cruise businesses have suspended travel since March 2020, with the intention to recommence ocean cruising from November 2020 and tour operating from April 2021.

The impact of the COVID-19 situation cannot be predicted with a high level of accuracy and it is not possible to assess all possible future implications for the Group. Although the Group has a plan to address this uncertainty through the proposed capital raising and amendments to bank facilities, successful completion of these actions is conditional upon shareholder approval and cannot therefore be relied upon in relation to the going concern assessment in the current results. Accordingly, the Directors have concluded that there exists a material uncertainty in relation to going concern in the scenarios modelled. This material uncertainty may cast significant doubt on the Group's ability to continue as a going concern and to continue realising its assets and discharging its liabilities in the normal course of business.

Notwithstanding this material uncertainty, the Directors have continued to prepare the interim financial statements to 31 July 2020 on a going concern basis. This is in part due to the proposed capital raising exercise, which if completed successfully, would lead to the removal of the going concern uncertainty. However, even in the event that this was not successful, the Group would still expect to trade through the current period of uncertainty with time to execute alternative actions in the next six months, during which period the Group would remain in compliance with covenants and with sufficient available liquidity to support the business.

Further details on this are provided in notes 2.1 and 2.6.

Responsibility Statement

We confirm that to the best of our knowledge:

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

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

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

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

On behalf of the Board

E A Sutherland
Group Chief Executive Officer
9 September 2020

J B Quin
Group Chief Financial Officer
9 September 2020

INDEPENDENT REVIEW REPORT TO SAGA PLC

Conclusion

We have been engaged by the company to review the condensed set of interim financial statements in the half-yearly financial report for the six months ended 31 July 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Material uncertainty related to going concern

We draw attention to the basis of preparation in note 2.6 to the interim financial statements which indicates that there is a material uncertainty relating to the Group's ability to continue as a going concern. As set out in note 2.6, while Saga plc expects to remain in compliance with its banking covenants through January 2021, given the potential ongoing impact from COVID-19 into next year, the ability of the Group to continue as a going concern beyond this date is dependent on further mitigating actions. The Board's going concern assessment and conclusion is predicated on being able to successfully execute such mitigating actions and as is set out in note 2.6, the Group is at an advanced stage with a Firm Placing and Open Offer to raise additional equity capital and the renegotiation of certain terms attaching to the Group's bank facilities. The agreement of revised terms attaching to the Group's bank facilities being conditional on the equity raise being successful, a shareholder vote being required in order to raise additional capital through this Firm Placing and Open Offer, and the underwriting agreement being subject to certain specific, albeit customary, conditions are all factors that are outside the control of the Group. These events and conditions give rise to a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

Scope of review

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

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

INDEPENDENT REVIEW REPORT TO SAGA PLC (continued)

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2.1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of interim financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

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

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

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

9 September 2020

Alternative Performance Measures Glossary

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

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

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

Underlying Profit Before Tax

Underlying Profit Before Tax represents profit/(loss) before tax excluding unrealised fair value gains and losses on derivatives, the net profit on disposal of businesses and ships, impairment of the carrying value of fixed assets including goodwill, the impact of the insolvency of Thomas Cook, and restructuring costs. It is reconciled to statutory profit/(loss) before tax within the Operating and Financial Review on page 10.

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

Trading EBITDA / Adjusted Trading EBITDA

Trading EBITDA is defined as earnings before interest payable, tax, depreciation and amortisation, and excludes the amortisation of acquired intangibles, non-trading costs and impairments. Adjusted Trading EBITDA also excludes the impact of IFRS 16 and the Trading EBITDA relating to the two new cruise ships, the *Spirit of Discovery* and *Spirit of Adventure* in line with the Group's debt covenants. It is reconciled to Underlying Profit/(loss) Before Tax within the Operating and Financial Review on page 20. Underlying Profit/(loss) Before Tax is reconciled to statutory profit/(loss) before tax within the Operating and Financial Review on page 10.

This measure is linked to the Group's debt covenants, being the denominator in the Group's leverage ratio calculation.

Underlying basic earnings per share

Underlying basic earnings per share represents basic earnings per share excluding the post-tax effect of unrealised fair value gains and losses on derivatives, the profit on disposal of businesses and ships, the impairment of the carrying value of fixed assets including goodwill, the impact of the insolvency of Thomas Cook, and restructuring costs.

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

Available cash

Available cash represents cash held by subsidiaries within the Group that is not subject to regulatory restrictions, net of any overdrafts held by those subsidiaries. This measure is reconciled to the statutory measure of cash in note 13 to the accounts on page 52.

Alternative Performance Measures Glossary (continued)

Available operating cash flow

Available operating cash flow is net cashflow from operating activities after capital expenditure but before tax, interest paid, restructuring costs, proceeds from disposal of businesses and other non-trading items, which is available to be used by the Group as it chooses and is not subject to regulatory restriction. It is reconciled to statutory net cash flow from operating activities within the Operating and Financial Review on page 20.

Adjusted Net debt

Adjusted net debt is the sum of the carrying values of the Group's debt facilities less the amount of available cash it holds but excludes the ship debt and the cruise business available cash. It is linked to the Group's debt covenants, being the numerator in the Group's leverage ratio calculation, and is analysed further within the Operating and Financial Review on page 24.